



NEWS RELEASE

FOR IMMEDIATE RELEASE

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ALABAMA AIRCRAFT INDUSTRIES, INC. REPORTS FIRST QUARTER 2009 FINANCIAL RESULTS

BIRMINGHAM, AL (May 20, 2009) – Alabama Aircraft Industries, Inc. (Pink Sheets: AAIL), a leading provider of aircraft maintenance and modification services to military customers, today announced the operating results of its first quarter ended March 31, 2009. Net income for the first quarter of 2009 was \$0.6 million (\$0.15 per share) compared to net income for the first quarter of 2008 of \$0.8 million (\$0.20 per share). Revenue from continuing operations for the first quarter of 2009 was \$15.7 million versus revenue of \$19.6 million in the first quarter of 2008, a decrease of 19.9%. Income from continuing operations for the first quarter of 2009 was \$0.8 million compared to income from continuing operations of \$1.3 million for the first quarter of 2008.

Ronald Aramini, Alabama Aircraft's President and Chief Executive Officer, stated "We are pleased to report net income for the first quarter of 2009. Revenue decreased in the first quarter of 2009 versus the first quarter of 2008 due to the low volume of aircraft inductions during the second quarter of 2008. Since the second quarter of 2008, inductions of KC-135 aircraft have been consistent and inductions of P-3 and C-130 aircraft have increased strengthening the Company's backlog. We delivered one P-3 aircraft in April ahead of schedule and we expect the induction of additional P-3 aircraft in the second and third quarters of 2009. The Company has been awarded new U.S. Government contracts in 2009 and expects further contract awards later during the year. The additional volume of aircraft and our focus on improved execution of our contracts enabled us to produce positive EBITDA in the first quarter of 2009."

Mr. Aramini further stated "As previously reported we are extremely pleased with the jury's verdict in our case against General Electric Capital Aviation Services ("GECAS") which awarded AAIL compensatory damages and punitive damages: in an aggregate amount of approximately \$8.5 million before interest. As a result of the jury verdict, we reversed an allowance for doubtful accounts of \$1.4 million in the first quarter of 2009. There have been no recent developments in the KC-135 re-competition. We continue to believe that the appeal of the Court of Federal Claims (the "Court") ruling by the U.S. Air Force and Boeing will be resolved in late 2009 or early 2010. We firmly believe the Court's ruling was correct and that the ruling will not be overturned."

First Quarter 2009 vs. 2008 Results

Summary of comparative results for the first quarter ended March 31, 2009:
(Dollars in Millions)

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenue from continuing operations	\$ 15.67	\$ 19.61	(20.1%)
Gross profit	1.74	4.58	(62.0%)
Operating income from continuing operations	1.04	1.70	(38.8%)
Income from continuing operations before taxes	0.78	1.50	(48.0%)
Income from continuing operations	0.76	1.32	(42.4%)
Net income	0.63	0.83	(24.1%)
EBITDA* from continuing operations	1.43	2.19	(34.7%)

- * A description of the Company's use of non-GAAP information is provided below under "Use of Non-GAAP Financial Measures." A reconciliation of the income (loss) from continuing operations to EBITDA from continuing operations is provided at the end of this press release. The Company defines "operating income (loss) from continuing operations", as shown in the above table, as revenue from continuing operations less cost of revenue, less selling, general and administrative ("SG&A) expenses.

First quarter 2009 revenue decreased \$3.9 million from the first quarter of 2008. Revenue from the KC-135 Program Depot Maintenance ("PDM") program decreased \$2.3 million during the first quarter of 2009 versus the first quarter of 2008. The KC-135 program, which accounted for 88% of revenue in the first quarter of 2009 and 82% of revenue in the first quarter of 2008, allows for the Company to provide services on PDM aircraft, drop-in aircraft, and other aircraft related areas. During the first quarter of 2009, the Company delivered three PDM aircraft compared to four PDM aircraft during first quarter of 2008. Revenue decreased on the KC-135 program in the first quarter of 2009 versus the first quarter of 2008 due to a decrease in the contractual price for each aircraft delivered and one less delivery. The Company did not deliver a P-3 aircraft in the first quarter of 2009 versus one P-3 aircraft delivery in the first quarter of 2008 resulting in a decrease in P-3 revenue of \$0.9 million. The Company has been successful in pursuing additional contracts to perform maintenance services on P-3 aircraft and will see deliveries starting in the second quarter. Revenue decreased \$1.3 million under contracts to perform non-routine maintenance work on other aircraft, primarily USAF C-130 aircraft. During the first quarter 2009, the Company was awarded a contract for de-paint services on USAF C-130 aircraft which resulted in an increase in revenue of \$0.6 million in first quarter 2009 as compared to first quarter 2008.

Gross profit decreased from \$4.6 million to \$1.7 million during the first quarter of 2009 compared to the first quarter of 2008. Gross profit on KC-135 revenue decreased \$2.4 million due to one fewer deliver and a decrease in the price per KC-135 aircraft. Gross profit on the P-3 program decreased \$0.2 million in the first quarter of 2009 as compared to the first quarter of 2008 due to no deliveries in the first quarter of 2009.

Selling, general and administrative (“SG&A”) expenses decreased \$0.8 million during the first quarter of 2009 and compared to the first quarter of 2008 due to a decrease in revenue. SG&A expenses were 13.2% of revenue in the first quarter of 2009 as compared to 14.7% in the first quarter of 2008. During the first quarter of 2009, the Company reversed an allowance for doubtful accounts of \$1.4 million due to positive developments in the GECAS case described above. During the first quarter of 2008, the Company forgave a related party receivable and accrued interest of \$0.5 million.

Total interest expense increased \$57,000 in the first quarter of 2009 as compared to the first quarter of 2008. The increase in interest expense is due to the amortization of a \$400,000 debt extension fee paid in the first quarter of 2009.

****Use of Non-GAAP Financial Measures***

EBITDA from continuing operations is defined as earnings from continuing operations before interest, taxes, depreciation and amortization. The Company presents EBITDA because its management uses the measure to evaluate the Company's performance and to allocate resources. In addition, EBITDA has been used as one of the components to calculate the Company's debt covenants. The Company believes EBITDA is also a measure of performance used by some commercial banks, investment banks, investors, analysts and others to make informed investment decisions. EBITDA is an indicator of cash generated to service debt and fund capital expenditures. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered as a substitute for or superior to other measures of financial performance reported in accordance with GAAP. EBITDA as presented herein may not be comparable to similarly titled measures reported by other companies. See the reconciliation of income (loss) from continuing operations to EBITDA from continuing operations at the end of this release.

About Alabama Aircraft Industries

Alabama Aircraft Industries, Inc., located in Birmingham, Alabama, performs maintenance and modification of aircraft for the U.S. Government and military customers. The Company also provides aircraft parts and support and engineering services.

Forward-Looking Statements

Certain statements in this release may constitute “forward-looking statements” about the plans, objectives, expectations and intentions of Alabama Aircraft Industries, Inc. (the “Company”). The words “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will,” “should,” “could” and similar expressions identify forward-looking statements. Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements. These forward-looking statements specifically include, but are not limited to, statements about the Company's delisting from The Nasdaq Stock Market LLC, operational challenges in achieving strategic objectives and executing the Company's plans, the risk that markets do not evolve as anticipated, the potential impact of the general economic slowdown, competition in the industry, award or loss of contracts, estimates of backlog, the outcome of

pending or future litigation and the costs of defending such litigation, regulatory changes that adversely affect the Company's business, loss of key personnel and other factors discussed in the Company's publicly available statements and periodic reports, which are available at pinksheets.com. The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date on which they are made. The Company does not undertake any obligation to update or revise any forward-looking statements because of new information, future events or otherwise and is not responsible for changes made to this release by wire or Internet services.

ALABAMA AIRCRAFT INDUSTRIES, INC.*(In thousands except per share information)*

	First Quarter Ended March 31	
	2009	2008
Revenue	\$ 15,667	\$ 19,611
Cost of revenue	13,925	15,029
Gross profit	1,742	4,582
Selling, general and administrative expenses	2,073	2,885
Provision for (reversal of) doubtful accounts	(1,372)	-
Operating income	1,041	1,697
Interest expense	258	201
Income from continuing operations before taxes	783	1,496
Income tax expense	27	174
Income from continuing operations	756	1,322
Income from discontinued operations, net of tax	78	(488)
Loss on sale of discontinued operations, net of tax	(202)	-
Net income	<u>\$ 632</u>	<u>\$ 834</u>
Weighted Average Common Shares Outstanding:		
Basic	<u>4,129</u>	<u>4,129</u>
Diluted	<u>4,129</u>	<u>4,129</u>
Net Income Per Common Share:		
Basic income from continuing operations	<u>\$ 0.18</u>	<u>\$ 0.32</u>
Basic loss from discontinued operations	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>
Basic net income per share	<u>\$ 0.15</u>	<u>\$ 0.20</u>
Diluted income from continuing operations	<u>\$ 0.18</u>	<u>\$ 0.32</u>
Diluted loss from discontinued operations	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>
Diluted net income per share	<u>\$ 0.15</u>	<u>\$ 0.20</u>
<u>EBITDA Reconciliation*</u>		
Income from continuing operations	\$ 756	\$ 1,322
Interest expense	258	201
Income tax expense	27	174
Depreciation and amortization	378	505
EBITDA from continuing operations	<u>\$ 1,419</u>	<u>\$ 2,202</u>

*See note above on Use of Non-GAAP Financial Measures.