

For Immediate Release

ALABAMA AIRCRAFT ANNOUNCES NEW BUSINESS AWARDS

BIRMINGHAM, AL (September 29, 2008) – Alabama Aircraft Industries, Inc. (AAII) announced today that its subsidiary, AAII - Birmingham has recently been awarded several new contracts. On September 23, the company was awarded a 5-year contract to manufacture Air Traffic Console (ATC) assemblies to be utilized in support of the Navy's AN/TPX-42A Shipboard Air Traffic Control (SATC) installation aboard CV, CVN, LHA and LHD class ships. In addition, on September 24, AAII-Birmingham was awarded a BAE C-130 depaint contract through the Flexible Acquisition Sustainment (FAST) program for 12 aircraft. This contract will support OO-ALC's C-130 PDM contract. Finally, Defense Supply Center Richmond (DSCR) awarded AAII a contract to manufacture certain C-130 structural components. This contract runs through September 2013.

Ron Aramini, President and Chief Executive Officer of Alabama Aircraft Industries, Inc. said, "We are very pleased to announce the new work being brought into our Birmingham facility. The depaint contract with BAE is a result of our new status as a small business. Our capabilities as a large business, but true classification as a small business makes us unique in the industry and we look forward to being a provider of choice in that regard. The Navy and DLA work are a very exciting diversification move for us. We are also in the process of negotiating additional P3 maintenance work with several major suppliers. Our facilities and skill level provide enormous capability to support all types of work for the military. We look forward to expanding our business base going forward."

Alabama Aircraft Industries, Inc. (AAII), with executive offices in Birmingham, Alabama, and facilities in Alabama, and California, performs maintenance and modification of aircraft for the U.S. Government. The company also provides aircraft parts and support and engineering services and full service overhaul and repair for a wide range of aircraft. AAII also develops and manufactures rocket vehicles and control systems, and precision components for the aviation industry.

This press release contains forward-looking statements made in reliance on the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by their use of words, such as "believe," "expect," "intend," "anticipate," "estimate" and other words and terms of similar meaning, in connection with any discussion of the Company's prospects, financial statements, business, financial condition, revenues, results of operations or liquidity. Factors that could affect the Company's forward-looking statements include, among other things: changes in global or domestic economic conditions; the loss of one or more of the Company's major customers; the Company's ability to obtain additional contracts and perform under

existing contracts; the outcome of pending and future litigation and the costs of defending such litigation; financial difficulties experienced by the Company's customers; potential environmental and other liabilities; the inability of the Company to obtain additional financing; material weaknesses in the Company's internal control over financial reporting; regulatory changes that adversely affect the Company's business; loss of key personnel; and other risks detailed from time to time in the Company's SEC reports, including its most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. 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 and is not responsible for changes made to this release by wire services or Internet services.

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