

## **FAVS POSTS THIRD QUARTER NET INCOME \$.01 EPS, RECORD SALES**

WESTPORT, CONNECTICUT, December 14, 2005 – First Aviation Services Inc. (NASDAQ: FAVS), one of the leading providers of supply chain services to the aerospace industry worldwide, today announced its third consecutive quarter of profitability and record net sales for the three and nine months ended October 31, 2005. For the three and nine months' periods, net sales of \$33.6 million and \$98.3 million increased 4.9% and 5.3%, respectively over sales reported in the prior year. Revenues increased for the ninth consecutive quarter over the comparable prior year periods.

Income (loss) from operations was \$114,000 and \$334,000 for the three and nine months ended October 31, 2005 compared to losses of (\$195,000) and (\$1,338,000) for the prior year periods. Income from operations for the nine months ended October 31, 2005, does not include non-operating items such as \$417,000 (pre-tax) of non-operating earnings, among other items, from a settlement on a contract dispute.

Net income was \$90,000 or \$0.01 per share for the three months ended October 31, 2005 versus a loss of (\$130,000) or (\$0.02) per share in the prior year quarter. For the nine months ended October 31, 2005, earnings of \$674,000 or \$0.09 per share compared with a loss of (\$1,374,000) or (\$0.19) per share in the prior year period. Assets at October 31, 2005 totaled \$74.4 million including \$12.9 million of cash.

Selling, general and administrative expense of \$5.0 million and \$14.8 million in the current year quarter and nine month periods, respectively, was essentially on par with the prior year three and nine month periods ended October 31, 2004. Selling, general and administrative expense as a percentage of sales decreased to 14.8% in the quarter ended October 31, 2005, versus 15.4% in the third quarter of 2004, and 15.0% in the nine months ended October 31, 2005 versus 15.7% in the prior year. Corporate expenses for the quarter and nine months decreased by 7.5% and 26.6%, respectively due to reductions in the first six months in legal fees related to corporate governance regulations, the absence of a proxy contest by a dissident shareholder, and savings in the nine months ended October 31, 2005 resulting from the termination of an advisory agreement by First Equity Development, an affiliate of the Company and its majority shareholder.

Mr. Michael Culver, President and CEO of First Aviation, said: "In addition to sustained profitability and revenue growth, the big news in the third quarter was API's entrance into the Beechcraft parts and distribution market on a long term basis, and the successful cutover to SAP at one of API's business units. First Aviation continues to expand its supply chain management services to manufacturers and aircraft operators of some of the most widely used commercial and general aviation aircraft in the world."

*First Aviation, located in Westport, Connecticut and its principal operating subsidiary, Aerospace Products International Inc. ("API"), based in Memphis, Tennessee, is one of the leading providers of services to the aviation industry worldwide. The services the Company provides the aviation industry*

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*include the sale of aircraft parts and components, the provision of supply chain management services, overhaul and repair services for brakes and starter/generators, and the assembly of custom hoses. With locations in the U.S., Canada and Asia Pacific, plus partners throughout the world, API continues to be one of the leading providers of aviation products, supply chain management services and technology solutions in the industry.*

*More information about First Aviation can be found on the World Wide Web at <http://www.favs.com> and <http://www.apiparts.com>.*

### *Forward-Looking Statements*

*Certain statements discussed in this release constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical facts, but rather reflect the Company's current expectations concerning future events and results. Such forward-looking statements, including those concerning the Company's expectations, involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control, that may cause the Company's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, at a minimum, the Company's ability to obtain parts and components from its principal suppliers on a timely basis, depressed domestic and international market and economic conditions, especially those currently facing the aviation industry as a whole, the impact of changes in fuel and other freight related costs, relationships with its customers, the ability of the Company's customers to meet their financial obligations to the Company, the ability to obtain and service supply chain management contracts, changes in regulations or accounting standards, the ability to consummate suitable acquisitions and expand, the loss of the use of facilities and distribution hub in Memphis, significant failure of our computer systems or networks, efforts to comply with section 404 of the Sarbanes-Oxley Act of 2002, and other items that are beyond the Company's control and may cause actual results to differ from management's expectations. In addition, specific consideration should be given to the various factors described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", and elsewhere in the Company's Annual Report on Form 10-K for the year ended January 31, 2005, and the various factors described in this release. The Company undertakes no obligation to update any forward-looking statements or cautionary factors.*

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**First Aviation Services Inc.**  
Consolidated Condensed Statements of Operations  
(in thousands, except share and per share amounts)

	<b>Three months ended</b>	
	<b>October 31,</b>	
	<b>2005</b>	<b>2004</b>
Net sales	\$ 33,611	\$ 32,050
Cost of sales	<u>27,969</u>	<u>26,698</u>
Gross profit	5,642	5,352
Selling, general and administrative expenses	4,971	4,945
Corporate expenses	<u>557</u>	<u>602</u>
Income (loss) from operations	114	(195)
Net interest income (expense) and other	5	148
Minority interest in subsidiary	<u>-</u>	<u>(10)</u>
Income (loss) before income taxes	119	(57)
Provision for income taxes	<u>(29)</u>	<u>(73)</u>
Net income (loss)	<u><u>\$ 90</u></u>	<u><u>\$ (130)</u></u>
<i>Basic net income (loss) per share, and net income (loss)</i> <i>per share - assuming dilution:</i>		
Basic net income (loss) per share, and net income (loss) per share - assuming dilution	<u><u>\$ 0.01</u></u>	<u><u>\$ (0.02)</u></u>
Weighted average shares outstanding - basic	<u><u>7,341,451</u></u>	<u><u>7,304,914</u></u>
Weighted average shares outstanding - assuming dilution	<u><u>7,343,852</u></u>	<u><u>7,304,914</u></u>

**First Aviation Services Inc.**  
Consolidated Condensed Statements of Operations  
(in thousands, except share and per share amounts)

	Nine months ended October 31,	
	2005	2004
Net sales	\$ 98,297	\$ 93,337
Cost of sales	81,459	77,604
Gross profit	16,838	15,733
Selling, general and administrative expenses	14,760	14,694
Corporate expenses	1,744	2,377
Income (loss) from operations	334	(1,338)
Net interest income (expense) and other	4	102
Other income	417	-
Minority interest in subsidiary	(10)	(31)
Income (loss) before income taxes	745	(1,267)
Provision for income taxes	(71)	(107)
Net income (loss)	\$ 674	\$ (1,374)
<i>Basic net income (loss) per share, and net income (loss) per share - assuming dilution:</i>		
Basic net income (loss) per share, and net income (loss) per share - assuming dilution	\$ 0.09	\$ (0.19)
Weighted average shares outstanding - basic	7,333,249	7,297,732
Weighted average shares outstanding - assuming dilution	7,337,331	7,297,732

**First Aviation Services Inc.**  
Consolidated Condensed Balance Sheets  
(in thousands, except share amounts)

	<b>October 31, 2005</b>	<b>January 31, 2005</b>
	<u>(unaudited)</u>	<u>*</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 12,937	\$ 22,584
Trade receivables, net of allowance for doubtful accounts of \$576 and \$806, respectively	18,295	14,563
Inventory, net of allowance for slow moving and obsolete inventory of \$1,767 and \$1,656, respectively	37,804	24,156
Prepaid expenses and other	<u>1,008</u>	<u>900</u>
Total current assets	<b>70,044</b>	62,203
Plant and equipment, net	<u>4,389</u>	<u>2,996</u>
Total Assets	<b><u>\$ 74,433</u></b>	<b><u>\$ 65,199</u></b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 15,427	\$ 10,495
Accrued compensation and related expenses	1,378	1,205
Other accrued liabilities	1,912	2,424
Notes payable	2,218	-
Income taxes payable	<u>1,033</u>	<u>900</u>
Total current liabilities	<b>21,968</b>	15,024
Revolving line of credit	14,500	14,500
Notes payable, less current portion	1,935	-
Minority interest in subsidiary	<u>-</u>	<u>1,041</u>
Total liabilities	<b>38,403</b>	30,565
Stockholders' equity:		
Common stock, \$0.01 par value, 25,000,000 shares authorized, 9,135,699 shares issued	91	91
Additional paid-in capital	38,813	38,318
Retained earnings	5,999	5,325
Accumulated other comprehensive income	<u>457</u>	<u>374</u>
	<b>45,360</b>	44,108
Less: Treasury stock, at cost, 1,789,631 and 1,814,191 shares, respectively	<u>(9,330)</u>	<u>(9,474)</u>
Total stockholders' equity	<b><u>36,030</u></b>	<b><u>34,634</u></b>
Total liabilities and stockholders' equity	<b><u>\$ 74,433</u></b>	<b><u>\$ 65,199</u></b>

\* Balances were derived from the audited balance sheet as of January 31, 2005.

**First Aviation Services Inc.**  
Consolidated Condensed Statement of Cash Flows  
(in thousands)

	<b>Nine months ended October 31,</b>	
	<b>2005</b>	<b>2004</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 674	\$ (1,374)
Adjustments to reconcile net loss to net cash from operating activities - non-cash charges:		
Depreciation and amortization	860	676
Compensation paid through issuance of stock	99	117
(Increase) decrease in current assets:		
Trade receivables	(3,651)	(3,451)
Inventory	(9,441)	1,054
Prepaid and other	(107)	425
Increase (decrease) in current liabilities:		
Accounts payable	4,920	2,876
Accrued compensation and related expenses, and other accrued liabilities	(404)	69
Income taxes payable	132	(27)
Net cash provided by (used in) operating activities	<u>(6,918)</u>	365
<b>Cash flows from investing activities</b>		
Purchases of plant and equipment	(2,247)	(579)
Proceeds from disposals of plant and equipment	-	3
Net cash used in investing activities	<u>(2,247)</u>	(576)
<b>Cash flows from financing activities</b>		
Borrowings on revolving line of credit	41,500	41,650
Repayments on revolving line of credit	(41,500)	(41,650)
Repurchase of preferred stock of subsidiary	(500)	-
Net cash provided by financing activities	<u>(500)</u>	-
Net decrease in cash and cash equivalents	(9,665)	(211)
Effect of exchange rates on cash	18	103
Cash and cash equivalents at beginning of period	<u>22,584</u>	25,144
Cash and cash equivalents at end of period	<u>\$ 12,937</u>	<u>\$ 25,036</u>
<b>Supplemental cash flow disclosures:</b>		
Interest paid	\$ 72	\$ 30
Income taxes paid	\$ 12	\$ 65