

## **FAVS ANNOUNCES Q2 LOSS, PROJECTS SIGNIFICANTLY IMPROVED Q3 RESULTS**

WESTPORT, CONNECTICUT, September 15, 2006 – First Aviation Services Inc. (NASDAQ: FAVS), a leading provider of supply chain services to the aerospace industry worldwide, announces a net loss for the three months ended July 31, 2006, of (\$1,906,000) or (\$0.26) per share compared with net income of \$432,000 or \$0.06 per share for the comparable prior year's quarter. The Company anticipates a significant improvement in results for the third quarter based upon current operating metrics.

Mr. Michael Culver, President and CEO of First Aviation, said: "The results this quarter were driven primarily by the residual effects of the implementation of the Company's SAP enterprise system. These issues have been addressed by our management team and significant progress has been made. We believe the implementation in record time of the state-of-the-art enterprise system, although expensive, will bring efficiencies to the Company and increased value added capabilities to our customers. The Company is committed to remaining a technological leader in aerospace aftermarket distribution and supply chain management."

On a comparative basis, the net loss for the six months ended July 31, 2006, of (\$2,172,000) or (\$0.30) per share compares with net income of \$584,000 or \$0.08 per share in the prior year six month period. The net loss for the three and six months ended July 31, 2006 included a one-time \$250,000 lease termination penalty as the company prepares to consolidate its domestic warehouse facilities in a more efficient, cost-effective space by year-end.

Net sales of \$29.7 million for the quarter, represents a decline of 9.3% from the \$32.7 million reported in the prior year three month period. Net sales for the six months ended July 31, 2006 of \$58.9 million decreased 8.9% versus \$64.7 million in the prior year period. The decrease was due to weakening markets in certain customer sectors and the implementation of the new ERP system.

*First Aviation, located in Westport, Connecticut and its principal operating subsidiary, Aerospace Products International Inc. ("API"), based in Memphis, Tennessee, is a leading provider of services to the aviation industry worldwide. The services the Company provides the aviation industry 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, Europe and Asia Pacific, plus partners throughout the world, API continues to be a leading provider 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.apeworldwide.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, 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, including terrorism and terrorism related impacts, the impact of changes in fuel and other freight related costs, major adverse weather related effects such as hurricanes impacting our customer base, 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 1A, "Risk Factors", 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, 2006, and the various factors described in this release. The Company undertakes no obligation to update any forward-looking statements or cautionary factors except as required by law.*

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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>July 31,</b>	
	<b>2006</b>	<b>2005</b>
Net sales	\$ 29,665	\$ 32,706
Cost of sales	<u>24,686</u>	<u>27,164</u>
Gross profit	4,979	5,542
Selling, general and administrative expenses	5,898	4,928
Corporate expenses	<u>607</u>	<u>583</u>
Income (loss) from operations	(1,526)	31
Net interest income (expense) and other	(303)	36
Other income	<u>-</u>	<u>417</u>
Income (loss) before income taxes	(1,829)	484
Provision for income taxes	<u>(77)</u>	<u>(52)</u>
Net income (loss)	<u><u>\$ (1,906)</u></u>	<u><u>\$ 432</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>\$ (0.26)</u></u>	<u><u>\$ 0.06</u></u>
Weighted average shares outstanding - basic	<u><u>7,358,576</u></u>	<u><u>7,333,457</u></u>
Weighted average shares outstanding - assuming dilution	<u><u>7,358,576</u></u>	<u><u>7,337,753</u></u>

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

	Six months ended July 31,	
	2006	2005
Net sales	\$ 58,907	\$ 64,687
Cost of sales	48,201	53,491
Gross profit	10,706	11,196
Selling, general and administrative expenses	10,943	9,788
Corporate expenses	1,226	1,187
Income (loss) from operations	(1,463)	221
Net interest income (expense) and other	(605)	(2)
Minority interest in subsidiary	-	(10)
Other income	-	417
Income (loss) before income taxes	(2,068)	626
Provision for income taxes	(104)	(42)
Net income (loss)	\$ (2,172)	\$ 584
<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	\$ (0.30)	\$ 0.08
Weighted average shares outstanding - basic	7,355,957	7,329,077
Weighted average shares outstanding - assuming dilution	7,355,957	7,333,590

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

	<b>July 31, 2006</b>	<b>January 31, 2006</b>
	<u>(unaudited)</u>	<u>*</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,489	\$ 9,488
Trade receivables, net of allowance for doubtful accounts of \$832 and \$596, respectively	19,584	18,737
Inventory, net of allowance for slow moving and obsolete inventory of \$1,664 and \$1,709, respectively	38,818	38,809
Prepaid expenses and other	<u>1,022</u>	<u>1,351</u>
Total current assets	<b>62,913</b>	68,385
Plant and equipment, net	<u>5,251</u>	<u>4,963</u>
Total Assets	<b><u>\$ 68,164</u></b>	<b><u>\$ 73,348</u></b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 13,214	\$ 15,441
Accrued compensation and related expenses	1,464	1,823
Other accrued liabilities	1,909	1,750
Notes payable	385	1,125
Income taxes payable	<u>1,027</u>	<u>1,012</u>
Total current liabilities	<b>17,999</b>	21,151
Revolving line of credit	14,500	14,500
Notes payable, less current portion	<u>1,222</u>	<u>1,245</u>
Total liabilities	<b>33,721</b>	36,896
Stockholders' equity:		
Common stock, \$0.01 par value, 25,000,000 shares authorized, 9,135,699 shares issued	91	91
Additional paid-in capital	38,803	38,799
Retained earnings	4,177	6,349
Accumulated other comprehensive income	<u>591</u>	<u>500</u>
	<b>43,662</b>	45,739
Less: Treasury stock, at cost, 1,770,662 and 1,782,449 shares, respectively	<u>(9,219)</u>	<u>(9,287)</u>
Total stockholders' equity	<b><u>34,443</u></b>	<b><u>36,452</u></b>
Total liabilities and stockholders' equity	<b><u>\$ 68,164</u></b>	<b><u>\$ 73,348</u></b>

\* Balances were derived from the audited balance sheet as of January 31, 2006.