

**FIRST AVIATION ANNOUNCES SALES GROWTH OF 23% FOR THE SECOND  
QUARTER AND RECORD SALES FOR THE THREE AND SIX MONTHS ENDED  
JULY 31, 2004**

WESTPORT, CONNECTICUT, September 14, 2004 – First Aviation Services Inc. (NASDAQ: FAVS), a leading provider of supply chain services to the aerospace industry worldwide, today announced record net sales for the three months and six months ended July 31, 2004, of \$31.1 million, increasing by 22.9% over the prior year quarter, and \$61.3 million, increasing by 20.5% over the first half of the prior year, respectively. A net loss of \$(833,000) or \$(0.11) per share was incurred for the quarter ended July 31, 2004, versus a net loss of \$(220,000) or \$(0.03) per share in the quarter ended July 31, 2003. For the six months ended July 31, 2004, a net loss was recorded of \$(1,243,000) or \$(0.17) per share, versus a net loss of \$(99,000) or \$(0.01) per share for the same period ended July 31, 2003.

Mr. Michael Culver, President and CEO of First Aviation, said: “We are very pleased with the sales growth in the quarter of 22.9% over the prior year, especially with our airline customers, despite the turbulence in the industry and our tight credit policies. Achieving profitability is our main goal after making investments in customer relations, changes in management and adjustments to our working capital account reserves.”

Selling, general and administrative expense increased 10.1% to \$4.8 million in the current quarter from \$4.3 million in the prior year quarter. For the six months, selling, general and administrative expense increased 13.5% or \$1.2 million, to \$9.7 million in the current year from \$8.6 million in the prior year. Increases were due to the settlement of a lawsuit, and costs related to the increase in sales, including more sales personnel, higher sales commissions, and travel increases. Other items contributing to the increase were legal costs for ongoing litigation, and employee recruitment and relocation expenses, offset by reductions in other expense categories.

Corporate expenses increased by \$97,000 to \$845,000 in the quarter ended July 31, 2004, and for the six months ended July 31, 2004, increased \$537,000 to \$1.8 million from \$1.2 million in the prior year period. The Company estimates that it spent approximately a quarter of a million dollars on costs associated with a proxy contest and a proposal by a dissident shareholder.

Mr. Aaron Hollander, Chairman of First Aviation, said, “The strong sales growth combined with a solid balance sheet positions us well in the marketplace.”

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 supply chain solutions to the aviation industry worldwide. The services the Company provides the aviation industry include the supply 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. The Company has locations in the U.S., Canada and Asia Pacific, plus partners throughout the world.

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, and other items that are beyond the Company’s control 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” in the Company’s Annual Report on Form 10-K for the year ended January 31, 2004, and the various factors described in this release. The Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in our expectations or any change in events, conditions, or circumstances on which the forward-looking statement is based.*

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(See attached financial information)

**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>2004</b>	<b>2003</b>
	<b>(unaudited)</b>	
Net sales	\$ 31,072	\$ 25,278
Cost of sales	<u>26,303</u>	<u>20,471</u>
Gross profit	4,769	4,807
Selling, general and administrative expenses	4,759	4,323
Corporate expenses	<u>845</u>	<u>748</u>
Loss from operations	(835)	(264)
Net interest income (expense) and other	36	(1)
Minority interest in subsidiary	<u>(11)</u>	<u>(10)</u>
Loss before income taxes	(810)	(275)
Benefit (provision) for income taxes	<u>(23)</u>	<u>55</u>
Net loss	<u>\$ (833)</u>	<u>\$ (220)</u>
 <i>Basic net loss per share, and net</i>		
<i>loss per share - assuming dilution:</i>		
Basic net loss per share, and net		
loss per share - assuming dilution	<u>\$ (0.11)</u>	<u>\$ (0.03)</u>
Weighted average shares outstanding - basic	<u>7,298,069</u>	<u>7,261,145</u>
Weighted average shares outstanding		
- assuming dilution	<u>7,298,069</u>	<u>7,261,145</u>

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

	Six months ended	
	July 31,	
	2004	2003
	(unaudited)	
Net sales	\$ 61,287	\$ 50,883
Cost of sales	50,906	41,201
Gross profit	10,381	9,682
Selling, general and administrative expenses	9,749	8,589
Corporate expenses	1,775	1,238
Loss from operations	(1,143)	(145)
Net interest income (expense) and other	(46)	89
Minority interest in subsidiary	(21)	(21)
Loss before income taxes	(1,210)	(77)
Provision for income taxes	(33)	(22)
Net loss	\$ (1,243)	\$ (99)
<i>Basic net loss per share, and net</i>		
<i>loss per share - assuming dilution:</i>		
Basic net loss per share, and net		
loss per share - assuming dilution	\$ (0.17)	\$ (0.01)
Weighted average shares outstanding - basic	7,294,102	7,256,331
Weighted average shares outstanding		
- assuming dilution	7,294,102	7,256,331

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

	<b>July 31, 2004</b>	<b>January 31, 2004</b>
	<b>(unaudited)</b>	<b>*</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 23,288	\$ 25,144
Trade receivables, net of allowance for doubtful accounts of \$1,098 and \$1,418, respectively	16,024	13,499
Inventory, net of allowance slow moving and obsolete inventory of \$1,237 and \$1,013, respectively	21,915	22,344
Prepaid expenses and other	831	1,032
Total current assets	62,058	62,019
Plant and equipment, net	2,920	2,963
	\$ 64,978	\$ 64,982
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 10,184	\$ 9,561
Accrued compensation and related expenses, and other accrued liabilities	2,888	2,376
Income taxes payable	921	939
Total current liabilities	13,993	12,876
Revolving line of credit	14,500	14,500
Minority interest in subsidiary	1,041	1,041
Total liabilities	29,534	28,417
Stockholders' equity:		
Common stock, \$0.01 par value, 25,000,000 shares authorized, 7,304,332 and 7,284,093 shares outstanding	91	91
Additional paid-in capital	38,347	38,375
Retained earnings	6,310	7,554
Accumulated other comprehensive income (loss)	271	238
	45,019	46,258
Less: Treasury stock, at cost	(9,575)	(9,693)
Total stockholders' equity	35,444	36,565
Total liabilities and stockholders' equity	\$ 64,978	\$ 64,982

\* Balances were derived from the audited balance sheet as of January 31, 2004.

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

	<b>Six months ended</b>	
	<b>July 31,</b>	
	<b>2004</b>	<b>2003</b>
	<b>(unaudited)</b>	
<b>Cash flows from operating activities</b>		
Net loss	\$ (1,243)	\$ (99)
Adjustments to reconcile net loss to net cash from operating activities - non-cash charges:		
Depreciation and amortization	455	606
Compensation paid through issuance of stock	90	60
(Increase) decrease in current assets:		
Trade receivables	(2,533)	1,051
Inventory	430	1,090
Prepaid and other	207	(31)
Increase (decrease) in current liabilities:		
Accounts payable	624	(690)
Accrued compensation and related expenses, and other accrued liabilities	517	(46)
Income taxes payable	6	(13)
Net cash provided by operating activities	(1,447)	1,928
<b>Cash flows from investing activities</b>		
Purchases of plant and equipment	(415)	(187)
Disposals of plant and equipment	3	-
Net cash used in investing activities	(412)	(187)
<b>Cash flows from financing activities</b>		
Borrowings on revolving line of credit	27,150	29,000
Repayments on revolving line of credit	(27,150)	(29,000)
Principal payments on capital lease obligations and other	-	(2)
Net cash used in financing activities	-	(2)
Net increase (decrease) in cash and cash equivalents	(1,859)	1,739
Effect of exchange rates on cash	3	130
Cash and cash equivalents at beginning of period	25,144	26,013
Cash and cash equivalents at end of period	\$ 23,288	\$ 27,882
Supplemental cash flow disclosures:		
Interest paid	\$ 19	\$ 14
Income taxes paid	\$ 41	\$ 38