

## **FIRST AVIATION ANNOUNCES THIRD QUARTER NET INCOME**

WESTPORT, CONNECTICUT, December 6, 2002 – First Aviation Services Inc. (NASDAQ: FAVS), a leading provider of products and services to the aerospace industry worldwide, today announced third quarter net income of \$0.02 per share on net sales of \$26.6 million. Gross profit of \$6.0 million grew 6.8% on 1.3% lower net sales due to the increasing proportion of logistics services versus traditional distribution sales. The Company had a loss of \$0.07 per share in the prior year.

For the third quarter ended October 31, 2002, net sales were \$26.6 million compared to \$27.0 million for the prior year. Gross profit increased to \$6.0 million from \$5.6 million reported in the prior year, while operating income increased to \$0.2 million from a loss of \$0.6 million in the prior year. Net income increased \$0.6 million to \$0.1 million, or \$0.02 per share, compared to a loss of \$0.5 million, or \$0.07 per share, in the third quarter of the prior year. Prior year results included certain non-recurring charges, principally for severance, due to cost cutting measures taken after September 11<sup>th</sup>.

Michael Culver, President and CEO of First Aviation, said “Our results compared to last year’s difficult third quarter and the second quarter of this year have improved. We are building positive earnings momentum from our logistics initiative, and that impact is starting to show on our bottom line. Going forward, we will be expanding our range of service offerings and increasing the number of logistics customers. On the distribution side results were down slightly compared to the prior year primarily due to the sluggish aviation industry and general economic conditions. While we believe that we are outperforming our peer group, we are focused on improving results in distribution. We are very pleased with operating cash flow for the quarter of \$2.0 million, and \$4.7 million year-to-date. We have a very strong balance sheet with \$4.78 per share of cash.”

For the nine months ended October 31, 2002, net sales were \$77.8 million, a decrease of 2.9% compared to \$80.1 million of net sales reported for the same period of the prior year. Gross profit increased 4.0% to \$17.1 million from \$16.5 million. The increase in gross profit also was due to the increasing proportion of logistics services versus traditional distribution sales.

The Company effectively broke even from operations for the nine months ended October 31, 2002, compared to a loss of \$0.7 million in the prior year. Income from continuing operations before cumulative effect of accounting change was \$0.1 million, or \$0.01 per share, compared to a loss of \$0.3 million, or \$0.05 per share, in the prior year. The Company had income from disposition of subsidiary of \$0.7 million, or \$0.10 per share, during the nine months ended October 31, 2001. There was no such

income or loss reported in the current year. In addition, in the first quarter of the current year the Company adopted Financial Accounting Standards Board Pronouncement No. 142, “*Goodwill and Other Intangible Assets*” (“FAS 142”). Upon adoption the Company took a one-time, non-cash charge of \$2.7 million, or \$0.38 per share after applicable income tax benefit, to write-off the carrying value of its goodwill. The adoption of FAS 142 represented a change in accounting principle, and the cumulative effect was reported on a separate line in the Consolidated Condensed Statements of Operations. After this charge, for the nine months ended October 31, 2002 the Company incurred a net loss of \$2.7 million, or \$0.37 per share, compared to net income of \$0.4 million, or \$0.05 per share for the nine months ended October 31, 2001.

First Aviation, located in Westport, Connecticut is a worldwide leader in providing aerospace products and services to aircraft operators of some of the most widely used commercial and general aviation aircraft. Its operations include Aerospace Products International, Inc. (“API”), based in Memphis, Tennessee. In addition to the product lines it distributes, API offers overhaul and repair services for brakes and starter/generators, and builds custom hose assemblies. API also is a leading provider of supply chain management and customized third party logistics services and technology solutions, including inventory management services, to the aerospace industry worldwide. With locations in the U.S., Canada and Asia Pacific, plus partners throughout the world, API continues to be one of the premier suppliers of aviation products, supply chain management services and technology solutions in the industry.

The Company will host a conference call to discuss third quarter results on Wednesday, December 11, 2002 at 10:00 AM EST. Interested parties should call 1 (800) 322-0079 before 9:50 AM EST. A replay will be available through December 13, 2002. Please call (877) 519-4471; PIN is 3643252.

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

### **Forward-Looking Statements**

*Information included in this release may contain 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. In evaluating such statements, as well as the future prospects of the Company, specific consideration should be given to various factors, including the Company’s ability to obtain parts and components from its principal suppliers on a timely basis, domestic and international market and economic conditions, especially those currently facing the aviation industry*

*as a whole, the impact changes in fuel and other freight related costs, the Company's relationships with its customers, the ability to obtain and service supply chain management contracts, the ability to consummate suitable acquisitions, and other items that are beyond the Company's control and may cause actual results to differ from management's expectations.*

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(See attached financial information)

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

	Three months ended October 31,		Nine months ended October 31,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net sales	\$ 26,611	\$ 26,953	\$ 77,775	\$ 80,088
Cost of sales	<u>20,660</u>	<u>21,383</u>	<u>60,666</u>	<u>63,636</u>
Gross profit	5,951	5,570	17,109	16,452
Selling, general and administrative expenses	<u>5,126</u>	<u>5,207</u>	<u>15,239</u>	<u>14,908</u>
Operating income before corporate expenses	825	363	1,870	1,544
Corporate expenses	<u>647</u>	<u>960</u>	<u>1,881</u>	<u>2,271</u>
Income (loss) from operations	178	(597)	(11)	(727)
Net interest income and other	31	64	130	388
Minority interest in subsidiary	<u>(11)</u>	<u>(11)</u>	<u>(31)</u>	<u>(31)</u>
Income (loss) from continuing operations before income taxes	198	(544)	88	(370)
Benefit (provision) for income taxes	<u>(77)</u>	<u>54</u>	<u>(34)</u>	<u>37</u>
Income (loss) from continuing operations before cumulative effect of accounting change	121	(490)	54	(333)
Income from disposition of subsidiary, net of provision for income taxes of \$405	-	-	-	707
Cumulative effect of accounting change, net of benefit for income taxes of \$922	<u>-</u>	<u>-</u>	<u>(2,735)</u>	<u>-</u>
Net income (loss)	<u>\$ 121</u>	<u>\$ (490)</u>	<u>\$ (2,681)</u>	<u>\$ 374</u>
<i>Basic net income (loss) per common share, and net income (loss) per common share - assuming dilution:</i>				
Income (loss) from continuing operations before cumulative effect of accounting change	\$ 0.02	\$ (0.07)	\$ 0.01	\$ (0.05)
Income from disposition of subsidiary	-	-	-	0.10
Cumulative effect of accounting change	<u>-</u>	<u>-</u>	<u>(0.38)</u>	<u>-</u>
Basic net income (loss) per common share, and net income (loss) per common share - assuming dilution	<u>\$ 0.02</u>	<u>\$ (0.07)</u>	<u>\$ (0.37)</u>	<u>\$ 0.05</u>
Weighted average common shares outstanding - basic	<u>7,227,860</u>	<u>7,204,125</u>	<u>7,220,492</u>	<u>7,195,093</u>
Weighted average common shares outstanding - assuming dilution	<u>7,227,860</u>	<u>7,204,125</u>	<u>7,226,723</u>	<u>7,195,093</u>

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

	<b>October 31, 2002</b>	<b>January 31, 2002</b>
	<b>(unaudited)</b>	<b>*</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 34,540	\$ 31,113
Trade receivables, net of allowance for doubtful accounts of \$752 and \$707, respectively	14,605	15,396
Inventory, net of allowance for obsolete and slow moving inventory of \$991 and \$885, respectively	20,743	23,016
Prepaid expenses, deferred income taxes and other	4,637	3,034
Total current assets	74,525	72,559
Plant and equipment, net	3,889	4,100
Goodwill and other intangibles, net	48	3,885
	<b>\$ 78,462</b>	<b>\$ 80,544</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 12,651	\$ 11,464
Accrued compensation and related expenses, and other accrued liabilities	2,507	2,748
Income taxes payable	1,265	1,293
Obligations under capital leases	45	180
Total current liabilities	16,468	15,685
Revolving line of credit	14,500	14,800
Minority interest in subsidiary	1,041	1,041
Total liabilities	32,009	31,526
Stockholders' equity:		
Common stock, \$0.01 par value, 25,000,000 shares authorized, 7,231,377 and 7,213,753 shares outstanding, respectively	91	91
Additional paid-in capital	38,478	38,516
Retained earnings	18,047	20,728
Accumulated other comprehensive loss	(160)	(193)
	56,456	59,142
Less: Treasury stock, at cost	(10,003)	(10,124)
Total stockholders' equity	46,453	49,018
Total liabilities and stockholders' equity	<b>\$ 78,462</b>	<b>\$ 80,544</b>

\* Balances were derived from the audited balance sheet as of January 31, 2002.

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