

## **FAVS ANNOUNCES Q3 VALUATION CHARGE AND Q3 RESULTS**

WESTPORT, CONNECTICUT, December 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 October 31, 2006 of (\$4,241,000) or (\$0.58) per share compared with net income of \$90,000 or \$0.01 per share for the comparable prior year's quarter. As more fully described in the Form 10-Q filed with the Securities and Exchange Commission, the Company took charges of (\$3,968,000) to revalue certain inventory it purchased under a long term agreement with an OEM, and (\$422,000) to increase the reserves for bad debts, among other charges, and reversed tax reserves of \$810,000 during the quarter.

Mr. Aaron Hollander, Chairman and CEO of First Aviation, said: "We made significant progress in this period with sales increasing on a quarter over quarter basis of approximately 9%. Issues related to the installation of the enterprise system have been essentially resolved and we are pleased that our service standards have been restored to their historically high levels."

*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.apiworldwide.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; the Company's reports on Form 10-Q and Form 8-K; press releases; 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 October 31,</b>	
	<b>2006</b>	<b>2005</b>
Net sales	\$ 32,358	\$ 33,611
Cost of sales	<u>31,117</u>	<u>27,969</u>
Gross profit	1,241	5,642
Selling, general and administrative expenses	5,352	4,971
Corporate expenses	<u>670</u>	<u>557</u>
Income (loss) from operations	(4,781)	114
Net interest income (expense) and other	<u>(232)</u>	<u>5</u>
Income (loss) before income taxes	(5,013)	119
Provision for income taxes	<u>772</u>	<u>(29)</u>
Net income (loss)	<u><u>\$ (4,241)</u></u>	<u><u>\$ 90</u></u>
<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	<u><u>\$ (0.58)</u></u>	<u><u>\$ 0.01</u></u>
Weighted average shares outstanding - basic	<u><u>7,365,037</u></u>	<u><u>7,341,451</u></u>
Weighted average shares outstanding - assuming dilution	<u><u>7,365,037</u></u>	<u><u>7,343,852</u></u>

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

	Nine months ended October 31,	
	2006	2005
Net sales	\$ 91,265	\$ 98,297
Cost of sales	79,318	81,459
Gross profit	11,947	16,838
Selling, general and administrative expenses	16,296	14,760
Corporate expenses	1,896	1,744
Income (loss) from operations	(6,245)	334
Net interest income (expense) and other	(837)	4
Minority interest in subsidiary	-	(10)
Other income	-	417
Income (loss) before income taxes	(7,082)	745
Provision for income taxes	669	(71)
Net income (loss)	\$ (6,413)	\$ 674
<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	\$ (0.87)	\$ 0.09
Weighted average shares outstanding - basic	7,357,881	7,333,249
Weighted average shares outstanding - assuming dilution	7,357,881	7,337,331

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

	<b>October 31, 2006</b>	<b>January 31, 2006</b>
	<b>(unaudited)</b>	<b>*</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,146	\$ 9,488
Trade receivables, net of allowance for doubtful accounts of \$1,394 and \$596, respectively	23,047	18,737
Inventory, net of allowance for slow moving and obsolete inventory of \$5,867 and \$1,709, respectively	34,047	38,809
Prepaid expenses and other	1,242	1,351
Total current assets	59,482	68,385
Plant and equipment, net	5,154	4,963
Total Assets	\$ 64,636	\$ 73,348
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 15,289	\$ 15,441
Accrued compensation and related expenses	1,295	1,823
Other accrued liabilities	1,511	1,750
Revolving line of credit	14,800	-
Notes payable	636	1,125
Income taxes payable	229	1,012
Total current liabilities	33,760	21,151
Long-term debt	-	14,500
Notes payable, less current portion	694	1,245
Total liabilities	34,454	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	38,806	38,799
(Accumulated deficit) retained earnings	(65)	6,349
Accumulated other comprehensive income	538	500
	39,370	45,739
Less: Treasury stock, at cost, 1,765,523 and 1,782,449 shares, respectively	(9,188)	(9,287)
Total stockholders' equity	30,182	36,452
Total liabilities and stockholders' equity	\$ 64,636	\$ 73,348

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