

FIRST AVIATION ANNOUNCES SECOND QUARTER RESULTS

WESTPORT, CONNECTICUT, August 29, 2002 – First Aviation Services Inc. (NASDAQ: FAVS), a leading provider of products and services to the aerospace industry worldwide, today announced second quarter net sales of \$26.2 million. Gross profit grew 3.4% on 5.1% lower net sales due to the increasing proportion of logistics services versus lower margin traditional distribution sales. The Company incurred a net loss of \$0.02 per share after a charge of \$0.02 per share to increase its receivable reserves.

For the second quarter ended July 31, 2002, net sales were \$26.2 million compared to \$27.6 million for the prior year. Gross profit increased to \$5.9 million from \$5.7 million reported in the prior year.

The Company incurred a loss from operations of \$0.3 million for the quarter, compared to breakeven for the same period of the prior year. During the quarter the Company took a charge of \$0.2 million to increase its reserves for estimated uncollectible accounts receivable. For the three months ended July 31, 2002, the Company incurred a loss from continuing operations of \$0.1 million, or \$0.02 per share, compared to income of \$0.1 million, or \$0.01 per share reported for the same period of the prior year. Without the charge relating to receivable reserves, the Company would have reported breakeven from continuing operations and on a per share basis. During the second quarter of the prior year, the Company recorded a net credit of \$0.7 million, or \$0.10 per share, for income from disposition of subsidiary. There was no such income or loss reported in the current year. Overall, for the three months ended July 31, 2002, the Company incurred a net loss of \$0.1 million compared to net income of \$0.8 million for the three months ended July 31, 2001. On a per share basis, the Company incurred a loss of \$0.2 per share for the quarter ended July 31, 2002 compared to net income of \$0.11 per share in the second quarter of the prior year.

Michael Culver, President and CEO of First Aviation, said that “Logistics services continues to perform well as aerospace companies strive for increased efficiency. As we have previously announced, our strategic vision was to grow this profitable area of our business and we are executing on this strategy. During the quarter, we announced that we had signed a multi-year logistics services contract with Gulfstream Aerospace Corporation for its aftermarket service and support business. We expect to see the favorable impact on earnings of this contract starting in the third quarter. In addition, we continue to look for other opportunities and new logistics services customers. With \$32.8 million in cash and low debt levels our balance sheet still is the strongest in the industry. Cash flow from operations for the quarter again was strong at \$0.8 million. We have generated \$2.6 million net of cash from operations in this fiscal year.”

Mr. Culver further stated that, “We continue to operate in a difficult environment. We have seen several bankruptcies in our industry over the past month, though we did not have any significant exposure relating to these bankruptcies. As a result of this environment, however, we re-assessed our reserves for uncollectible accounts receivable, and took a charge of \$0.2 million to increase our reserves.”

For the six months ended July 31, 2002, the Company reported net sales of \$51.2 million, compared to \$53.1 million for the same period of the prior year. Gross profit increased to \$11.5 million from \$10.9 million, an increase of 5.6%.

The Company incurred a loss of \$0.2 million from operations for the six months ended July 31, 2002 compared to a loss of \$0.1 million in the prior year. Without the charge to increase reserves for uncollectible accounts receivable the Company would have had slight income from operations. The loss from continuing operations before cumulative effect of accounting change was \$0.1 million, or \$0.01 per share, compared to income of \$0.2 million, or \$ 0.02 per share for the six months ended July 31, 2001. The Company had income from disposition of subsidiary of \$0.7 million, or \$0.10 per share, for the six months ended July 31, 2001. There was no such income or loss reported in the current year. In the first quarter of the current year, as required, 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 six months ended July 31, 2002 the Company incurred a net loss of \$2.8 million, or \$0.39 per share, compared to net income of \$0.9 million, or \$0.12 per share for the six months ended July 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, including inventory management services, to the aerospace industry. With locations in the U.S., Canada and Asia Pacific, plus partners throughout the world, API continues to be one of the fastest growing providers of aviation products and inventory management solutions in the industry.

The Company will host a conference call to discuss second quarter results on Friday, August 30, 2002 at 10:00 am EST. Interested parties should call 1 (800) 370-0906 before 9:45 am EST. A replay will be available through September 3, 2002. Please call (877) 519-4471; PIN is 3469044.

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 of 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 July 31,		Six months ended July 31,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net sales	\$ 26,165	\$ 27,564	\$ 51,164	\$ 53,136
Cost of sales	<u>20,280</u>	<u>21,875</u>	<u>39,658</u>	<u>42,238</u>
Gross profit	5,885	5,689	11,506	10,898
Selling, general and administrative expenses	<u>5,501</u>	<u>4,982</u>	<u>10,461</u>	<u>9,716</u>
Operating income before corporate expenses	384	707	1,045	1,182
Corporate expenses	<u>679</u>	<u>731</u>	<u>1,233</u>	<u>1,312</u>
Income (loss) from operations	(295)	(24)	(188)	(130)
Net interest income and other	68	113	99	325
Minority interest in subsidiary	<u>(11)</u>	<u>(11)</u>	<u>(21)</u>	<u>(21)</u>
Income (loss) from continuing operations before income taxes	(238)	78	(110)	174
Benefit (provision) for income taxes	<u>93</u>	<u>(8)</u>	<u>43</u>	<u>(17)</u>
Income (loss) from continuing operations before cumulative effect of accounting change	(145)	70	(67)	157
Income from disposition of subsidiary, net of provision for income taxes of \$ -	-	707	-	707
Cumulative effect of accounting change, net	<u>-</u>	<u>-</u>	<u>(2,735)</u>	<u>-</u>
Net income (loss)	<u>\$ (145)</u>	<u>\$ 777</u>	<u>\$ (2,802)</u>	<u>\$ 864</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)	\$ 0.01	\$ (0.01)	\$ 0.02
Income from disposition of subsidiary	-	0.10	-	0.10
Cumulative effect of accounting change, net	<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>\$ 0.11</u>	<u>\$ (0.39)</u>	<u>\$ 0.12</u>
Weighted average common shares outstanding - basic	<u>7,219,300</u>	<u>7,194,419</u>	<u>7,216,747</u>	<u>7,190,502</u>
Weighted average common shares outstanding - assuming dilution	<u>N/A</u>	<u>7,211,742</u>	<u>N/A</u>	<u>7,199,785</u>

First Aviation Services Inc.
Consolidated Condensed Balance Sheets
(in thousands)

	<u>July 31,</u> <u>2002</u>	<u>January 31,</u> <u>2002</u>
	<u>(unaudited)</u>	*
Assets		
Current assets:		
Cash and cash equivalents	\$ 32,780	\$ 31,113
Trade receivables, net of allowance for doubtful accounts of \$778 and \$707, respectively	14,211	15,396
Inventory, net of allowance for obsolete and slow moving inventory of \$954 and \$885, respectively	21,139	23,016
Prepaid expenses, deferred income taxes and other	<u>4,702</u>	<u>3,034</u>
Total current assets	72,832	72,559
Plant and equipment, net	3,960	4,100
Goodwill and other intangibles, net	<u>30</u>	<u>3,885</u>
	<u>\$ 76,822</u>	<u>\$ 80,544</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 11,750	\$ 11,464
Accrued compensation and related expenses, and other accrued liabilities	1,913	2,748
Income taxes payable	1,293	1,293
Obligations under capital leases	<u>56</u>	<u>180</u>
Total current liabilities	15,012	15,685
Revolving line of credit	14,500	14,800
Minority interest in subsidiary	<u>1,041</u>	<u>1,041</u>
Total liabilities	30,553	31,526
Stockholders' equity:		
Common stock, \$0.01 par value, 25,000,000 shares authorized, 7,224,774 and 7,213,753 shares outstanding, respectively	91	91
Additional paid-in capital	38,487	38,516
Retained earnings	17,926	20,728
Accumulated other comprehensive loss	<u>(186)</u>	<u>(193)</u>
	56,318	59,142
Less: Treasury stock, at cost	<u>(10,049)</u>	<u>(10,124)</u>
Total stockholders' equity	<u>46,269</u>	<u>49,018</u>
Total liabilities and stockholders' equity	<u>\$ 76,822</u>	<u>\$ 80,544</u>

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