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FOR IMMEDIATE RELEASE

AIR T, INC. REPORTS UNAUDITED FIRST QUARTER EARNINGS

MAIDEN, NC - Air T, Inc. (Air T) (NASDAQ: AIRT) today reported consolidated net earnings of \$278,000 (\$0.10 per diluted share) for fiscal 2006's first quarter ended June 30, 2005, a \$255,000 (47.8%) decrease compared to consolidated net earnings of \$533,000 (\$0.20 per diluted share) for the similar fiscal 2005 period. Fiscal 2006's decrease in net earnings was primarily the result of \$373,000 in cost incurred, or expected to be incurred, in connection with Air T's Global Ground Support (Global) subsidiary's efforts to return certain deicing equipment to service. The impact of these costs reduced the Company's diluted net earnings per share by \$0.09.

In February 2005, one of twelve fixed-stand deicing booms sold by Global in 2003 collapsed while in operation at the Philadelphia airport. Global's investigation of the booms, which were designed and manufactured by a subcontractor, identified specific structural defects. In an effort to return the booms to service, Global has agreed with the owner of the Philadelphia airport to repair the remaining eleven booms. The \$373,000 in costs includes \$123,000 in expenses incurred in the quarter in investigating and commencing the repair of the booms, with the remaining \$250,000 representing the low end of a reasonable range of expenses estimated to be incurred after June 30 to complete the repair of these eleven de-icing booms. Global has commenced litigation against the subcontractor that designed and fabricated these booms to recover these repair expenses and other damages.

Consolidated revenues increased \$2,129,000 (14.1%) to \$17,216,000 for the quarter ended June 30, 2005 compared to the same quarter in the prior fiscal year. The increase in revenues was related to higher operating costs for flight and maintenance services, in part due to placement of newer, more modern, ATR aircraft into revenue service, and acquisition of aircraft parts which was primarily associated with the transition to the newer ATR aircraft. The majority of the quarter's revenues increase was comprised of direct operating costs, passed through to the Company's air cargo customer without markup.

Walter Clark, Chairman and Chief Executive Officer of Air T, commented, "Costs recorded in the quarter in connection with the repair of the de-icing booms at the Philadelphia airport significantly affected operating results for the quarter. As a commercial matter, we felt it was necessary to stand behind the products that we sell and thus agreed to assume the obligation to repair the booms, though others may have the ultimate legal responsibility. Absent the impact of these costs, our quarterly earnings would have been more consistent with our quarterly results over the preceding year."

The Company operates in two business segments. Air T, through its subsidiaries, provides overnight air freight service to the express delivery industry, and manufactures, sells and services aircraft ground support and special purpose industrial equipment. Air T is one of the largest, small-aircraft air cargo operators in the United States. Air T's Mountain Air Cargo (MAC) and CSA Air subsidiaries currently operate a fleet of single and twin-engine turbo-prop aircraft nightly in the eastern half of the United States, South America, Puerto Rico and the Caribbean Islands. MAC is currently in the process of transitioning a portion of its customer's aircraft fleet from older Fokker F-27 aircraft to more modern ATR 42/72 aircraft. Air T's Global subsidiary manufactures, services and supports aviation ground support and specialized military and industrial equipment on a worldwide basis.

For a more detailed presentation and discussion of the Company's results of operations and financial condition, please read the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 filed earlier today with the Securities and Exchange Commission. Copies of the Form 10-Q may be accessed on the Internet at the SEC's website, <http://www.sec.gov>.

Statements in this press release that contain more than historical information may be considered forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) which are subject to risks and uncertainties. Actual results may differ materially from those expressed in the forward-looking statements because of important potential risks and uncertainties, including but not limited to the risk that expenses incurred after June 30, 2005 to repair the eleven de-icing booms at the Philadelphia airport may exceed the low end of the estimated range (\$250,000) or even the high end of the estimated range (\$450,000) and the risk that Global may be unable to recover expenses incurred in repairing these booms from others and may not be successful in the litigation it has commenced against its subcontractor. Other risks and uncertainties include the risk that contracts with major customers will be terminated or not extended, that the introduction of newer ATR replacement aircraft in the Company's air cargo operations may be further delayed, and the risks that future economic conditions, inflation rates, competition, changes in technology or government regulation, and the impact of future terrorist activities in the United States and abroad may adversely affect the results of operations. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. We are under no obligation, and we expressly disclaim any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

FINANCIAL HIGHLIGHTS
(In thousands, except per share data)

	<u>Three Months Ended (Unaudited)</u>	
	<u>06/30/2005</u>	<u>06/30/2004</u>
Operating Revenues	<u>\$ 17,216</u>	<u>\$ 15,087</u>
Net Earnings	<u>\$ 278</u>	<u>\$ 533</u>
Net Earnings Per Share - Diluted	<u>\$ 0.10</u>	<u>\$ 0.20</u>
Average Common Shares Outstanding	<u>2,671</u>	<u>2,713</u>