Taglich Brothers, Inc. – Draft Copy
The Standard of Excellence in the Microcap Market

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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

AeroCentury Corp.

Rating: Speculative Buy

Howard Halpern

March 2, 2004

ACY $3.15 - (AMEX)

	FYE 12/01	FYE 12/02	FYE 12/03	**FYE 12/04 E**
Revenues (millions)	$10.91*	$8.81	$8.91	**$8.89**
Earnings per share (diluted)	$0.95*	$0.65	($0.87)	**$0.16**

52week range	$5.45 – $2.76	Fiscal year ends:	December
Shares outstanding	1.61 million	Revenue/shares (ttm)	$5.77
Trading float	1.07 million	Price/Sales (ttm)	0.55X
Insiders and Institutional ownership	0.54 million	Price/Sales (2004)	0.55X
Book value/share a/o 12/31/03	$11.53	Price/Earnings (ttm)	NMF
Price/Book	0.28X	Price/Earnings (2004)	19.7X

* Excludes a $0.35 million pre-tax or $0.15 per share post-tax insurance settlement gain in Q3 2001

AeroCentury Corp., is engaged in the business of ownership, management, leasing and acquisition of aircraft. The primary focus is on used commercial turboprop aircraft equipment for lease to foreign and domestic regional air carriers. Web site address is: www.aerocentury.com

Key investment considerations:

We are upgrading our rating to Speculative Buy from Neutral and establishing a twelve month price target of $5.00 per share based on increasing valuation metrics utilizing our revenue and earnings per shares estimates for 2004 as well as a relative price-to book analysis.

Our rating is based on our belief that 1) The operating environment within the Aviation and Travel Industries should stabilize in 2004; and 2) The Company should have greater flexibility to purchase additional aircraft for leasing opportunities as a result of an increased credit facility.

AeroCentury reported fourth quarter revenues of $2.149 million versus $2.356 million in the same period last year. Net income for the quarter was $0.026 million or $0.02 per diluted share versus net income of $0.158 million or $0.10 per diluted share in the same period last year.

On January 5, 2004, the Company announced that it was able to increase its credit facility to $50 million from $40 million, this should provide the flexibility to pursue acquisition opportunities as it relates to the purchasing of additional aircraft.

Based on fourth quarter results and general operating trends, we are estimating 2004 revenue of $8.89 million versus our prior estimate of $8.34 million. Our 2004 net income of $0.244 million or $0.16 per fully diluted share remains unchanged from our prior report.

****Please view our disclaimer located on page 8.***

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Recent Financials

AeroCentury reported 2003 fourth quarter revenue of $2.149 million versus $2.356 million in the third quarter of 2002. Net income for the quarter was $0.026 million or $0.02 per share, versus net income of $0.158 million or $0.10 per share in the same period last year.

The change in revenue versus last year was primarily due to the combined effect of:

- Lower lease rates for aircraft released during 2003; and
- Aircraft remaining off lease during 2003.

Higher depreciation and general and administrative expenses, as well as, lower revenue were the primary causes for the Company's reduced net income versus the same period last year. General and administrative expenses increased by approximately $0.039 million, which was primarily due to higher audit fees and insurance premiums.

In comparison, Taglich Brothers estimates called for fourth quarter revenue of $2.065 million and net income of $0.054 million or $0.03 per share.

Balance Sheet as of December 31, 2003

The Company provided the following balance sheet data:

- Total assets of $73.659 million;
- Total liabilities of $55.128 million; and
- Shareholder's equity of $18.531 million

We estimate that the Company had cash and cash equivalents of $1.1 million versus $1.71 million at December 31, 2002. We believe total outstanding indebtedness should not have changed significantly from the end of the third quarter of 2003; when, total outstanding indebtedness was approximately $39.905 million and ACY was in compliance with all loan covenants. As long as Management is able to keep its assets on lease, cash flow should be sufficient to cover management fees, professional fees, and interest expense.

Recent Developments

On January 19, 2004, the Company announced that JetFleet Canada Ltd., a subsidiary of its management company JefFleet Management Corp., hired Kirk Watson as Vice President, Aircraft Technical Services. Prior to joining ACY, Mr. Watson was employed at Avionco Inc. as its Technical Director. Prior to Avionco, he held various positions of at Avmax Group, Field Aviation West Ltd., and several regional airline and airline service firms. Mr. Watson holds a Certification in Management from Canadian Institute of Management along with various airline maintenance licenses.

On January 5, 2004, AeroCentury announced that First Bank & Trust joined its credit facility, which resulted in an increase to $50 million from $40 million. Management believes that an increased credit facility will provide additional flexibility in pursuing aircraft acquisition opportunities.

Competitive Environment

The Company targets regional commercial aircraft operators that are seeking to lease aircraft under an operating lease. The competition in this market, which is primarily based on price and lease terms, comes from companies that offer financing, including leasing companies, banks and other financial institutions, and aircraft leasing partnerships. The large participants in the aircraft leasing industry include International Lease Finance Corp., a subsidiary of American International Group (NYSE: AIG), the CIT Group (NYSE: CIT), which was spun-off from Tyco Inc. (NYSE: TYC), and GE Capital Aviation Services, a subsidiary of General Electric Commercial Finance.

The operating environment in the Aviation and Travel Industries over the past three years has been difficult. The Aviation Industry has experienced a number of bankruptcies since 2002, which in turn increased the supply of aircraft on the market, lessening overall demand for leasing opportunities. According to the Travel Industry Association of America (TIA), travel volume has declined for three straight years since it peaked in 2000. Also, impacting the leasing of aircraft for all industry participants is the relatively low interest rate environment that causes lease rates to decline upon the releasing of an aircraft. The low interest rate environment could persist through the first half of 2004; however, when the Federal Reserve pulls the trigger and raises the Federal Funds rate the downtrend in lease rates would likely be reversed.

Also, looking the upcoming years, the TIA is cautiously optimistic for 2004. The TIA is forecasting that overall traveler spending by domestic and international visitors could increase by 4.4% to $568 billion. That is still below the record set in 2000; however, the TIA is forecasting record spending levels to be set in 2005.

Outlook and Projections

For 2004, we are adjusting our revenue forecast to $8.89 million from our prior estimate of $8.34 million, based on trends established during the second half of 2003, our assumption that the operating environment within the Aviation and Travel Industries should stabilize, and interest rates beginning to trend higher during the second half of the year.

However, our net income forecast for 2004 remains unchanged at $0.244 million or $0.16 per diluted share. Our forecast is based on the following:

- Interest expense increasing to $2.18 million versus $1.94 million in 2003;
- SG&A expenses increasing to $0.93 million versus $0.84 million in 2003;
- Management fees and depreciation remaining virtually unchanged versus 2003 at $1.89 million and $3.36 million, respectively; and
- A tax rate of 37.44%.

Investors should be aware that the Company is in a position to purchase additional aircraft to lease due to its increased credit facility ($50 million from $40 million). We estimate that the Company has at least $10 million available to purchase additional aircraft. If purchases are made early in the fiscal year, revenues are likely to exceed our current expectations during the final six months of 2004.

We estimate that the Company has at least two aircraft available for release and/or sale, both of which will require significant investments in terms of time and money. Additional aircraft are likely to come off lease over the next twelve months. The timing of when aircraft(s) will be returned to the Company remains unclear; however, until an aircraft is returned, rent will be paid by the lessor even if the lease term has expired. In order to obtain release agreements, Management continues to focus its efforts on marketing.

Risks

Economic Factors

The Company's business is dependent on the strength of the Travel and Transportation Industries and on the general level of global economic activity. As a result of the weak economic environment experienced between the middle of 2000 to the middle of 2003, there was a reduction in the number of aircraft being used by major air carriers, particularly those serving the United States Market. AeroCentury's current leases and remarketing efforts are primarily focused outside of the U.S.; therefore, the impact should be somewhat muted. A consensus economic forecast (Blue Chip Economic Indicators Poll announced on January 12, 2004) calls for Gross

Domestic Product to grow by approximately 4.6% in 2004, which according to the economists surveyed would be the best performance in 19 years. In addition, those economists surveyed believe this type of growth will likely lead to 75 basis points in Federal Reserve rate hikes during the year. However, if the economic recovery that is forecasted does not materialize or is slow to impact the Travel and Aviation Industries, the Company's operations could be negatively impacted.

Debt Financing

The Company uses its revolving credit facility and special purpose financing to acquire aircraft in order to lease it to a customer. If a customer is unable to make its lease payments (for example, the repossession of aircraft from a Haitian lessee), AeroCentury may not have the ability to repay the debt secured by the aircraft acquired, which means that title to the aircraft would likely be lost in a foreclosure proceeding. It should be noted that money drawn under the credit facility is secured by the Company's existing assets as well as the assets acquired with each financing. A reduction in the number of aircraft in AeroCentury's portfolio would negatively impact operations.

Leasing

Crucial to the Company's ability to regain profitability and grow revenues is its ability to successfully negotiate lease extensions and re-lease/remarket aircraft. However, the following factors may negatively impact the Company's leasing operations:

- Demand for leasing aircraft and/or the sale of an aircraft;
- Acceptable rates that an aircraft can be leased for; and
- The cyclic nature of the Air Transportation and Travel Industries.

Reliance on JetFleet Management

AeroCentury relies on JetFleet Management Corp (JMC) to perform management functions under a management agreement. Currently, the agreement is in its fifth year of a 20-year term. Under this agreement, the Company pays an asset-based management fee to JMC. JMC is not a fiduciary to the Company or its stockholders. The Board of Directors, however, has ultimate control and supervisory responsibility over all aspects of the Company and owes fiduciary duties to the Company and its stockholders. It is important to note that the officers of JMC are also officers of the Company; therefore, if a dispute over obligations between the Company and JMC occurs, a conflict of interests may exist.

Insurance

The Company may be named in a suit claiming damages for injuries or damage to property caused by its assets. As a triple net lessor, the Company is generally protected against such claims. Additionally, the Company should have some protection through the United States Aviation Act with respect to its aircraft assets. The Company may carry insurance or require a lessee to insure against a risk, there may be certain cases where the loss is not entirely covered by the lessee or its insurance.

Interest Rates

If interest rates were to increase sharply, the Company's near-term operations would likely be negatively impacted in terms of the borrowing required to finance the purchase of assets (i.e. aircraft, engines, etc.). Higher lease rates would over the long term mitigate the impact of a rapid rise in interest rates.

Miscellaneous

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

An equity specific concern relates to liquidity. Based on our calculations, average daily-volume for 2003 increased to 2,660 shares from 1,787 shares traded a day in 2002. On a relative basis, volume for this equity is very small. Investors need to be aware that by nature, an equity that lacks liquidity can have significant price volatility.

Conclusion

We are upgrading our rating to Speculative Buy from Neutral and establishing a twelve month price target $5.00 per share based on our sales and earnings per shares estimates for 2004 as well as a relative price-to-book analysis.

Our rating is based on our belief that 1) The operating environment within the Aviation and Travel Industries should stabilize in 2004; and 2) The Company should have greater flexibility to purchase additional aircraft for leasing opportunities as a result of an increased credit facility.

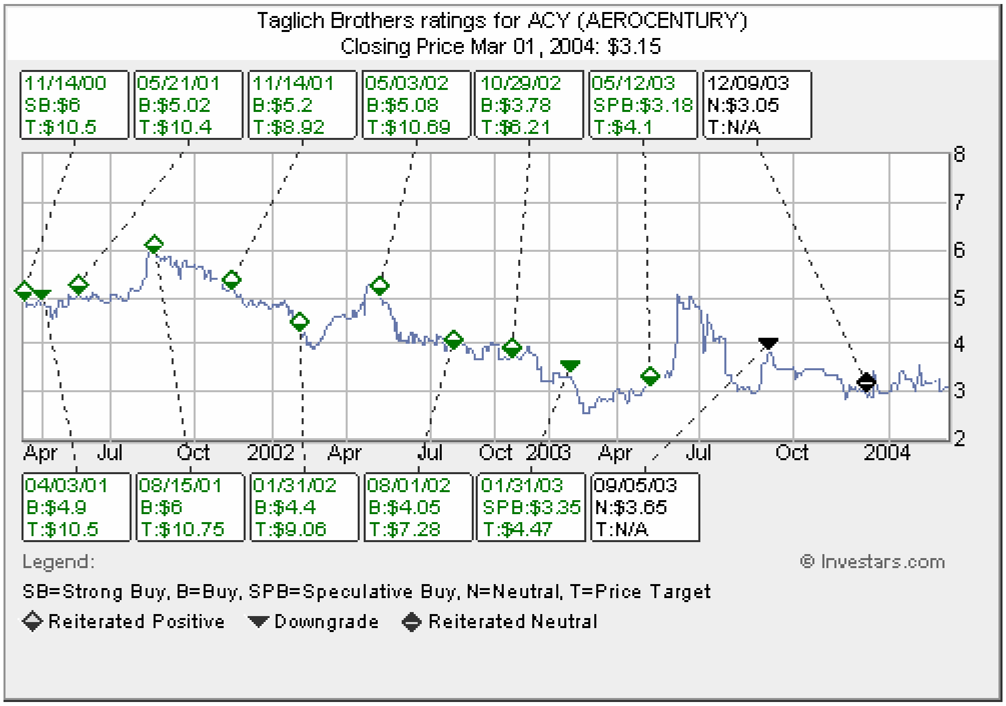
Based on current price levels and the Company's ability to return to profitability, we believe that AeroCentury is undervalued, especially in comparison to its peer(s) that lease aircraft and to the Rental and Leasing Industry. ACY is trading at a price-to-book multiple of 0.28X and price-to-sales multiple of 0.55X. In comparison, the Company's peer(s) trade at a price-to-book and price-to-sales multiple of 0.62X and 2.86X, respectively; while, the Rental and Leasing Industry, trades at multiples of 1.99X and 1.01X, respectively.

Peer Chart Comparison

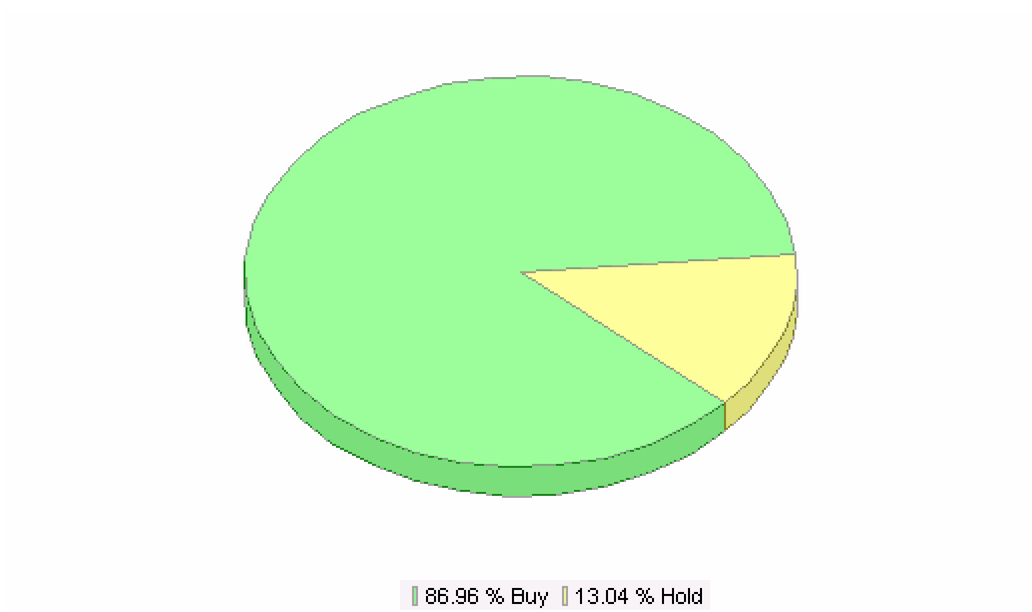
Company Name	Symbol	Current Price	Shrs Out (M)	Market Cap. (Mil)	P/E (TTM)	Price / Sales (TTM)	Book Value / Share	Price / Book
Airlease Ltd.	AIRL	1.82	4.62	8.41	NMF	4.65	3.17	0.57
Willis Lease Finance Corp.	WLFC	8.43	8.84	74.52	17.9	1.25	12.21	0.69
Peer Group Average					17.9	2.95		0.63
AreoCentury Inc.	ACY	3.15	1.54	4.9	NMF	0.55	11.53	0.27

Our price target is based on the average of the following valuation models and a 40% discount factor to account for microcap and Company specific risks discussed earlier:

- A sales per share multiple of 2.9X (see peer chart above), applied to our sales per share estimate for 2004 of $5.76;
- An earnings per share multiple of 17.9X (see peer chart above), applied to our earnings estimate for 2004 of $0.16; and
- A book value multiple of 0.6X (see peer chart above), applied to the Company's current book value of $11.53.



Taglich Brothers Current Ratings Distribution



Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

Public Companies mentioned in this report:

Airlease Ltd.	(OTC BB: AIRL)
Willis Lease Finance Corp.	(NasdaqNM: WLFC)
American International Group	(NYSE: AIG)
CIT Group	(NYSE: CIT)
Tyco Inc.	(NYSE: TYC)

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I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

AeroCentury Inc.
Consolidated Balance Sheets *
(in thousands)

	Dec. '00 Full Year	Dec. '01 Full Year	Dec. '02 Full Year	Dec. '03* Full Year
ASSETS				
Current assets:				
Cash & Equivalents	$ 3,184	$ 2,680	$ 1,708	$ 1,100
Deposits	6,864	6,987	7,088	7,900
Accounts Receivable	571	596	1,801	1,800
Note receivable	118	69	18	-
Prepaid Expense & Other	617	651	483	450
Total current assets	**11,353**	**10,983**	**11,097**	**11,250**
Deferred Tax Asset	-	-	-	-
Aircraft & engines, net of depreciation	60,111	56,527	65,502	62,409
Total assets	**$ 71,465**	**$ 67,510**	**$ 76,599**	**$ 73,659**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts Payable and accrued expenses	$ 1,885	$ 1,642	$ 530	$ 578
Notes Payable and accrued interest	41,221	36,510	44,223	41,900
Maintenance deposits and accrued costs	6,310	5,209	5,771	7,900
Security deposits	1,814	1,718	2,254	2,150
Prepaid rent	355	213	186	200
Total current liabilities	**51,585**	**45,292**	**52,965**	**52,728**
Long-Term debt-net of current	-	-	-	-
Deferred Income Taxes	2,716	3,356	3,763	2,400
Total Liabilities	**54,301**	**48,648**	**56,728**	**55,128**
Stockholders' equity:				
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2	2	2
Paid-in capital	13,821	13,821	13,821	13,821
Retained earnings	3,844	5,543	6,552	5,212
Accumulated deficit	-	-	-	-
Treasury Stock, at cost	(504)	(504)	(504)	(504)
Total stockholders' equity	**17,163**	**18,862**	**19,871**	**18,531**
Total liabilities and stockholders' equity	**$ 71,464**	**$ 67,510**	**$ 76,599**	**$ 73,659**
SHARES OUT	1,607	1,607	1,607	1,607

* All numbers are Taglich Brothers estimates except for Total Assets, Total Liabilities and Total Stockholders' Equity

AeroCentury Inc.
Annual Income Statement
For the Years Ended December 31,
(in thousands)

	FY2000*	FY2001**	FY2002	FY2003	**FY2004E**
Revenues:					
Rent Income	$ 10,880	$ 10,238	$ 8,691	$ 8,767	**$ 8,750**
Gain(loss) on disposal of assets	747	327	-	-	**-**
Other Income	481	667	123	143	**140**
Total Revenues	12,108	11,232	8,814	8,910	**8,890**
Expenses:					
Management Fees	1,725	1,750	1,725	1,910	**1,890**
Depreciation	2,674	2,776	2,852	3,361	**3,360**
Interest	3,471	2,866	1,969	1,941	**2,180**
SG&A	494	434	543	843	**930**
Maintenance	763	859	242	2,091	**140**
Provision for impairment in value of aircraft in '00 and Bad Debt Expense in '03	463	-	-	900	**-**
Total Expenses	9,590	8,684	7,331	11,045	**8,500**
Operating Income	2,517	2,548	1,483	(2,136)	**390**
Operating Margin	20.79%	22.68%	16.82%	-23.97%	4.39%
Taxes(Benefit)	846	849	473	(795)	**146**
Tax Rate	*33.61%*	33.32%	*31.93%*	*37.24%*	*37.44%*
Net Income	$ 1,671	$ 1,699	$ 1,009	$ (1,340)	**$ 244**
EPS-fully diluted includes insurance settlement	$ 1.08	$ 1.10	$ 0.65	$ (0.87)	**$ 0.16**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	10,383	9,482	7,089	7,000	**7,000**
GPM	85.8%	84.4%	80.4%	78.6%	**78.7%**
NI/Rev	13.8%	15.1%	11.5%	-15.0%	**2.7%**
NI/Rent Income	15.4%	16.6%	11.6%	-15.3%	**2.8%**
Total Exp/Rev	79.2%	77.3%	83.2%	124.0%	**95.6%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	15.86%	17.09%	19.85%	21.79%	**21.60%**
Depreciation	24.58%	27.12%	32.82%	38.33%	**38.40%**
Interest	31.91%	27.99%	22.65%	22.14%	**24.91%**
SG&A	4.54%	4.24%	6.25%	9.61%	**10.63%**
Total Expenses	88.15%	84.83%	84.35%	125.99%	**97.14%**
Percent Change Year/Year					
Rent Income	52.62%	-5.91%	-14.38%	0.86%	**-0.19%**
Operating Income	23.34%	1.21%	-41.27%	NMF	**NMF**
Net Income	18.92%	1.64%	-40.59%	NMF	**NMF**

* Includes a write-down of two aircraft to market value
** Included in other income is an insurance settlement gain of $0.35 million or $0.15 per share. Excluding the gain full year 2001 EPS was 0.95.
*** Total revenues, net income and EPS are reported numbers from AeroCentury. All other numbers are Taglich Brothers estimates.

AeroCentury Inc.
Quarterly Income Statement
For the Year Ended December 31, 2002
(in thousands)

	(3/02)Q1A	(6/02)Q2 A	(9/02)Q3A	(12/02)Q4A	**FY2002A**
Revenues:					
Rent Income	$ 2,194	$ 2,230	$ 1,938	$ 2,330	**$ 8,691**
Gain(loss) on disposal of assets	-	-		-	-
Other Income **	31	27	38	26	**123**
Total Revenues	2,225	2,257	1,976	2,356	**8,814**
Expenses:					
Management Fees	421	417	420	468	**1,725**
Depreciation	681	685	703	783	**2,852**
Interest	468	470	480	551	**1,969**
SG&A	129	130	156	129	**543**
Maintenance	76	149	(185)	202	**242**
Total Expenses	1,774	1,851	1,574	2,133	**7,331**
Operating Income	451	406	402	223	**1,483**
Operating Margin	20.29%	17.99%	20.34%	9.47%	16.82%
Taxes(Benefit)	152	141	116	65	**473**
Tax Rate	*33.62%*	*34.75%*	*28.73%*	*29.12%*	*31.93%*
Net Income	$ 300	$ 265	$ 286	$ 158	**$ 1,009**
EPS-fully diluted -- Includes insurance settlement	$ 0.19	$ 0.17	$ 0.19	$ 0.10	**$ 0.65**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,804	1,840	1,556	1,888	**7,089**
GPM	81.1%	81.5%	78.8%	80.1%	**80.4%**
NI/Rev	13.5%	11.7%	14.5%	6.7%	**11.5%**
NI/Rent Income	13.7%	11.9%	14.8%	6.8%	**11.6%**
Total Exp/Rev	79.7%	82.0%	79.7%	90.5%	**83.2%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	19.18%	18.70%	21.67%	20.08%	**19.85%**
Depreciation	31.03%	30.73%	36.29%	33.60%	**32.82%**
Interest	21.31%	21.07%	24.79%	23.65%	**22.65%**
SG&A	5.87%	5.81%	8.05%	5.51%	**6.25%**
Total Expenses	80.85%	83.01%	81.23%	91.52%	**84.35%**
Percent Change Year/Year					
Rent Income	-20.49%	-15.29%	-21.10%	1.15%	**-14.38%**
Operating Income	-41.59%	-45.37%	-49.89%	8.20%	**-41.27%**
Net Income	-41.16%	-47.50%	-45.98%	-29.22%	**-40.59%**

AeroCentury Inc.
Quarterly Income Statement
For the Year Ended December 31, 2003
(in thousands)

	(3/03)Q1A	(6/03)Q2A	(9/03)Q3A	(12/03)Q4A	**FY2003A**
Revenues:					
Rent Income	$ 2,452	$ 2,186	$ 2,030	$ 2,099	**$ 8,767**
Other Income	24	21	48	50	**143**
Total Revenues	2,476	2,207	2,078	2,149	**8,910**
Expenses:					
Management Fees	487	481	474	468	**1,910**
Depreciation	841	839	840	840	**3,361**
Interest	511	442	443	545	**1,941**
SG&A	216	202	173	251	**843**
Maintenance	101	1,737	85	168	**2,091**
Bad debt expense	100	950	-	(150)	**900**
Total Expenses	2,256	4,651	2,015	2,123	**11,045**
Operating Income	220	(2,444)	63	25	**(2,136)**
Operating Margin	8.90%	-110.73%	3.02%	1.17%	-23.97%
Taxes(Benefit)	45	(853)	13	(0)	**(795)**
Tax Rate	*20.49%*	*34.89%*	*20.05%*	*-1.83%*	*37.24%*
Net Income	$ 175	$ (1,591)	$ 50	$ 26	**$ (1,340)**
EPS-fully diluted	$ 0.11	$ (1.03)	$ 0.03	$ 0.02	**$ (0.87)**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,989	1,727	1,604	1,681	**7,000**
GPM	80.3%	78.2%	77.2%	78.2%	**78.6%**
NI/Rev	7.1%	-72.1%	2.4%	1.2%	**-15.0%**
NI/Rent Income	7.1%	-72.8%	2.5%	1.2%	**-15.3%**
Total Exp/Rev	91.1%	210.7%	97.0%	98.8%	**124.0%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	19.86%	21.99%	23.36%	22.30%	**21.79%**
Depreciation	34.29%	38.40%	41.38%	40.04%	**38.33%**
Interest	20.84%	20.21%	21.81%	25.99%	**22.14%**
SG&A	8.80%	9.26%	8.52%	11.98%	**9.61%**
Total Expenses	91.99%	212.79%	99.25%	101.18%	**125.99%**
Percent Change Year/Year					
Rent Income	11.78%	-1.98%	4.79%	-9.94%	**0.86%**
Operating Income	-51.22%	-701.78%	-84.39%	-88.72%	**-244.04%**
Net Income	-41.57%	-700.50%	-82.49%	-83.79%	**-232.79%**

AeroCentury Inc.
Quarterly Income Statement
For the Year Ended December 31, 2004
(in thousands)

	(3/04)Q1E	(6/04)Q2E	(9/04)Q3E	(12/04)Q4E	**FY2004E**
Revenues:					
Rent Income	$ 2,150	$ 2,175	$ 2,200	$ 2,225	**$ 8,750**
Other Income	35	35	35	35	**140**
Total Revenues	2,185	2,210	2,235	2,260	**8,890**
Expenses:					
Management Fees	465	470	475	480	**1,890**
Depreciation	840	840	840	840	**3,360**
Interest	540	540	550	550	**2,180**
SG&A	225	230	235	240	**930**
Total Expenses	2,105	2,115	2,135	2,145	**8,500**
Operating Income	80	95	100	115	**390**
Operating Margin	3.66%	4.30%	4.47%	5.09%	4.39%
Taxes(Benefit)	30	36	37	43	**146**
Tax Rate	*37.50%*	*37.89%*	*37.00%*	*37.39%*	*37.44%*
Net Income	$ 50	$ 59	$ 63	$ 72	**$ 244**
EPS-fully diluted	$ 0.03	$ 0.04	$ 0.04	$ 0.05	**$ 0.16**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,720	1,740	1,760	1,780	**7,000**
GPM	78.7%	78.7%	78.7%	78.8%	**78.7%**
NI/Rev	2.3%	2.7%	2.8%	3.2%	**2.7%**
NI/Rent Income	2.3%	2.7%	2.9%	3.2%	**2.8%**
Total Exp/Rev	96.3%	95.7%	95.5%	94.9%	**95.6%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	21.63%	21.61%	21.59%	21.57%	**21.60%**
Depreciation	39.07%	38.62%	38.18%	37.75%	**38.40%**
Interest	25.12%	24.83%	25.00%	24.72%	**24.91%**
SG&A	10.47%	10.57%	10.68%	10.79%	**10.63%**
Total Expenses	97.91%	97.24%	97.05%	96.40%	**97.14%**
Percent Change Year/Year					
Rent Income	-12.31%	-0.49%	8.35%	6.02%	**-0.19%**
Operating Income	NMF	NMF	NMF	NMF	NMF
Net Income	NMF	NMF	NMF	NMF	NMF