Research Report – Update

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

AeroCentury Corp.

Rating: Neutral

Howard Halpern

ACY $3.65- (AMEX)

September 05, 2003

	FYE 12/01	FYE 12/02	**FYE 12/03 E**	**FYE 12/04 E**
Revenues (millions)	$10.91*	$8.81	**$8.98**	**$9.03**
Earnings per share (diluted)	$0.95*	$0.65	**($0.83)**	**$0.24**

52week range	$5.45 – $2.57	Fiscal year ends:	December
Shares outstanding	1.61 million	Revenue/shares (ttm)	$5.84
Trading float	1.07 million	Price/Sales (ttm)	0.63X
Insiders and Institutional ownership	0.54 million	Price/Sales (2003)	0.62X
Book value/share $_{\text{a/o 06/30/03}}$	$11.49	Price/Earnings (ttm)	NMF
Price/Book	0.32X	Price/Earnings (2004)	15.2X

* 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 lowering our Speculative Buy rating to neutral and believe that based on a relative price-to-book analysis the Company's shares are fairly valued.

Our rating and outlook are based on the tough operating environment within the Aviation and Travel Industries, the Company's need to conclude the repossession of two DHC-7 aircraft from a Haitian lessee, and lower earnings estimates.

AeroCentury reported second quarter revenues of $2.207 million versus $2.257 million in the same period last year. The net loss for the quarter was $1.591 million or ($1.03) per share versus net income of $0.265 million or $0.17 per diluted share in the same period last year.

During June 2003, the Company successfully re-leased two Saab 340 aircraft to a new customer in Puerto Rico.

Based on first half results and the outlook provided by Management in the Company's second quarter 10Q, we are estimating revenue of $8.98 million and a net loss of $1.286 million or ($0.83) per share in 2003. Our prior estimates called for revenue of $9.9 million and net income of $0.940 million or $0.61 per diluted share.

Our 2004 revenue forecast is $9.03 million and net income of $0.376 million or $0.24 per diluted share. Our prior forecast called for revenue of $10.3 million and net income of $1.1 million or $0.71 per diluted share.

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

Recent Financials

AeroCentury reported 2003 second quarter revenues of $2.207 million versus $2.257 million in the second quarter of 2002. The net loss for the quarter was $1.591 million or ($1.03) per share, versus $0.265 million or $0.17 per diluted share in the same period last year.

The decline in revenue versus last year was primarily due to lower overall lease rates and aircraft that were off lease during 2003. The revenue decline was mitigated to some degree as a result of the purchase of aircraft during the second half of 2002.

Increased maintenance expense and recognition of bad debt expense were the primary causes for the Company experiencing a net loss for the quarter. Maintenance expense increased by approximately $1.56 million compared to the same period last year due to work which will be performed on three aircraft which are in the process of being returned early by the lessee (the lessee has been declared in default of its payment obligations under its leases). Bad debt expense for the quarter was $0.95 million compared to no such expenses in the same period last year. The Company needed to record approximately:

- $0.65 million for all rent and maintenance reserves owed by the lessee that was declared in default;
- $0.15 million, which is the maximum amount that the Company guaranteed under a spare parts lease between the lessee in default and a third-party maintenance vendor; and
- $0.15 million related to a portion of the amounts due from another lessee (who is not in default) for rent and maintenance.

In comparison, Taglich Brothers estimated called for second quarter revenues of $2.46 million and net income of $0.145 million or $0.09 per diluted share.

<u>*Balance Sheet as of June 30, 2003*</u>

The Company had cash and cash equivalents of $1.27 million versus $1.71 million at December 31, 2002. On July 1, 2003, the Company announced an agreement with its lenders to accommodate the departure of one of the participating lenders that had decided it no longer wished to participate in aviation finance and extension of the maturity date to August 28, 2003 of its credit facility. Total outstanding indebtedness was $39.905 million of its $40.0 million facility. Subsequent to the end of the second quarter, on August 29, 2003, the Company announced that it reached an agreement with its lender to extend the maturity date of the existing credit facility to August 31, 2004 and also it obtained a waiver for the non-compliance of a financial ratio covenant due to the net loss incurred during the quarter.

As long as Management is able to successfully renew the Company's credit facility and keep its assets on lease(s), cash flow should be sufficient to cover management fees, professional fees, and interest expense.

Recent Developments

On June 19, 2003, the Company announced the successful re-lease of two Saab 340 aircraft to a new Puerto Rican customer. One of the aircraft has been delivered to the lessee and is subject to a 49-month lease. The second aircraft will be subject to a 48-month lease.

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 recently 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 numerous bankruptcies in 2002 and may experience a few more in 2003. This in turn increases the supply of aircraft on the market and lessens demand. According to the Travel Industry Association of America (TIA), travel volume has declined for three straight years (9.0% between 2002 and 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 re-leasing of an aircraft.

Outlook and Projections

Based on first half results and the outlook provided by Management in the Company's second quarter 10Q, we are revising our revenue and earnings forecasts for fiscal 2003. Revenues should approximate $8.98 million with a net loss of approximately $1.286 million or ($0.83) per share. Our prior forecasts called for revenues of $9.91 million with net income of $0.940 million or $0.61 per diluted share. The net loss for the year is primarily due to the repossession of aircraft, which has increased the Company's overall expenses during the second quarter of the year.

For 2004, our revised forecast calls for revenues of $9.03 million and net income of $0.376 million or $0.24 per diluted share. Our prior forecast called for revenues of $10.3 million and net income of $1.095 million or $0.71 per diluted share.

Our revenue estimates for 2003 and 2004, are based on a slow recovery within the Aviation and Travel Industries. Also, impacting revenues is the relatively low interest rate environment, which has resulted in lower lease rates, the repossession of two aircraft; and renewal of the Company's credit facility. Unless the Company is able to increase its credit facility and purchase additional aircraft to lease, revenues are likely to remain relatively flat.

We estimate that the Company will have at least three aircraft available for re-lease and/or sale during the final quarter of 2003, two 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 re-lease agreements, Management continues to focus its efforts on marketing. Therefore, we believe it is prudent to estimate that selling, general, and administrative expenses will increase by approximately $0.500 million versus last year. In addition, the Company acquired and leased-back two aircrafts during the fourth quarter of 2002 and re-leased an aircraft during April 2003, which has increased our estimates for management fees and depreciation.

Risks

Economic Factors

The Company's business is dependent on the strength of the Travel and Transportation Industries and on the general level of economic activity in the United States and internationally. As a result of the weak economic environment experienced over the last two years, 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 July 10, 2003) calls for Gross Domestic Product to grow by approximately 2.8% in 2003, with the second half of the year averaging approximately 3.7% versus approximately 1.9% during the first half of 2003. For 2004, the various economic forecasts call for full year growth in excess of 3.5%. 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. Until the Company is able to renegotiate an increase in its credit facility the purchase of additional assets is unlikely, thus impacting future revenue growth. Also, 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.).

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 the first seven months of 2003 increased to approximately 2,841 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

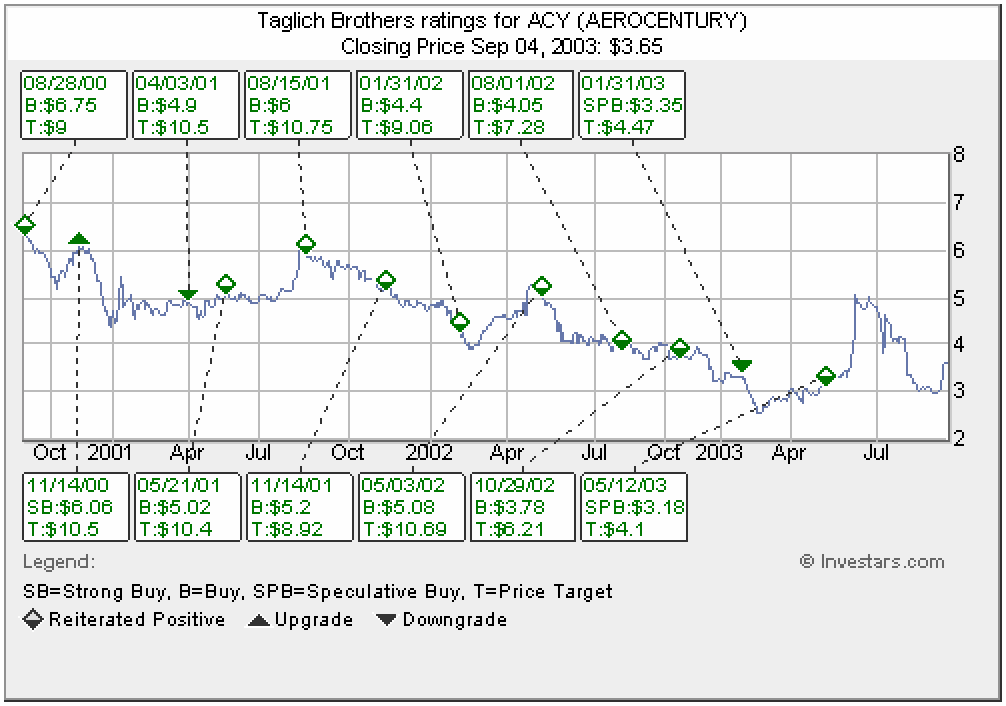
We are lowering our Speculative Buy rating to Neutral and believe that based on a relative price-to-book analysis the Company's shares are fairly valued.

Our rating and outlook is based on the tough operating environment within the Aviation and Travel Industries, the Company's need to conclude the repossession of two DHC-7 aircraft from a Haitian lessee, and lower earnings estimates.

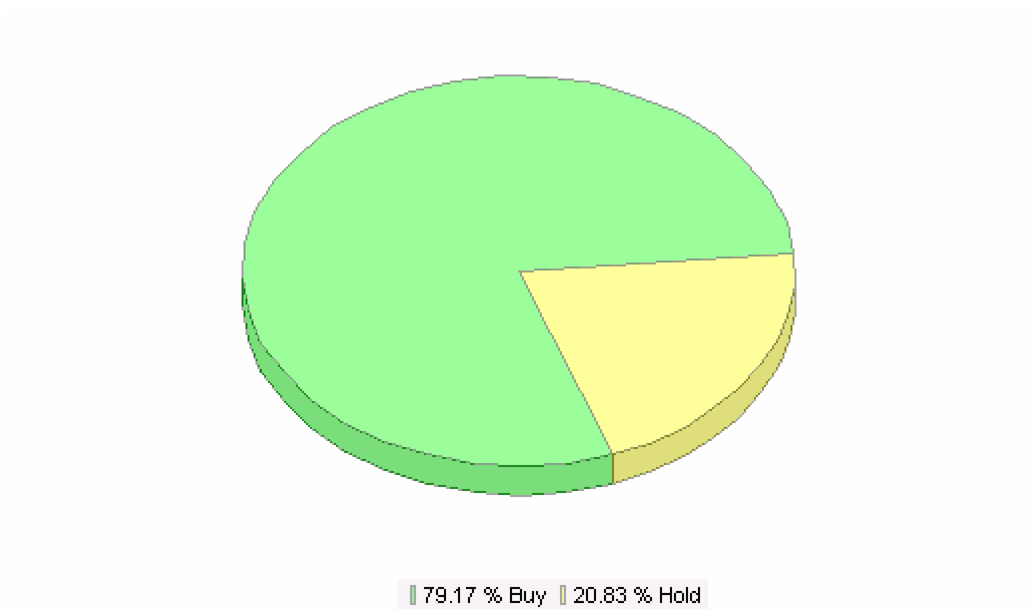
ACY is trading at a 0.32X multiple based on its current book value per share. In comparison, the Company's peer(s) trade at a price to book value multiple of 0.36X.

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	1.36	4.62	6.28	NMF	2.39	5.37	0.25
Willis Lease Finance Corp.	WLFC	5.59	8.84	49.42	12.2	0.80	12.04	0.46
Peer Group Average					12.2	1.60		0.36
AreoCentury Inc.	ACY	3.65	1.54	5.6	NMF	0.53	11.49	0.32



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)

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	March '03 1st Qtr	June '03 2nd Qtr
ASSETS					
Current assets:					
Cash & Equivalents	$ 3,184	$ 2,680	$ 1,708	$ 1,796	$ 1,960
Deposits	6,864	6,987	7,088	7,441	5,868
Accounts Receivable	571	596	1,801	2,194	475
Note receivable	118	69	18	4	
Prepaid Expense & Other	617	651	483	373	332
Total current assets	**11,353**	**10,983**	**11,097**	**11,809**	**8,635**
Deferred Tax Asset	-	-	-	-	-
Aircraft & engines, net of depreciation	60,111	56,527	65,502	64,661	55,213
Total assets	**$ 71,465**	**$ 67,510**	**$ 76,599**	**$ 76,470**	**$ 63,847**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts Payable and accrued expenses	$ 1,885	$ 1,642	$ 530	$ 762	$ 495
Notes Payable and accrued interest	41,221	36,510	44,223	43,364	36,763
Maintenance deposits and accrued costs	6,310	5,209	5,771	6,222	4,948
Security deposits	1,814	1,718	2,254	2,260	1,785
Prepaid rent	355	213	186	272	300
Total current liabilities	**51,585**	**45,292**	**52,965**	**52,880**	**44,291**
Long-Term debt-net of current	-	-	-	-	-
Deferred Income Taxes	2,716	3,356	3,763	3,544	3,607
Total Liabilities	**54,301**	**48,648**	**56,728**	**56,424**	**47,898**
Stockholders' equity:					
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2	2	2	2
Paid-in capital	13,821	13,821	13,821	13,821	13,821
Retained earnings	3,844	5,543	6,552	6,727	2,630
Accumulated deficit	-	-	-	-	-
Treasury Stock, at cost	(504)	(504)	(504)	(504)	(504)
Total stockholders' equity	**17,163**	**18,862**	**19,871**	**20,046**	**15,949**
Total liabilities and stockholders' equity	**$ 71,464**	**$ 67,510**	**$ 76,599**	**$ 76,470**	**$ 63,847**
SHARES OUT	1,607	1,607	1,607	1,607	1,607

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

	FY2000*	FY2001**	FY2002	**FY2003E**	**FY2004E**
Revenues:					
Rent Income	$ 10,880	$ 10,238	$ 8,691	**$ 8,888**	**$ 8,925**
Gain(loss) on disposal of assets	747	327	-	**-**	**-**
Other Income	481	667	123	**95**	**100**
Total Revenues	12,108	11,232	8,814	**8,983**	**9,025**
Expenses:					
Management Fees	1,725	1,750	1,725	**1,918**	**1,930**
Depreciation	2,674	2,776	2,852	**3,350**	**3,360**
Interest	3,471	2,866	1,969	**1,853**	**1,900**
SG&A	494	434	543	**943**	**1,150**
Maintenance	763	859	242	**1,888**	**100**
Provision for impairment in value of aircraft in '00 and Bad Debt Expense in '03	463	-	-	**1,050**	**-**
Total Expenses	9,590	8,684	7,331	**11,002**	**8,440**
Operating Income	2,517	2,548	1,483	**(2,019)**	**585**
Operating Margin	20.79%	22.68%	16.82%	-22.47%	6.48%
Taxes(Benefit)	846	849	473	**(732)**	**209**
Tax Rate	*33.61%*	33.32%	*31.93%*	*36.29%*	*35.73%*
Net Income	$ 1,671	$ 1,699	$ 1,009	**$ (1,286)**	**$ 376**
EPS-fully diluted includes insurance settlement	$ 1.08	$ 1.10	$ 0.65	**$ (0.83)**	**$ 0.24**
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	**7,065**	**7,095**
GPM	85.8%	84.4%	80.4%	**78.7%**	**78.6%**
NI/Rev	13.8%	15.1%	11.5%	**-14.3%**	**4.2%**
NI/Rent Income	15.4%	16.6%	11.6%	**-14.5%**	**4.2%**
Total Exp/Rev	79.2%	77.3%	83.2%	**122.5%**	**93.5%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	15.86%	17.09%	19.85%	**21.58%**	**21.62%**
Depreciation	24.58%	27.12%	32.82%	**37.69%**	**37.65%**
Interest	31.91%	27.99%	22.65%	**20.85%**	**21.29%**
SG&A	4.54%	4.24%	6.25%	**11.74%**	**12.89%**
Total Expenses	88.15%	84.83%	84.35%	**123.79%**	**94.57%**
Percent Change Year/Year					
Rent Income	52.62%	-5.91%	-14.38%	**2.26%**	**0.42%**
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)Q3E	(12/03)Q4E	**FY2003E**
Revenues:					
Rent Income	$ 2,452	$ 2,186	$ 2,100	$ 2,150	**$ 8,888**
Other Income	24	21	25	25	**95**
Total Revenues	2,476	2,207	2,125	2,175	**8,983**
Expenses:					
Management Fees	487	481	480	470	**1,918**
Depreciation	841	839	835	835	**3,350**
Interest	511	442	450	450	**1,853**
SG&A	216	202	250	275	**943**
Maintenance	101	1,737	25	25	**1,888**
Bad debt expense	100	950	-	-	**1,050**
Total Expenses	2,256	4,651	2,040	2,055	**11,002**
Operating Income	220	(2,444)	85	120	**(2,019)**
Operating Margin	8.90%	-110.73%	4.00%	5.52%	-22.47%
Taxes(Benefit)	45	(853)	30	45	**(732)**
Tax Rate	*20.49%*	*34.89%*	*35.29%*	*37.50%*	*36.29%*
Net Income	$ 175	$ (1,591)	$ 55	$ 75	**$ (1,286)**
EPS-fully diluted	$ 0.11	$ (1.03)	$ 0.04	$ 0.05	**$ (0.83)**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,989	1,727	1,645	1,705	**7,065**
GPM	80.3%	78.2%	77.4%	78.4%	**78.7%**
NI/Rev	7.1%	-72.1%	2.6%	3.4%	**-14.3%**
NI/Rent Income	7.1%	-72.8%	2.6%	3.5%	**-14.5%**
Total Exp/Rev	91.1%	210.7%	96.0%	94.5%	**122.5%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	19.86%	21.99%	22.86%	21.86%	**21.58%**
Depreciation	34.29%	38.40%	39.76%	38.84%	**37.69%**
Interest	20.84%	20.21%	21.43%	20.93%	**20.85%**
SG&A	8.80%	9.26%	11.90%	12.79%	**10.61%**
Total Expenses	91.99%	212.79%	97.14%	95.58%	**123.79%**
Percent Change Year/Year					
Rent Income	11.78%	-1.98%	8.38%	-7.74%	**2.26%**
Operating Income	-51.22%	-701.78%	-78.85%	-46.23%	**-236.14%**
Net Income	-41.57%	-700.50%	-80.80%	-52.59%	**-227.42%**

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	$ 2,175	$ 2,200	$ 2,250	$ 2,300	**$ 8,925**
Other Income	25	25	25	25	**100**
Total Revenues	2,200	2,225	2,275	2,325	**9,025**
Expenses:					
Management Fees	475	480	485	490	**1,930**
Depreciation	840	840	840	840	**3,360**
Interest	475	475	475	475	**1,900**
SG&A	280	285	290	295	**1,150**
Total Expenses	2,095	2,105	2,115	2,125	**8,440**
Operating Income	105	120	160	200	**585**
Operating Margin	4.77%	5.39%	7.03%	8.60%	6.48%
Taxes(Benefit)	37	45	57	70	**209**
Tax Rate	*35.24%*	*37.50%*	*35.63%*	*35.00%*	*35.73%*
Net Income	$ 68	$ 75	$ 103	$ 130	**$ 376**
EPS-fully diluted	$ 0.04	$ 0.05	$ 0.07	$ 0.08	**$ 0.24**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,725	1,745	1,790	1,835	**7,095**
GPM	78.4%	78.4%	78.7%	78.9%	**78.6%**
NI/Rev	3.1%	3.4%	4.5%	5.6%	**4.2%**
NI/Rent Income	3.1%	3.4%	4.6%	5.7%	**4.2%**
Total Exp/Rev	95.2%	94.6%	93.0%	91.4%	**93.5%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	21.84%	21.82%	21.56%	21.30%	**21.62%**
Depreciation	38.62%	38.18%	37.33%	36.52%	**37.65%**
Interest	21.84%	21.59%	21.11%	20.65%	**21.29%**
SG&A	12.87%	12.95%	12.89%	12.83%	**12.89%**
Total Expenses	96.32%	95.68%	94.00%	92.39%	**94.57%**
Percent Change Year/Year					
Rent Income	-11.29%	0.66%	7.14%	6.98%	**0.42%**
Operating Income	NMF	NMF	NMF	NMF	NMF
Net Income	NMF	NMF	NMF	NMF	NMF