Taglich Brothers, Inc.
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: Neutral
Howard Halpern

ACY $2.79 – (AMEX)
November 24, 2004

	FYE 12/02	FYE 12/03	**FYE 12/04 E**	**FYE 12/05 E**
Revenues (millions)	$8.81	$8.91	**$9.32**	**$9.34**
Earnings per share (diluted)	$0.65	($0.87)	**($0.28)**	**$0.08**

52week range	$3.65– $2.05	Fiscal year ends:	December
Shares outstanding	1.61 million	Revenue/shares (ttm)	$5.87
Trading float	1.07 million	Price/Sales (ttm)	0.48X
Insiders and Institutional ownership	0.54 million	Price/Sales (2005)E	0.46X
Book value/share a/o 09/30/04	$11.24	Price/Earnings (ttm)	NMF
Price/Book	0.25X	Price/Earnings (2005)E	34.9X

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 maintaining our Neutral rating on the shares of AeroCentury Corp. (AMEX: ACY), pending the Company returning to profitability and regaining compliance with all financial covenants related to its credit facility.

On November 8, 2004, the Company announced an agreement with its credit facility lenders to extend the maturity date of its $50 million facility to October 31, 2005. The renewal revised certain pricing and covenant provisions and waived non-compliance with two covenants, as of September 30, 2004. It is our belief a longer-term credit facility would benefit the Company, so that its renewal would not become an issue during the second half of 2005.

AeroCentury reported third quarter revenues of $2.47 million versus $2.08 million in the same period last year. The net loss for the quarter was $0.557 million or ($0.36) per share versus net income of $0.050 million or $0.03 per diluted share in the same period last year.

The net loss for the quarter included unusual charges for maintenance expense, bad debt expense, and legal fees that amounted to $0.57 million in connection with the early return during September 2004 of two aircraft. Also, quarterly results included impairment charges of $0.463 million related to one of the Company's leased aircraft.

Based on the outlook provided by Management in its public filings, results for the first nine months of the year, and general operating trends, we are estimating 2004 revenue of $9.32 million versus our prior estimate of $9.06 million. Our 2004 net loss estimate (which includes third quarter charges), is $0.427 million or ($0.28) per diluted share. Our prior net income estimate was $0.175 million or $0.11 per diluted share.

****Please view our disclaimer located on page 9.***

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Recent Financials

AeroCentury reported 2004 third quarter revenue of $2.473 million versus $2.030 million in the third quarter of 2003. The positive change in revenue versus last year was primarily due to the combined effect of:

- A gain on the sale of aircraft and aircraft engines;
- Other income, which included note payments received from a former lessee of a fully reserved note;
- Operating lease revenue from aircraft purchased during 2004; and
- Re-lease of several aircraft, which had been off lease in 2003.

However, it is important to note that on a year-over-year basis, the revenue increase was muted due to lower lease rates for aircraft re-leased after the second quarter of 2003 and aircraft off lease during the third quarter of 2004.

The Company reported that depreciation, management fees, and SG&A expenses in the quarter increased by approximately $242,000 versus the same period last year. In addition, the Company also experienced higher interest expense (resulting from higher average interest rates arising from the renegotiation of the Company's credit facility in the third quarter of 2003) of approximately $163,700 versus the third quarter of last year.

The net loss for the quarter was $0.557 million or ($0.36) per share versus net income of $0.050 million or $0.03 per diluted share in the same period last year.

Included in the net loss for quarter were unusual charges to maintenance expense, bad debt expense, and legal fees that amounted to $0.57 million in connection with the early return during September 2004 of two aircraft. Also, quarterly results included impairment charges of $0.463 million related to one of the Company's leased aircraft. Excluding the impact of the charges the Company estimates pro-forma net income of $104,000 or $0.07 per share.

In comparison, Taglich Brothers' 2004 estimates called for revenues of $2.310 million and net income of $50,000 or $0.03 per fully diluted share.

Balance Sheet as of September 30, 2004

The Company provided the following balance sheet data:

- Total assets of $72.726 million;
- Total liabilities of $54.672 million; and
- Shareholders' equity of $18.054 million.

The Company ended the quarter with cash and cash equivalents of $3.656 million versus $9.449 million at December 31, 2003. Total outstanding indebtedness stood at $40.433 million versus $41.932 million at the end of fiscal 2003. At the end of quarter, ACY was in compliance with all but two loan covenants (a financial ratio covenant, as well as a covenant which requires positive quarterly earnings) under its $50 million credit facility. 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.

It is important for investors to be aware that on November 8, 2004, the Company announced an agreement with its credit facility lenders to extend the maturity date of its $50 million facility to October 31, 2005. It is our belief a longer-term credit facility would benefit the Company, so that its renewal would not become an issue during the second half of 2005.

In addition, investors need to be aware that the Company's longer term viability will depend upon its ability to renew the credit facility at its expiration with the existing or replacement lenders, or to refinance the credit facility using equity or alternative debt financing.

Recent Developments

The following events occurred during the third quarter of 2004:

- On August 9, 2004, the Company announced it purchased a deHavilland DHC-8-300 aircraft. The aircraft is subject to a lease with Caribbean Star Airlines Limited through November 2007. Caribbean Star Airlines, based in Antigua, is a privately held four-year old company with approximately 100 daily flights serving 13 Caribbean destinations;
- On July 9, 2004, the Company announced the sale of one of its two deHavilland Dash-7 aircraft to a Canadian operator. Management stated that this aircraft served as one of the anchor assets since 1991;
- On July 2, 2004, ACY announced the appointment of Thomas Hiniker to its Board of Directors. Mr. Hiniker is President and Chairman of AIRFUND Corporation, an international aircraft lessor and marketing agent he founded in 1984. He is also a member of the Board of Directors of the International Society of Transport Aircraft Traders and is Chairman of the Board of Truestees of ISTAT foundation; and
- Also occurring during the quarter were:
  - The sale of one of the Company’s turboprop engines;
  - The extension for five years, leases for two of the Company’s deHavilland DHC-6 aircraft;
  - The extension for two years on two of the Company’s Fokker 50 aircraft; and
  - The extension through December 2004 for 24 of the Company’s turboprop engines.

Subsequent to the end of the quarter, the Company announced it promoted Kirk Watson to Senior Vice President – Technical Services on November 12, 2004.

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), 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.

Also, impacting the leasing of aircraft for all industry participants has been relatively low interest rates that caused lease rates to decline upon the releasing of an aircraft. However, based on recent action in the bond market, interest rates appear to be moving up and this trend was confirmed on Wednesday, November 10, 2004, by the fourth 25 basis points increase in interest rates so far in 2004, by the Federal Reserve Board.

According to the Travel Industry Association of America (TIA), travel volume has declined for three straight years since it peaked in 2000. However, looking at the upcoming year, the TIA is optimistic for 2004. The TIA is forecasting that overall traveler spending by domestic and international visitors could increase by 5.9% to $587.7 billion. That is still below the record set in 2000.

Outlook and Projections

For 2004, we are adjusting our revenue forecast to $9.32 million from our prior estimate of $9.06 million, based on the Company's outlook as described in its third quarter 10Q filing, trends established during the first nine months of 2004, and the purchase of aircraft during 2004.

Based on our revenue forecast, the Company's first half cost structure, and reported results for the third quarter, we are adjusting our prior net income forecast of $0.175 million or $0.11 per diluted share to a net loss of $0.427 million or ($0.28) per share. Our forecast includes the following:

- Interest expense increasing to $2.34 million versus $1.94 million in 2003;
- SG&A expenses, which includes insurance, increasing to $0.97 million versus $0.84 million in 2003;
- Management fees and depreciation increasing to $5.49 million versus $5.27 million in 2003;
- Maintenance, impairment and bad debt expense of $1.23 million versus $2.99 million in 2003; and
- A tax rate of 39.2%.

Investors should be aware that the Company's banks have not yet approved the July transaction for inclusion of the purchased aircraft in the credit-facility borrowing base; therefore, until approval by the lenders is granted (for which a decision is expected during the first quarter of 2005), the Company's ability to borrow is somewhat limited. However, if additional purchases are made and the Company is able to re-lease aircraft on a consistent basis, revenues could exceed our expectations for 2005.

As of September 30, 2004, the Company had four aircraft and one turboprop engine off lease and available for re-lease and/or sale, which is likely to 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.

Our revenue forecast for 2005 remains at $9.34 million. Our forecast is based on our assumption that the operating environment within the Aviation and Travel Industries should continue to stabilize and interest rates should continue to trend modestly higher during the remainder of 2004 and 2005, which should translate into slightly higher re-leasing rates over time. Based on a consistent cost structure and extension of its existing credit facility, we are reducing our net income forecast to $0.130 million or $0.08 per diluted share in 2005 from our prior estimate of $0.178 million or $0.12 per diluted share in 2005.

Risks

Credit Facility Renewal

In November 2004, the Company reached agreement with its lenders to renew its credit facility through October 31, 2005. The renewal agreement also revised certain pricing and covenant provisions and waived compliance with two covenants at September 30, 2004. As part of the renewal, the LIBOR margin was set at 375 basis points through March 2005, after which a margin of 275 to 375 basis points will be determined by certain financial ratios. As of September 30, 2004, the Company had $38.305 million outstanding under the credit facility,

During October 2005, if the facility is not renewed or substitute financing is not found the long-term viability of ACY could be compromised. The Company does not have enough cash reserved to fulfill its obligations if the facility or alternative financing is not obtained; therefore, it is likely assets would have to be sold. However, like in prior years, we believe it is likely that the Company would at the very least obtain extensions of its exiting facility until a more permanent facility is put in place. It is our belief that a long-term credit facility is needed to provide a stable operating environment for the Company.

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.

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) calls for Gross Domestic Product to grow by approximately 3.7% in the fourth quarter of 2004. In addition, the Federal Reserve has raised interest rates (0.25 basis points) four times in 2004, in order to moderate future economic growth. However, if the economic growth were to stall or is slow to impact the Travel and Aviation Industries, the Company's operations could be negatively impacted.

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, factors that may negatively impact the Company's leasing operations include: 1) demand for leasing aircraft and/or the sale of an aircraft; 2) acceptable rates that an aircraft can be leased for; and 3) the cyclical 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 seventh 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.

Valuation Adjustments
The Company continually reviews its asset valuations. It did not make any valuation adjustments during 2003. However, in the third of 2004 the Company incurred an impairment charge of $0.463 million related to one of its leased aircraft. It is important to be aware that any future adjustments, if necessary, would negatively impact future financial results and the collateral available for ACY's credit facility.

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

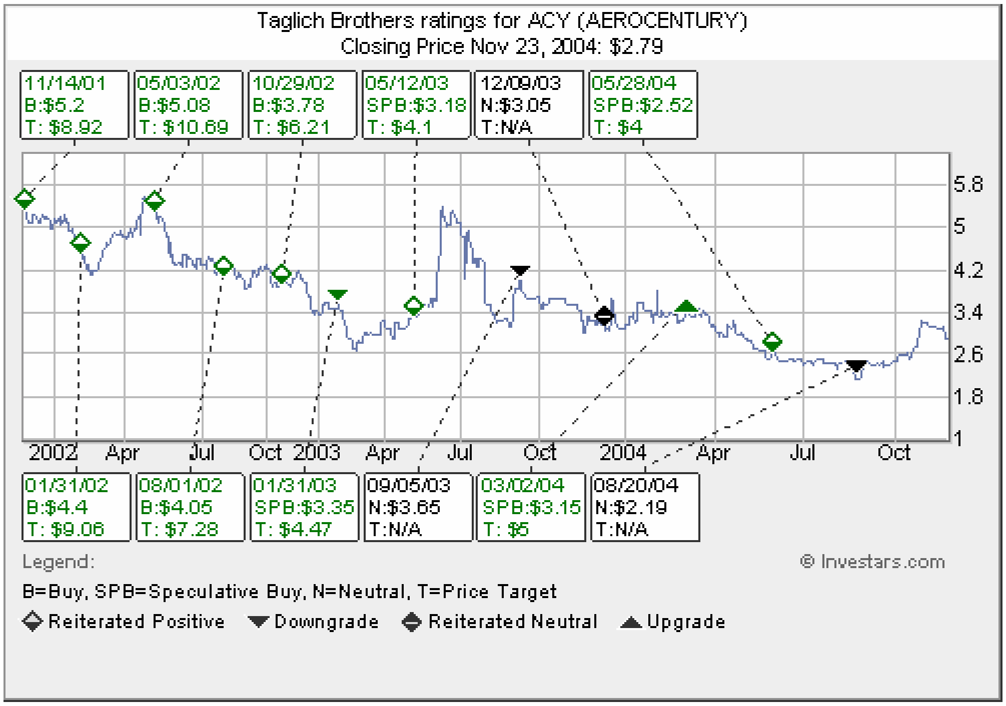
An equity specific concern relates to liquidity. Based on our calculations, average daily-volume for the first ten months of 2004 decreased to 956 from 2,660 shares in 2003. On a relative basis, volume for this equity is very small. Investors need to be aware that by nature, an equity that lacks liquidity can have significant price volatility.

Conclusion

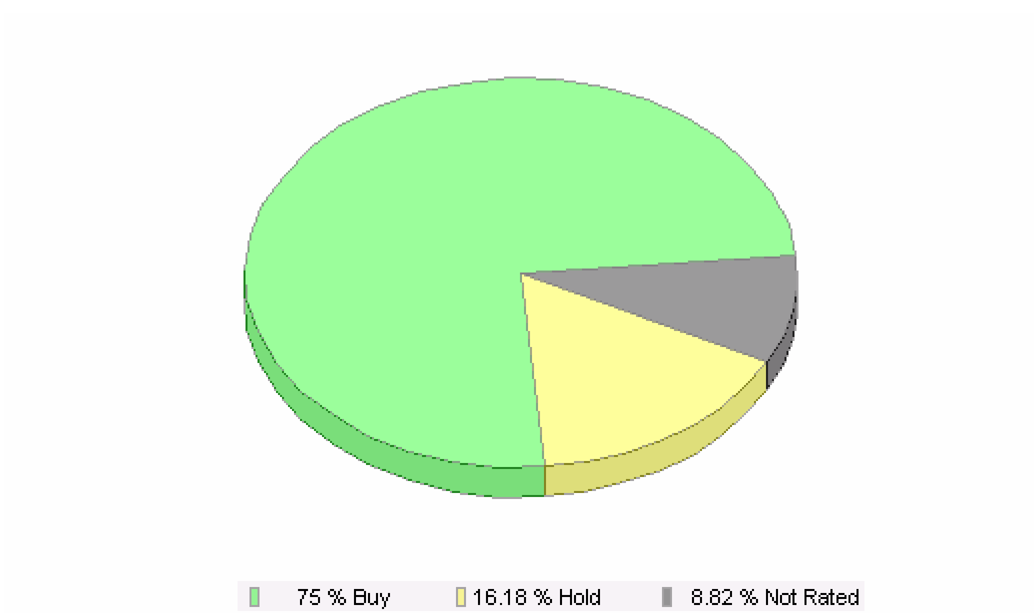
We are maintaining our Neutral rating on the shares of AeroCentury Corp. (AMEX: ACY), pending the return to profitability and regaining compliance with all financial covenants related to its credit facility.

On November 8, 2004, the Company announced an agreement with its credit facility lenders to renew the maturity date of its $50 million facility to October 31, 2005.

The renewal revised certain pricing and covenant provisions and waived compliance with two covenants as of September 30, 2004. It is our belief a longer-term credit facility would benefit the Company, since the need for renewal/extension would not become an issue during the second half of 2005.



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:

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. '01 Year End	Dec. '02 Year End	Dec. '03 Year End	March '04 1st Qtr End	June '04 2nd Qtr End	Sept. '04 3rd Qtr End
ASSETS						
Current assets:						
Cash & Equivalents	$ 9,667	$ 8,796	$ 9,449	$ 8,898	$ 5,641	$ 3,656
Accounts Receivable	596	1,801	1,360	1,687	1,978	1,266
Note receivable	69	18	-	22	22	196
Prepaid Expense & Other	651	483	699	539	605	404
Total current assets	**10,983**	**11,097**	**11,508**	**11,146**	**8,246**	**5,522**
Aircraft & engines, net of depreciation	56,527	65,502	62,151	61,615	66,393	67,204
Total assets	**$ 67,510**	**$ 76,599**	**$ 73,659**	**$ 72,761**	**$ 74,639**	**$ 72,726**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts Payable and accrued expenses	$ 1,642	$ 530	$ 484	$ 426	$ 429	$ 643
Notes Payable and accrued interest	36,510	44,223	41,932	40,673	41,804	40,433
Maintenance deposits and accrued costs	5,209	5,771	8,736	8,650	9,054	9,740
Security deposits	1,718	2,254	1,432	1,475	1,743	1,297
Prepaid rent	213	186	199	192	202	185
Total current liabilities	**45,292**	**52,965**	**52,783**	**51,416**	**53,232**	**52,298**
Long-Term debt-net of current	-	-	-	-	-	-
Deferred Income Taxes	3,356	3,763	2,784	2,784	2,796	2,374
Total Liabilities	**48,648**	**56,728**	**55,567**	**54,200**	**56,028**	**54,672**
Stockholders' equity:						
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2	2	2	2	2
Paid-in capital	13,821	13,821	13,821	13,821	13,821	13,821
Retained earnings	5,543	6,552	5,212	5,242	5,292	4,735
Accumulated deficit	-	-	-	-	-	-
Treasury Stock, at cost	(504)	(504)	(504)	(504)	(504)	(504)
Total stockholders' equity	**18,862**	**19,871**	**18,531**	**18,561**	**18,611**	**18,054**
Total liabilities and stockholders' equity	**$ 67,510**	**$ 76,599**	**$ 74,098**	**$ 72,761**	**$ 74,639**	**$ 72,726**
SHARES OUT	1,607	1,607	1,607	1,607	1,607	1,607

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

	FY2001**	FY2002	FY2003	**FY2004E *** **	**FY2005E**
Revenues:					
Rent Income	$ 10,238	$ 8,691	$ 8,767	**$ 8,814**	**$ 9,180**
Gain(loss) on disposal of assets	327	-	-	**151**	**-**
Other Income	667	123	143	**355**	**160**
Total Revenues	11,232	8,814	8,910	**9,320**	**9,340**
Expenses:					
Management Fees	1,750	1,725	1,910	**1,964**	**2,070**
Depreciation	2,776	2,852	3,361	**3,523**	**3,520**
Interest	2,866	1,969	1,941	**2,336**	**2,470**
SG&A	434	543	843	**973**	**910**
Maintenance	859	242	2,091	**616**	**170**
Provision for impairment in value of aircraft and Bad Debt Expense	-	-	900	**610**	**-**
Total Expenses	8,684	7,331	11,045	**10,022**	**9,140**
Operating Income	2,548	1,483	(2,136)	**(702)**	**200**
Operating Margin	22.68%	16.82%	-23.97%	-7.53%	2.14%
Taxes(Benefit)	849	473	(795)	**(275)**	**71**
Tax Rate	33.32%	*31.93%*	*37.24%*	*39.16%*	*35.25%*
Net Income	$ 1,699	$ 1,009	$ (1,340)	**$ (427)**	**$ 130**
EPS-fully diluted includes insurance settlement	$ 1.10	$ 0.65	$ (0.87)	**$ (0.28)**	**$ 0.08**
Avg Shares Out-fully diluted	1,543	1,543	1,543	**1,543**	**1,543**
Margin Analysis					
Gross Profit	9,482	7,089	7,000	**7,356**	**7,270**
GPM	84.4%	80.4%	78.6%	**78.9%**	**77.8%**
NI/Rev	15.1%	11.5%	-15.0%	**-4.6%**	**1.4%**
NI/Rent Income	16.6%	11.6%	-15.3%	**-4.8%**	**1.4%**
Total Exp/Rev	77.3%	83.2%	124.0%	**107.5%**	**97.9%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	17.09%	19.85%	21.79%	**22.28%**	**22.55%**
Depreciation	27.12%	32.82%	38.33%	**39.97%**	**38.34%**
Interest	27.99%	22.65%	22.14%	**26.50%**	**26.91%**
SG&A	4.24%	6.25%	9.61%	**11.04%**	**9.91%**
Total Expenses	84.83%	84.35%	125.99%	**113.71%**	**99.56%**
Percent Change Year/Year					
Rent Income	-5.91%	-14.38%	0.86%	**0.54%**	**4.15%**
Operating Income	1.21%	-41.27%	NMF	**NMF**	**NMF**
Net Income	1.64%	-40.59%	NMF	**NMF**	**NMF**

** 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.

*** Excluding unusual charges for maintenance, bad debt, legal fees, and impairment of leased aircraft, net income was approximately $104,000 or $0.07 per diluted share.

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)Q1A	(6/04)Q2A	(9/04)Q3A	(12/04)Q4E	**FY2004E**
Revenues:					
Rent Income	$ 2,060	$ 2,252	$ 2,246	$ 2,250	**$ 8,814**
Other Income	70	50	206	35	**355**
Total Revenues	2,130	2,302	2,473	2,415	**9,320**
Expenses:					
Management Fees	463	497	500	505	**1,964**
Depreciation	845	899	894	885	**3,523**
Interest	551	573	607	605	**2,336**
SG&A	215	202	336	220	**973**
Maintenance	25	68	398	125	**616**
Provision for impairment in value of aircraft and bad debt expense	-	-	610	-	**610**
Total Expenses	2,099	2,239	3,344	2,340	**10,022**
Operating Income	31	63	(870)	75	**(702)**
Operating Margin	1.46%	2.73%	-35.20%	3.11%	-7.53%
Taxes(Benefit)	1	12	(313)	25	**(275)**
Tax Rate	*3.00%*	*19.88%*	*35.98%*	*33.33%*	*39.16%*
Net Income	$ 30	$ 50	$ (557)	$ 50	**$ (427)**
EPS-fully diluted	$ 0.02	$ 0.03	$ (0.36)	$ 0.03	**$ (0.28)**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,667	1,805	1,974	1,910	**7,356**
GPM	78.3%	78.4%	79.8%	79.1%	**78.9%**
NI/Rev	1.4%	2.2%	-22.5%	2.1%	**-4.6%**
NI/Rent Income	1.5%	2.2%	-24.8%	2.2%	**-4.8%**
Total Exp/Rev	98.5%	97.3%	135.2%	96.9%	**107.5%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	22.47%	22.05%	22.25%	22.44%	**22.28%**
Depreciation	41.03%	39.93%	39.79%	39.33%	**39.97%**
Interest	26.76%	25.44%	27.00%	26.89%	**26.50%**
SG&A	10.45%	8.98%	14.95%	9.78%	**11.04%**
Total Expenses	101.90%	99.43%	148.86%	104.00%	**113.71%**
Percent Change Year/Year					
Rent Income	-15.99%	3.04%	10.63%	7.21%	**0.54%**