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

Member: NASD, SIPC

Research Report Update

AeroCentury Corp.

Rating: Buy

Howard Halpern

ACY - $4.05- (AMEX)

August 1, 2002

	FYE 12/00*	FYE 12/01	**FYE 12/02 E**	**FYE 12/03 E**
Revenues (millions)	$12.1	$10.9**	**$8.9**	**$9.9**
Earnings per share (diluted)	$1.08	$0.95**	**$0.67**	**$0.91**

52week range	$6.55 – $3.80	Fiscal year ends:	December
Shares outstanding	1.61 million	Revenue/shares (TTM)	$6.57
Trading float	1.1 million	Price/Sales (TTM)	0.62X
Insiders and Institutional ownership	0.51 million	Price/Sales (2003)	0.64X
Est. Book value/share $_{\text{a/o 06/30/02}}$	$12.09	Price/Earnings (TTM) **	5.9X
Price/Book	0.33X	Price/Earnings (2003)	4.4X

* Includes write-down of two aircrafts to market value ** 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 foreign and to domestic regional air carriers. Web site address is: www.aerocentury.com

Key investment considerations:

- ***We are maintaining our Buy rating on AeroCentury (ACY) and setting an eighteen-month price target of $7.28 per share based on a price-to-book valuation and our 2003 earnings forecast. Our previous target was $10.69 per share over a twenty-one month period. The reduction in our price target is primarily due to the lowering of our earnings forecasts stemming from the tough operating environment within the aviation and travel industries.***

- ***We believe that ACY is undervalued while trading at a 5.9X TTM P/E multiple and 4.4X our earnings per share estimate for 2003. The Company's peer(s) have a TTM price to earnings multiple of 7.1X, while the Rental and Leasing Industry has a TTM multiple of 20.6X.***

- ***Second quarter revenues were $2.26 million versus $2.71 million in last year's second quarter. Net income was $0.265 million or $0.17 per diluted share versus $0.505 million or $0.33 per diluted share.***

- ***On May 22, 2002, the Company announced the remarketing of two of its Dash-7 aircraft to an existing customer.***

- ***We believe that 2002 revenues will approximate $8.9 million and net income will be $1 million or $0.67 per share, which is approximately $0.4 million and $0.3 million less than our previous revenue and net income forecasts, respectively.***

- ***Our 2003 estimate calls for revenues of $9.9 million and net income of $1.4 million or $0.91 per share, which is a reduction of approximately $0.8 million and $0.3 million from our previous forecasts, respectively.***

**** Please view our disclaimer located on page 6.***

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Recent Financials

AeroCentury reported 2002 second quarter revenues of $2.26 million, compared to $2.71 million in the second quarter of 2001. Net income was $0.265 million or $0.17 per diluted share, versus $0.505 million or $0.33 per diluted share in the prior year. The lower revenues and earnings for the quarter were primarily due to reduced demand in the aviation and travel industries as a result of last year's economic downturn.

Taglich Brothers had estimated revenues of $2.22 million and net income of $253,000 or $0.16 per fully diluted share. We believe that the primary reason why net income and earnings per share exceeded our expectations was the Company's ability to achieve operating margins of 17.4% versus our estimate of 16.9%.

<u>*Balance Sheet as of June 30, 2002*</u>

We estimate that cash and cash equivalents were approximately $1.75 million versus $1.85 million at March 31, 2002. The Company and its lenders have an amended $50 million revolving line of credit through December 31, 2002, which allows them to lease aircraft for shorter lease terms. As long as management is able to keep its assets on lease and interest rates remain stable, cash flow should be sufficient to cover management fees, professional fees, and interest expense. A balloon principal payment in connection with the special purpose financing of two aircraft will be due six months after the aircraft are returned. It was originally expected that the two aircraft were to be returned during the second quarter of 2002, as of yet no announcements concerning their return have been made. The financing of this balloon payment will depend on the Company's ability to sell or re-lease the aircraft, which serve as collateral.

Competitive Environment

The Company targets regional commercial aircraft operators that are seeking to lease aircraft under an operating lease. The competition in this market 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 (AIG), the CIT Group (CIT), which was recently spun-off from Tyco Inc (TYC) and GE Capital Aviation Services a subsidiary of GE Commercial Finance as of August 1, 2002.

The potential exists for competition to increase if competitors who have traditionally neglected the regional air carrier market begin to focus on that market. Competition is primarily based on price and lease terms. If additional competitors enter this market, especially those with greater access to capital markets, it might lead to fewer acquisition opportunities for the Company and potentially less favorable lease terms to potential customers. We believe that the Company's competitive advantages in this industry are due primarily to management's experience and ability to generate operational efficiency in financing the transaction sizes that are most desired by the regional air carrier market, especially the overseas market.

On July 16, 2003, the Company's management team was enhanced by the hiring of Steve Wallace as Vice President – Aircraft Remarketing. Mr. Wallace has over twenty years experience in aviation, holding several management positions with Raytheon Aerospace Services as well attaining the rank of Major in the United States Army. Mr. Wallace holds a Master's degree from Pepperdine University and a Bachelor's degree from Troy State University.

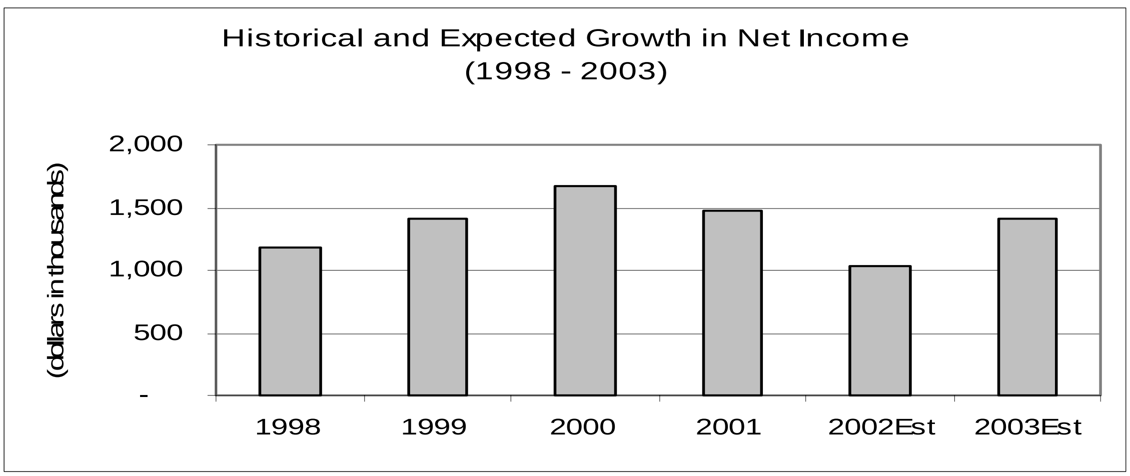
Outlook and Projections

We are lowering our revenue and earnings forecasts for fiscal 2002, believing that revenues should approximate $8.9 million with net income of $1.0 million or $0.67 per diluted share. Our prior forecasts called for revenues of $9.3 million and net income of $1.3 million or $0.85 per diluted share. Our revenue estimate for 2002 is based on a slow recovery from the prolonged economic downturn in the U.S. and abroad, which has created the current tough operating environment for companies involved in the aviation and travel industries. Also, results for the second half of 2002 are likely to be lower than the $0.36 per diluted share reported in the first half of the year, primarily due to lower re-lease rates that are the result of the current low interest rate environment.

We estimate that the Company has one aircraft currently available for re-lease or sale. Several other aircraft are likely to come off lease by the end of the year. 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. We believe that until at least the first quarter of 2003, the Company will be precluded from fully utilizing the $23 million of unused credit in its existing facility. In order to obtain re-lease agreements, management continues to focus its efforts on marketing (i.e., the aforementioned hiring of a Vice President – Aircraft Re-marketing). Therefore, we believe it is prudent to maintain our forecasted level of SG&A expenses. We anticipate that based on the Company's prior track record and intense marketing efforts, management should be successful in either re-leasing or selling idle aircraft. Also, the Company has additional flexibility to make shorter lease agreements (less than 3 to 5 years) with potential customers by virtue of its amended loan agreement mentioned earlier.

We believe that an announcement will occur during the second half of 2002 concerning the status of the two aircraft that the Company acquired during November 1999. In the Company's most recent proxy filing, it stated that discussions were under way for the sale or re-lease of both aircraft with several potential customers. The sales price under consideration is in excess of net book value. The Company believes that the sales price would generate enough funds to pay the balloon payment due on the financing of those two aircraft. We believe such a sale would generate a one-time gain on the sale of assets on the income statement. Alternatively, if the Company re-leases the two aircraft, the bank has indicated that it would be willing to extend the term of the financing through such a re-lease term. The re-lease of the aircrafts would generate additional rental income in future periods.

We estimate that the Company should have cash earnings of approximately $2.43 per share in 2002 (net income plus depreciation, divided by average number of shares) versus cash earnings of $2.91 in 2001.



Source: Company financials; Taglich Brothers estimates, 2001 excludes the insurance settlement gain recorded in Q3 2001

We have lowered our 2003 forecast from our prior report since the timing of any re-lease or sale of aircraft remains uncertain. We believe that 2003 revenues should approximate $9.89 million versus our previous estimate of $10.7 million. Net income for 2003 should approximate $1.4 million or $0.91 per diluted share versus our prior estimate of $1.6 million or $1.10 per diluted share. Our 2003 expectations are based on the economic recovery that is currently underway, which should translate into a better operating environment for the aviation and travel industries during the second half of 2003.

Risks

The Company's business is dependent on the strength of the travel and transportation industry and on the general level of economic activity internationally and in the United States. As a result of the weak economic environment throughout 2001, there has been a continued reduction in the number of aircraft being used during the first half of 2002, 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. and therefore the impact should be somewhat muted. However, if the current economic recovery is not sustained throughout 2003, the Company's operations would be negatively impacted.

The Company has a balloon payment that could come due during early 2003, because of the financing of two aircraft purchased in 1999. The Company would need to sell these aircraft in order to generate enough funds to payoff the loan or re-lease the aircraft and have the payment period extended through the next remarketing period. If management is unable to generate enough funds to make the balloon payment, the Company will need to raise additional capital either through a debt or stock offering.

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, and in that capacity owe fiduciary duties to the Company and the stockholders by virtue of holding such offices.

We believe that due to the recent events surrounding Arthur Andersen LLP that the Company will announce a change in its auditors to another firm. This is due to internal events at Arthur Anderson and not AeroCentury. Once a new audit firm is in place, changes to the Company's financial presentation may occur, since they will be looking at the financials for the first time.

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.

Financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competitive, operating, financial market, and event risks. These risks may cause actual results to differ from expected results. One such risk would be if interest rates were to rise sharply, which would negatively impact current and future operations due to the borrowing required to finance the purchase of assets (i.e. aircraft, engines, etc.).

An equity specific concern relates to liquidity. Based on our calculations, average daily-volume for the first six months of 2002 declined slightly to 2,433 from 2,475 shares traded a day in 2001. 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.

Valuation and Conclusion

We are maintaining our Buy rating on AeroCentury and have set an eighteen-month price target of $7.28 per share. Our previous price target was $10.69 per share over a twenty-one month time period. At current price levels, we still believe that AeroCentury is undervalued, especially in comparison to it peer(s) that lease aircraft and to the Rental and Leasing Industry. The Company's peer(s) trade at a trailing twelve month price to earnings ratio of 7.1X as well as the Rental and Leasing Industry which trades at a trailing twelve-month P/E ratio of 20.6X. ACY is trading at 5.9X multiple based on its trailing twelve month earning per share.

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.	FLY	2.77	4.62	12.80	NMF	2.5	8.42	0.33
Willis Lease Finance Corp.	*WLFC	4.60	8.83	40.62	7.1	0.7	11.68	0.39
Peer Group Average					7.1	1.6		0.36
AreoCentury Inc.	ACY	4.05	1.54	6.2	5.9	0.62	12.09	0.33

* WLFC sold a 15% stake to SAIRGroup for $15 per share or 1.5x Book Value

Our price target is based on the average of the following valuation models:

- An earnings per share multiple of 7.1X, applied to our 2003 earnings estimate of $0.91 per share;
- A tangible book value multiple of 0.67X (is a discount to the Rental and Leasing Industry multiple of 1.33X – as of July 31, 2002 from Marketguide), applied to the Company's current book value of $12.09.

We believe that it is prudent to discount the Rental and Leasing Industry's tangible book value multiple by 50%, since AeroCentury's market capitalization is less than $10 million.

In our opinion, at current price levels, there is limited downside risk for investors, due to the intrinsic value of the Company's assets.


Aerocentury Corp
as of 31-Jul-2002
6.5
6.0
5.5
5.0
4.5
4.0
3.5
Sep01
Nov01
Jan02
Mar02
May02
Jul02
Thousands
60
40
20
0
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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 Short

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.

Not rated

There is too much uncertainty in the Company's finances or business model for us to currently form an investment conclusion.

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.

Public Companies mentioned in this report:

Airlease Ltd.	(NYSE: FLY)
Willis Lease Finance Corp.	(NasdaqNM: WLFC)

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AeroCentury Inc.
Consolidated Balance Sheets *
(in thousands)

	Dec. '99 Full Year	Dec. '00 Full Year	Dec. '01 Full Year	March '02 1st Qtr	June '02* 2nd Qtr
ASSETS					
Current assets:					
Cash & Equivalents	$ 1,252	$ 3,184	$ 2,680	$ 1,852	$ 1,752
Deposits	5,419	6,864	6,987	6,474	6,475
Accounts Receivable	308	571	596	859	860
Note receivable	-	118	69	56	55
Prepaid Expense & Other	359	617	651	743	740
Total current assets	**7,338**	**11,353**	**10,983**	**9,984**	**9,882**
Deferred Tax Asset	-	-	-	-	-
Aircraft & engines, net of depreciation	55,854	60,111	56,527	55,871	55,800
Total assets	**$ 63,192**	**$ 71,465**	**$ 67,510**	**$ 65,856**	**$ 65,682**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts Payable and accrued expenses	$ 907	$ 1,885	$ 1,642	$ 1,203	$ 1,225
Notes Payable and accrued interest	37,095	41,221	36,510	34,979	34,365
Maintenance deposits and accrued costs	4,390	6,310	5,209	5,034	5,200
Security deposits	1,785	1,814	1,718	1,825	1,800
Prepaid rent	296	355	213	190	200
Income Taxes Payable	-	-	-	-	-
Total current liabilities	**44,473**	**51,585**	**45,292**	**43,231**	**42,790**
Long-Term debt-net of current	-	-	-	-	-
Deferred Income Taxes	3,228	2,716	3,356	3,464	3,465
Total Liabilities	**47,700**	**54,301**	**48,648**	**46,695**	**46,255**
Stockholders' equity:					
Common stock, par value $0.01; authorized 10,000,000 shares;	2	2	2	2	2
Paid-in capital	13,821	13,821	13,821	13,821	13,821
Retained earnings	2,173	3,844	5,543	5,842	6,107
Accumulated deficit	-	-	-	-	-
Treasury Stock, at cost	(504)	(504)	(504)	(504)	(504)
Total stockholders' equity	**15,491**	**17,163**	**18,862**	**19,161**	**19,426**
Total liabilities and stockholders' equity	**$ 63,192**	**$ 71,464**	**$ 67,510**	**$ 65,856**	**$ 65,682**
SHARES OUT	1,607	1,607	1,607	1,607	1,607

* Second Quarter ended March 31, 2002 numbers are Taglich Brothers estimates, except for Total Assets, Total Liabilities and Shareholders' equity, which were reported by AeroCentury Corp.

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

	FY1999	FY2000**	FY2001*	**FY2002E**	**FY2003E**
Revenues:					
Rent Income	$ 7,129	$ 10,880	$ 10,238	**$ 8,819**	**$ 9,785**
Gain(loss) on disposal of assets	98	747	327	**-**	**-**
Other Income	153	481	667	**129**	**100**
Total Revenues	7,380	12,108	11,232	**8,947**	**9,885**
Expenses:					
Management Fees	1,149	1,725	1,750	**1,711**	**1,790**
Depreciation	1,700	2,674	2,776	**2,721**	**2,720**
Interest	1,534	3,471	2,866	**2,328**	**2,600**
SG&A	582	494	434	**584**	**690**
Maintenance	374	763	859	**76**	**-**
Provision for impairment in value of aircraft	-	463	-	**-**	**-**
Total Expenses	5,339	9,590	8,684	**7,419**	**7,800**
Operating Income	2,041	2,517	2,548	**1,529**	**2,085**
Operating Margin	27.66%	20.79%	22.68%	17.08%	21.09%
Taxes(Benefit)	636	846	849	**500**	**680**
Tax Rate	*31.14%*	*33.61%*	33.32%	*32.69%*	*32.61%*
Net Income	$ 1,405	$ 1,671	$ 1,699	**$ 1,029**	**$ 1,405**
EPS-fully diluted includes insurance settlement	$ 0.90	$ 1.08	$ 1.10	**$ 0.67**	**$ 0.91**
Avg Shares Out-fully diluted	1,564	1,543	1,543	**1,543**	**1,543**
Margin Analysis					
Gross Profit	6,231	10,383	9,482	**7,237**	**8,095**
GPM	84.4%	85.8%	84.4%	**80.9%**	**81.9%**
NI/Rev	19.0%	13.8%	15.1%	**11.5%**	**14.2%**
NI/Rent Income	19.7%	15.4%	16.6%	**11.7%**	**14.4%**
Total Exp/Rev	72.3%	79.2%	77.3%	**82.9%**	**78.9%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	16.12%	15.86%	17.09%	**19.40%**	**18.29%**
Depreciation	23.85%	24.58%	27.12%	**30.85%**	**27.80%**
Interest	21.52%	31.91%	27.99%	**26.39%**	**26.57%**
SG&A	8.16%	4.54%	4.24%	**6.62%**	**7.05%**
Total Expenses	74.90%	88.15%	84.83%	**84.12%**	**79.71%**
~~Percent Change Year/Year~~					
Rent Income	104.01%	52.62%	-5.91%	**-13.12%**	**10.96%**
Operating Income	-0.17%	23.34%	1.21%	**-39.45%**	**36.40%**
Net Income	18.09%	18.92%	1.64%	**-39.44%**	**36.56%**

* Iincluded in other income is an insurance settlement gain of $0.35 million or $0.15 per share. Excluding the gain full year 2001 earnings per share was 0.95.
** Includes a write-down of two aircraft to market value

AeroCentury Inc.
Quarterly Income Statement
For the Year Ended December 31, 2001
(in thousands)

	(3/01) Q1A	(6/01) Q2A	(9/01) Q3A	(12/01) Q4A	**FY2001 A**
Revenues:					
Rent Income	$ 2,759	$ 2,632	$ 2,456	$ 2,304	**$ 10,151**
Gain(loss) on disposal of assets	-	-	-	327	**327**
Other Income **	111	74	423	147	**754**
Total Revenues	2,870	2,706	2,879	2,777	**11,232**
Expenses:					
Management Fees	448	440	439	428	**1,758**
Depreciation	698	710	706	689	**2,790**
Interest	844	724	663	570	**2,800**
SG&A	107	112	114	164	**498**
Maintenance	-	(14)	155	720	**862**
Total Expenses	2,097	1,963	2,077	2,571	**8,707**
Operating Income	773	743	802	206	**2,525**
Operating Margin	26.93%	27.47%	27.86%	7.43%	22.48%
Taxes(Benefit)	264	239	272	52	**826**
Tax Rate	*34.10%*	*32.09%*	*33.89%*	*25.09%*	*32.71%*
Net Income	$ 509	$ 505	$ 530	$ 224	**$ 1,699**
EPS-fully diluted -- Includes insurance settlement	$ 0.33	$ 0.33	$ 0.34	$ 0.14	**$ 1.10**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	2,422	2,263	2,440	2,349	**9,474**
GPM	84.4%	83.6%	84.8%	84.6%	**84.3%**
NI/Rev	17.7%	18.7%	18.4%	8.0%	**15.1%**
NI/Rent Income	18.5%	19.2%	21.6%	9.7%	**16.7%**
Total Exp/Rev	73.1%	72.5%	72.1%	92.6%	**77.5%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	16.24%	16.82%	17.87%	18.59%	**17.32%**
Depreciation	25.29%	26.51%	28.73%	29.89%	**27.48%**
Interest	30.59%	27.50%	27.00%	24.73%	**27.59%**
SG&A	3.89%	4.27%	4.63%	7.12%	**4.90%**
Total Expenses	76.00%	74.55%	84.57%	111.60%	**85.78%**
~~Percent Change Year/Year~~					
Rent Income	5.95%	-5.27%	-11.20%	-18.14%	**-6.70%**
Operating Income	7.06%	-41.98%	-24.28%	-30.67%	**0.29%**
Net Income	11.25%	-44.08%	-25.26%	0.00%	**1.65%**

** Included in third quarter results is an insurance settlement gain of $0.35 million pre-tax or $0.15 per share post tax. Excluding the gain full year earnings per share were $0.95.

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

	(3/02) Q1A	(6/02) Q2E*	(9/02) Q3E	(12/02) Q4E	**FY2002 E**
Revenues:					
Rent Income	$ 2,194	$ 2,220	$ 2,205	$ 2,200	**$ 8,819**
Other Income	31	37	30	30	**129**
Total Revenues	2,225	2,257	2,235	2,230	**8,947**
Expenses:					
Management Fees	421	425	430	435	**1,711**
Depreciation	681	680	680	680	**2,721**
Interest	468	615	620	625	**2,328**
SG&A	129	145	150	160	**584**
Total Expenses	1,774	1,865	1,880	1,900	**7,419**
Operating Income	451	392	355	330	**1,529**
Operating Margin	20.29%	17.37%	15.88%	14.80%	17.08%
Taxes(Benefit)	152	127	115	106	**500**
Tax Rate	*33.62%*	*32.38%*	*32.39%*	*32.12%*	*32.69%*
Net Income	$ 300	$ 265	$ 240	$ 224	**$ 1,029**
EPS-fully diluted	$ 0.19	$ 0.17	$ 0.16	$ 0.15	**$ 0.67**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,804	1,832	1,805	1,795	**7,237**
GPM	81.1%	81.2%	80.8%	80.5%	**80.9%**
NI/Rev	13.5%	11.7%	10.7%	10.0%	**11.5%**
NI/Rent Income	13.7%	11.9%	10.9%	10.2%	**11.7%**
Total Exp/Rev	79.7%	82.6%	84.1%	85.2%	**82.9%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	19.18%	19.14%	19.50%	19.77%	**19.40%**
Depreciation	31.03%	30.63%	30.84%	30.91%	**30.85%**
Interest	21.31%	27.70%	28.12%	28.41%	**26.39%**
SG&A	5.87%	6.53%	6.80%	7.27%	**6.62%**
Total Expenses	80.85%	84.01%	85.26%	86.36%	**84.12%**
~~Percent Change Year/Year~~					
Rent Income	-20.49%	-15.66%	-10.21%	-4.50%	**-13.12%**

* 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, 2003
(in thousands)

	(3/03) Q1E	(6/03) Q2E	(9/03) Q3E	(12/03) Q4E	**FY2003 E**
Revenues:					
Rent Income	$ 2,325	$ 2,425	$ 2,500	$ 2,535	**$ 9,785**
Other Income	25	25	25	25	**100**
Total Revenues	2,350	2,450	2,525	2,560	**9,885**
Expenses:					
Management Fees	440	445	450	455	**1,790**
Depreciation	680	680	680	680	**2,720**
Interest	650	650	650	650	**2,600**
SG&A	165	170	175	180	**690**
Total Expenses	1,935	1,945	1,955	1,965	**7,800**
Operating Income	415	505	570	595	**2,085**
Operating Margin	17.66%	20.61%	22.57%	23.24%	21.09%
Taxes(Benefit)	135	165	185	195	**680**
Tax Rate	*32.53%*	*32.67%*	*32.46%*	*32.77%*	*32.61%*
Net Income	$ 280	$ 340	$ 385	$ 400	**$ 1,405**
EPS-fully diluted	$ 0.18	$ 0.22	$ 0.25	$ 0.26	**$ 0.91**
Avg Shares Out-fully diluted	1,543	1,543	1,543	1,543	**1,543**
Margin Analysis					
Gross Profit	1,910	2,005	2,075	2,105	**8,095**
GPM	81.3%	81.8%	82.2%	82.2%	**81.9%**
NI/Rev	11.9%	13.9%	15.2%	15.6%	**14.2%**
NI/Rent Income	12.0%	14.0%	15.4%	15.8%	**14.4%**
Total Exp/Rev	82.3%	79.4%	77.4%	76.8%	**78.9%**
As Per Cent of Rent Income					
Expenses:					
Management Fees	18.92%	18.35%	18.00%	17.95%	**18.29%**
Depreciation	29.25%	28.04%	27.20%	26.82%	**27.80%**
Interest	27.96%	26.80%	26.00%	25.64%	**26.57%**
SG&A	7.10%	7.01%	7.00%	7.10%	**7.05%**
Total Expenses	83.23%	80.21%	78.20%	77.51%	**79.71%**
~~Percent Change Year/Year~~					
Rent Income	5.99%	9.23%	13.38%	15.23%	**10.96%**
Operating Income	-8.08%	28.77%	60.56%	80.30%	**36.40%**
Net Income	-6.57%	28.22%	60.42%	78.57%	**36.56%**