

## PROCYTE

ProCyte (OTC Bulletin Board \$1.19 PRCY - Investment Position - Rec. 3/02 - adjusted price \$1.365 // Trading Position 2002 - Rec. 9/02 - adjusted price \$1.41), which develops and markets skin health, hair care and wound care products based on its patented, clinically proven Copper Peptide Technology, reported its fourth consecutive quarter of profitability and its first profitable year.

PRCY reported fourth quarter net earnings of \$324,000, or \$0.02 per diluted share, up from a net loss of \$29,000, or break-even on a per-share basis, for the fourth quarter of 2001. Revenues increased 37% to \$3.3 million. Net earnings for 2002 were \$1.7 million, or \$0.10 per diluted share, a significant improvement from the prior year net loss of \$907,000, or \$0.06 per diluted share. ProCyte anticipates that, due to costs associated with a market test of an infomercial being initiated this month, it will report a net loss for the quarterly period. Mellisa Reeves, a well-known actress from the daytime television series, Days of Our Lives, will act as the infomercial spokesperson for the products ProCyte will be marketing under a new brand name.

“Our outlook is full of promise,” said Jack Clifford, President and CEO in ProCyte’s release of February 26, 2003, “as evidenced by the encouraging feedback and repeat business generated by our customers and partners. We believe that the market recognizes that our patented compounds can deliver the collagen-building benefits of Copper Peptides in formulations that enhance its skin care impact. The efficacy and importance of Copper Peptides in skin health is not only becoming better understood in academic circles, but consumers are quickly increasing their awareness of its benefits as well.”

As an analyst who’s also a ProCyte customer, I’m in agreement with Clifford. I’ve been purchasing and using ProCyte’s Tricomin® hair care products for a few years and their Neova® After Shave Therapy for about a year (ProCyte has been rewarding its shareholders with special discount forms which have been enclosed in annual report mailings). As a fifty five year old male whose hair began to thin when I was in my late teens, I’m delighted that the Tricomin® products seem to be both diminishing hair loss and contributing to a fuller and healthier look. The company’s GHK copper peptide lotion is both soothing and moisturizing. I’ve never used an after shave that I’ve liked as much.

ProCyte’s year-end release noted that cash balances as of December 31, 2002, were \$4.6 million - up 52% since the beginning of the year - reflecting positive cash flows. Total assets were \$14,088,812 versus total liabilities of \$2,270,489. Stockholders equity of \$11,818,323 divided by PRCY’s basic outstanding of 15,732,151 shares computes to a book value of \$0.75 per share. In 1993, when ProCyte was losing money, the stock sold for as much as \$17.50. Now, in 2003, the company is profitable yet the stock sells for only \$1.19. The market may not be meaningfully acknowledging ProCyte’s progress, but those closest to the company continued to bet on PRCY’s success through ongoing, multi-year insider accumulation.

Unless reducing extended position - buy for the Investment Position - trading oriented subscribers-buy for Trading Position 2002.

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