



Statistic

OTC BB:	DSCI	Market capitalization:	\$ 38 million
Recent price (07/01/08)	\$.94	Shares outstanding (05/14/08):	40 million
Average daily volume:	42,000	Fiscal year ends:	December 31
		Quarterly results due:	Aug. 2008

Business Summary

Derma Sciences, Inc. (OTCBB:DSCI) is a global manufacturer and marketer of advanced wound care products. The Company provides a full range of devices to treat chronic and surgical wounds, burns, skin disorders and issues arising from vascular/lymphatic deficiencies. These devices are used primarily in the professional markets, specifically hospitals, outpatient wound care clinics, nursing homes and home care settings.

The Company developed one of the key original advanced wound care products in 1984 and has enjoyed a position of leadership in the wound and skin care market since that time. The Company invests in R&D efforts to develop new brands for active therapy and is also a preferred private label contract manufacturer with some of the largest distributors and wound/skin care products providers worldwide.

Derma Sciences recently acquired the global exclusive licensing contract for DSC127, a topical application for the treatment of wounds, such as diabetic ulcers, leg ulcers associated with venous insufficiency, pressure ulcers, and burns, as well as for the reduction of scars resulting from surgical procedures. The markets for this product are large and growing. Currently there is only one FDA-approved product available today for the treatment of diabetic ulcers, and its sales are approximately \$100 million per year. The market for an FDA-approved scar reduction treatment could reach as high as \$4 billion in the US alone.

MEDIHONEY™ Wound & Burn Dressings, launched in late 2007, are the first honey-based products cleared by the FDA for wound and burn management. These unique dressings contain Active *Leptospermum* (Manuka) Honey, indigenous to New Zealand. Completed and ongoing trials continue to validate the efficacy and superior performance of MEDIHONEY to competing products. Derma Sciences has the exclusive rights to market and sell the product line throughout the Americas.

Additional products in the company's pipeline include MOBILITY1™, the only intermittent pneumatic compression device made for ambulatory patients, and GUARDION™ Barrier Dressings, a line of hospital-based wound care dressings with a novel antimicrobial activity designed to cost-effectively combat "super bugs" such as MRSA.

Outlook

The advanced wound care market is a \$2.3 billion market in the U.S. and expected to grow 11% per year. Derma Sciences expects to reach \$100M in annual revenues by 2010, roughly two times its current revenue stream. The Company's private label contract manufacturing business, which currently comprises 35% of revenues, is expected to grow to approximately half of revenues. Branded Derma Sciences products will comprise the other half. The growth of Derma Sciences will be driven by several new advanced technologies that it plans to aggressively roll out.

- **MEDIHONEY™** is well positioned to capitalize on the growing base of clinical evidence for Active *Leptospermum* Honey in the field of wound and burn management. The scientific community is increasingly seeking alternative antimicrobial products for wound management because bacterial strains have become resistant to traditional antibiotics. Honey-based products, which are less toxic than other antimicrobial dressings and provide significant wound healing benefits, have captured 10% of the European market within two years in places where they compete against silver-based dressings. Active *Leptospermum* Honey offers significant advantages over other types of honey, and dressings within the MEDIHONEY™ product line are covered under several global patents.
- **ALGICELL™ Ag**, launched in late 2006, is an antimicrobial silver alginate product with superior protection against bacterial penetration and colonization. It minimizes fibrous residue, maintains a moist environment and is conducive to wound healing. The silver dressing market in the US is approximately \$120 million. It fills the otherwise unmet need for a high-quality, cost-effective silver dressing.
- **MOBILITY1™** is the only intermittent pneumatic compression device for lymphedema and chronic venous insufficiency (CVI) that allows for patient mobility. Both conditions are the result of compromised circulatory systems characterized by fluid retention and potentially dangerous swelling (edema). This product provides a major breakthrough in quality of life as patients do not need to be relegated to staying at home for therapy, a consequence of all other current intermittent pneumatic compression devices. This product is expected to be launched after Q3 of 2008.
- **GUARDION™** Barrier Dressings utilize a novel, polymer-based cationic biocide as its antimicrobial compound. The technology has a strong affinity to cellulosic-based materials, making it an ideal application for gauze and other hospital-based wound care dressings. The products have key advantages over the only other similar competitive dressing. The first product is currently under review by the FDA.

The Company plans to use the consistent cash flow from its existing basic wound care and private label product lines to fund the research, development and commercialization of progressively more sophisticated and higher margin Derma Sciences branded advanced wound care products. It is also well positioned to tap the capital markets for acquisitions. In November 2007, the Company completed two separate financing transactions totaling up to \$20 million with Merrill Lynch, Lehman Brothers and William Harris Investors.

First Quarter ended: March 31

Three Months Ended

	03/31/08	03/31/07
Net Sales	\$ 11,724,822	\$ 7,965,797
Gross Profit	3,208,658	2,804,428
Net (loss) Income	(1,409,788)	(138,953)
Basic and Diluted (loss) EPS	(0.04)	(0.01)

Recent Developments

- **June 26, 2008 ...** DSCI announced that it is launching two new formulations of its key product line, MEDIHONEY™ Wound & Burn Dressings, this week. The new products consist of 100 percent Active Leptospermum Honey packaged in a tube, and a patented colloidal sheet referred to as a Honeycolloid™. These two new formulations will greatly enhance the brand's utilization in variety of wounds, including lightly draining wounds, wounds that are difficult to dress due to their anatomical location, and wounds on patients that are sensitive to pain at dressing changes.
- **June 24, 2008 ...** DSCI key product line, MEDIHONEY™ Wound & Burn Dressings with Active Leptospermum Honey, has been cleared by the FDA for over the counter (OTC) sales. This will provide consumers with expanded access to the products for wounds and burns that do not require the attention of a medical professional.
- **June 18, 2008 ...** DSCI key product, MEDIHONEY™ Wound & Burn Dressing with Active Leptospermum Honey, has been used by clinicians at Georgetown University Hospital's Wound Center to save a patient's limb.
- **June 17, 2008 ...** DSCI key product, MEDIHONEY™ Wound & Burn Dressing with Active Leptospermum Honey, has been found in a large randomized controlled clinical trial to significantly reduce the presence of methicillin-resistant Staphylococcus aureus (MRSA) in chronic wounds. The finding was published in the June 2008 issue of The Journal of Wound Care.
- **June 12, 2008 ...** DSCI CEO Ed Quilty was a guest this morning on Canada's Business News Network, BNN. He discusses the Company's novel wound dressing, Medihoney™ and its upcoming consumer distribution within Canada.
- **June 2, 2008 ...** DSCI announced that eleven clinical posters detailing the clinical usage of its newly released MEDIHONEY™ Wound & Burn Dressings with Active Leptospermum Honey will be presented at the 3rd World Union of Wound Healing Societies (WUWHS) conference.
- **May 22, 2008 ...** DSCI announced it reached an agreement in principle with a major Canadian retail pharmacy chain, and expects a contract to be executed by both parties in the near future. The terms call for minimum purchases of \$2 million each year for 3 years, totaling at least \$6 million.
- **May 21, 2008 ...** DSCI announced that the Wound Healing Society has recognized one of the company's leading development products – its barrier gauze line of dressings featuring the NIMBUS® technology – with the Society's prestigious Blue Ribbon Award.
- **May 20, 2008 ...** DSCI announced that National Geographic highlighted its MEDIHONEY™ Dressing with Active Leptospermum (Manuka) Honey in the June issue of the journal. The full-page story ran in the Health section, and was titled "Sweet Fix".
- **May 19, 2008 ...** DSCI announced that MEDIHONEY(TM) Wound & Burn Dressing, its flagship wound care product, was profiled by ABC News' Philadelphia affiliate, WPVI - Action News.
- **May 15, 2008 ...** DSCI announced results for the first quarter ended March 31, 2008. For the quarter, sales were up 47 percent from the previous year, including sales from the newly acquired First Aid Division. The Company reported a loss consistent with earlier guidance, due primarily to higher than expected integration costs associated with its First Aid Division. For the quarter, the Company reported sales of \$11.7 million, compared to sales in the first quarter of the previous year of \$8.0 million. The Company reported a loss of \$1.4 million or \$0.04 loss per share, vs a loss of \$138,953 or \$0.01 loss per share in the first quarter of 2007.
- **May 13, 2008 ...** DSCI announced that a group of cardiovascular and thoracic surgeons from the University of Wurzburg, Germany, have used MEDIHONEY™ dressings to successfully treat 8 patients with deep sternal wound infections (DSWI), a condition that sometimes arises after open-heart surgeries.
- **May 7, 2008 ...** DSCI announced that it has reached a three-year supply agreement for its popular MEDIHONEY™ line with St Louis, MO-based Amerinet Inc., a leading national healthcare group purchasing organization that serves more than 26,000 acute and non-acute health care providers nationwide.

Financial Highlights

<u>Fiscal year: December 31</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net sales:	\$34,135,401	\$27,887,391	\$22,799,640	\$19,887,132
Net income (loss):	(2,284,605)	688,739	(1,099,990)	(2,338,693)
Net income (loss) per share (basic & diluted):	(0.09)	0.3	(0.02)	(0.25)
Weighted average number of common shares:	26,523,541	25,258,335	12,285,768	12,284,007

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