



## News Release

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### DERMA SCIENCES REPORTS FOURTH QUARTER YEAR-END RESULTS FOR 2007

**PRINCETON, NJ – (April 1, 2008)** . . . Derma Sciences, Inc. (OTCBB: DSCI), a provider of advanced wound care products, reported that sales for 2007 were \$34.1 million, an increase of 22 percent over the \$27.9 million reported for 2006. Gross margins held steady at 34 percent, but due primarily to the costs of bringing in new products for the pipeline, and expanding the Company's marketing and sales staffs, the Company reported a loss of \$2.3 million or \$0.09 loss per share, versus a year-earlier profit of \$668,739 or \$0.03 per share.

Chairman and CEO Ed Quilty commented, "We believe it is important to note that sales increased significantly even though we did not launch the expanded sales force until late in the year. With world-class manufacturing in North America and China, a strong reputation for quality, some of the largest hospital suppliers in the world as customers, and proprietary wound care technologies that are unarguably the most distinctive in the industry – Derma Sciences is in the right place at the right time."

The Company's 2007 loss included \$653,012 of non-cash equity based compensation as compared to \$211,756 in 2006, and \$256,628 in connection with the early payoff of a credit facility during 2007. It also included \$993,069 in research and development expenses, including a license fee charge of \$868,069 for DSC127, a novel wound care product under development, versus none in 2006. The sales force was increased from two salespersons to nine; a national sales director was hired, as was a director of clinical affairs. Overall, general and administrative expenses increased from \$4.8 million in 2006 to \$6.2 million in 2007.

#### **Subsequent Event**

On March 31, 2008, the Company entered into securities purchase agreements with several accredited existing and new investors in connection with a private placement of common stock and warrants. Under the terms of the agreement, Derma will receive \$6.1 million in gross proceeds from the sale of 6.1 million shares of its common stock and approximately 3.1 million warrants with an exercise price of \$1.20. Subject to the satisfaction of customary closing conditions, the transaction is expected to close on or about April 2, 2008. Net proceeds from the transaction will be used to expand the sales force and marketing expenses, to potentially expand its license agreement with the Company's MEDIHONEY partner Comvita and for working capital and general corporate purposes. Pending such uses, the proceeds are expected to temporarily pay down the Company's existing revolving credit facility. The offering was conducted in reliance on Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 promulgated there under. Oppenheimer & Co. Inc. acted as advisors and placement agent for the Company.

#### **Conference Call / Webcast**

Today at 11:00am EST (8:00am PST), a conference call will be held to review the DSCI results; interested parties should call 800-510-0219 (domestic) or 617-614-3451 (international), with passcode 77274977 to access the call. You may also access this call via the Internet at:

<http://phx.corporate-ir.net/playerlink.zhtml?c=107533&s=wm&e=1805202>

For those who are unavailable to listen to the live broadcast, a replay will be available through April 8, 2008 and can be accessed by dialing 888-286-8010 (domestic), and 617-801-6888 (international). The pass code is 71798685.

#### **About Derma Sciences**

Derma Sciences is a global manufacturer and marketer of advanced wound-care products. Its key product, MEDIHONEY, is sold throughout the world by Derma Sciences and Comvita New Zealand – the licensor of the patented honey-based technology – and is the leading brand of honey-based dressings for the management of wounds and burns. The product has been shown to be effective in a variety of wounds and burns, and was recently the focus of two positive large-scale randomized controlled studies on leg ulcers. For more information about Derma Sciences, Inc., visit its home page on the Internet at [www.dermasciences.com](http://www.dermasciences.com).

#### **Forward-looking Statements**

*Statements contained in this release that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate" or "continue" are intended to identify forward-looking statements. Readers are cautioned that certain important factors may affect the Company's actual results and could cause such results to differ materially from any forward-looking statements which may be made in this release or which are otherwise made by or on behalf of the Company. Factors which may affect the Company's results include, but are not limited to, product demand, market acceptance, impact of competitive products and prices, product development, completion of an acquisition, commercialization or technological difficulties, the success or failure of negotiations and trade, legal, social and economic risks. Additional factors that could cause or contribute to differences between the Company's actual results and forward-looking statements include but are not limited to, those discussed in the Company's filings with the Securities and Exchange Commission.*

**-FINANCIAL TABLES FOLLOW-**

**DERMA SCIENCES, INC AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS**

**Consolidated Statements of Operations (Unaudited)**

	Three months ended December 31,	
	2007	2006
<b>Net Sales</b>	\$ 10,651,944	\$ 7,687,009
Cost of sales	7,231,758	5,041,739
<b>Gross Profit</b>	3,420,186	2,645,270
<b>Operating expenses</b>		
Selling, general and administrative	3,968,259	2,399,899
Research and development	868,069	
Goodwill impairment	-	200,000
Total operating expenses	4,836,328	2,599,899
Operating (loss) income	(1,416,142)	45,371
Other expense (income)		
Interest expense	270,605	75,379
Loss on debt extinguishment	256,628	-
Other expense (income)	35,699	(21,950)
Total other expense	562,932	53,429
Loss before provision for income taxes	(1,979,074)	(8,058)
Provision for income taxes	66,869	99,341
<b>Net Loss</b>	\$ (2,045,943)	\$ (107,399)
Loss per common share – basic and diluted	\$(0.07)	\$0.00
Shares used in computing loss per common share – basic and diluted	30,289,386	24,906,160

**Consolidated Statements of Operations (Audited)**

	Year ended December 31,	
	2007	2006
<b>Net Sales</b>	\$ 34,135,401	\$ 27,887,391
Cost of sales	22,530,986	18,235,003
<b>Gross Profit</b>	11,604,415	9,652,388
<b>Operating expenses</b>		
Selling, general and administrative	11,885,368	8,339,227
Research and development	993,069	
Goodwill impairment	-	200,000
Total operating expenses	12,878,437	8,539,227
Operating (loss) income	(1,274,022)	1,113,161
Other expense (income)		
Interest expense	413,992	374,079
Loss on debt extinguishment	256,628	-
Other expense (income)	77,929	(47,998)
Total other expense	748,549	326,081
(Loss) income before provision for income taxes	(2,022,571)	787,080
Provision for income taxes	262,034	118,341
<b>Net (Loss) Income</b>	\$ (2,284,605)	\$ 668,739
(Loss) income per common share – basic and diluted	\$(0.09)	\$0.03
Shares used in computing (loss) income per common share – basic	26,523,541	20,591,085
Shares used in computing (loss) income per common share –diluted	26,523,541	24,409,760

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