



News Release

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DERMA SCIENCES REPORTS FIRST QUARTER 2008 RESULTS

Sales Reach \$11.7 Million

PRINCETON, NJ – (May 15, 2008) . . . Derma Sciences, Inc. (OTC Bulletin Board: DSCI), a provider of advanced wound care products, announced results today 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. Gross margins declined to 27 percent from the previous year's 35 percent, due to the additional integration costs causing temporary downward margin pressure on the First Aid division's products) and a shortfall in expected overhead absorption in the company's manufacturing facility in Toronto. This shortfall was primarily due to timing related issues on two large private label orders. SG&A costs were up significantly, consistent with the Company's growth strategy that was implemented in the second half of 2007. 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.

CEO Ed Quilty commented, "We are seeing gratifying growth in our sales from our proprietary branded business for products such as our MEDIHONEY™. We continued to expand the sales force, as our strategic plan specifies, and at the end of the quarter we had 10 sales reps and one clinical nurse, versus a year-earlier sales force of 2 sales reps. MEDIHONEY sales were \$319,179 for the quarter – on target for the product's projected first full quarter of sales. There have been over 800 clinical evaluations within the US and Canada since the product was launched last fall. Also, we have two additional 510K clearances for line extensions that we will bring to market in Q2, and we are confident that we will have MEDIHONEY into the OTC market by the end of the year.

"Although we have had some manufacturing cost issues in our new First Aid division, we are successfully navigating through those and are nearing our long-term cost structure goals. We are confident once our integration is complete that we will be able to layer consistent strong sales growth onto this division."

Quilty continued, "We are gearing up to launch our novel MOBILITY1™ intermittent pneumatic compression device later this year, and are in various phases of negotiation with several other companies for the licensing/distribution of novel wound care products we intend to launch over the next eighteen months. These new products will help to leverage our growing sales force, and will allow us to return to profitability more quickly.

"Lastly, we continue to make progress with our products under development. The Phase II protocol for DSC127, our novel angiotensin analog for wound healing and scar prevention, is almost complete and will be submitted to the FDA shortly thereafter. With regard to our novel GUARDION™ line of barrier dressings, the most recent communications with the FDA give us confidence that we are close to marketing clearance. We look forward to having this best-in-class product, with effectiveness against superbugs such as MRSA, in the market by the end of the year."

CFO John Yetter pointed out that on April 2, the Company completed a private placement of \$6.1 million with a group of institutional investors, and that the funds from this placement give the Company the financial resources to execute its growth plans.

Quilty said that the Company believes that both its principal product segments will continue to grow quickly, and referenced recent announcements of contracts with MedAssets and Amerinet, large group purchasing organizations. He pointed out that while the Company's proprietary branded products are more visible to the public – MEDIHONEY being the most prominent example at present – the Company's private-label and OEM business is expanding at a rapid rate.

He continued, "Sales in our First Aid Division were strong during the quarter, and as the integration of that operation progresses in the quarters ahead, we expect to see improving margins. We have excellent new business opportunities in the First Aid Division for contracts that would begin in late 2008 and into 2009, and expect to see solid growth in that business. The volume-oriented manufacturing for our private-label segment has enabled us to outfit our state-of-the-art manufacturing facilities."

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 a large-scale randomized controlled trial on leg ulcers. For more information about Derma Sciences, Inc., visit its home page on the Internet at <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
Consolidated Statements of Operations
(Unaudited)

	Three Months ended March 31,	
	2008	2007
Net Sales	\$11,724,822	\$ 7,965,797
Cost of sales	8,516,164	5,161,369
Gross Profit	3,208,658	2,804,428
Operating expenses		
Selling, general and administrative	4,386,866	2,668,154
Research and development	48,108	125,000
Total operating expenses	4,434,974	2,793,154
Operating (loss) income	(1,226,316)	11,274
Other expense, net:		
Interest expense	264,915	50,246
Other expense, net	8,614	26,557
Total other expense, net	273,529	76,803
Loss before (benefit) provision for income taxes	(1,499,845)	(65,529)
(Benefit) provision for income taxes	(90,057)	73,424
Net Loss	\$ (1,409,788)	\$ (138,953)
Loss per common share – basic and diluted	\$ (0.04)	\$ (0.01)
Shares used in computing loss per common share – basic and diluted	34,038,207	25,246,596

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