



January 2016

Advancing Wound Care



Forward Looking Statements

Statements contained in this presentation 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.

Derma Sciences – Corporate Vision

Be a leader in the U.S. advanced wound care market with a strong history and future strategy of licensing, acquiring and developing novel technologies forming a suite of products that are:

- Meaningful to the advancement of wound care and human health

Business Segment Overview

Advanced Wound Care

- Proprietary technologies for chronic wounds and burns
- Grew year-over-year by 9.5% in 2015

2015 Revenues: \$41.7 million*

Gross Margins: ~50%

Sales Model:

- Direct sales organizations in the US, UK, and Canada
- Distributors throughout the rest of world

Product Suite



Traditional Wound Care

- Includes both branded and private-label/OEM dressings for basic wound care

2015 Revenues: \$42.7 million*

Gross Margins: < 30%

Sales Reps: Global OEM and distributor network

Product Suite

- Sponges
- Wound dressings & packing strips
- Island & barrier border gauze
- Non-adherent impregnated
- Conforming bandages
- Elastic net dressings
- Compression bandages
- Laparotomy sponges

Investment Highlights

- Significant market opportunity for Advanced Wound Care
 - Advanced wound care segment is ~\$5 billion of the overall \$14 billion wound care market
 - Demographic tailwinds with substantial growth driven by an aging population
 - Increasing prevalence of diabetes
 - ~4.0 million diabetic foot ulcers annually in the U.S.
- Proven ability to develop or license, launch and sell innovative, proprietary and high margin products
- Traditional wound care business that ***provides positive cash flow*** to help fund new advanced wound care products and other growth initiatives
- Strong balance sheet and liquidity profile⁽¹⁾
 - \$40.0 million of cash and cash equivalents
 - No debt
 - \$16.0 million long-term investment in Comvita stock

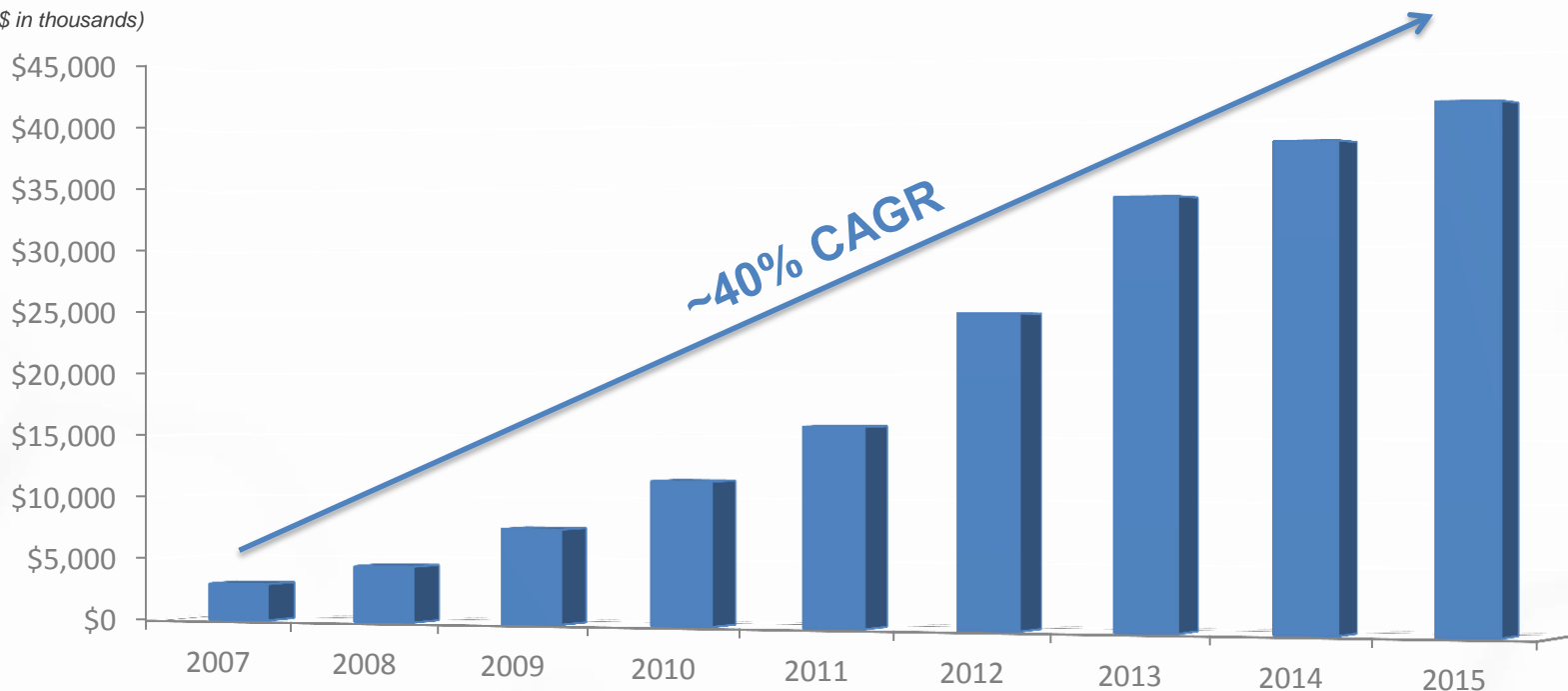
Advanced Wound Care



Significant Historical Advanced Wound Care Growth

AWC Revenue

(\$ in thousands)



AWC Revenue	\$2,947	\$4,494	\$7,617	\$11,597	\$15,928	\$24,833	\$33,929	\$38,111	\$41,700*
% Growth		52.5%	69.5%	51.4%	38.1%	55.9%	36.6%	12.4%	9.5%
% of Total Revenue	5.9%	8.9%	15.7%	20.5%	25.4%	34.2%	42.6%	45.5%	49.3%

A novel device/system for optimal healing of Diabetic Foot Ulcers

- **Off-loading** is the most important aspect of the overall care plan
- **Total Contact Casts** have been proven to be the Gold Standard for off-loading, with 89% of wounds healed in less than 7 weeks
- **Traditional TCC are very difficult and time consuming to apply**, and risk doing more harm than good to the wound
- **TCC-EZ[®] is a novel patented system** that removes the hurdles above
 1. Easy to apply
 2. ¼ the time of a traditional system
 3. Reduced risk of misapplication
- **Favorable reimbursement for utilization in wound clinics**, expected to continue as pressure mounts on hyperbaric oxygen and other less proven modalities



Key Focus Area

Focus is on the 1M diabetic foot ulcers in the US each year characterized by:

- High risk of amputation
- Post-amputation 5-yr mortality rates higher than certain types of cancer

Room temp stable extracellular matrix

- Fully resorbable membrane
- Contains epithelial cells, basement membrane & compact layer
- Only amnion (no chorion)
- Natural architecture
- Proprietary (patent pending) processing technology preserves more naturally occurring growth factors, cytokines and proteins vs competitors
- An easy to apply, cost-effective alternative to market leading competitor products
- **Reimbursement in place in 4 out of 8 Medicare Administrative Contractors**
- **On contract at Veterans Administration Hospitals**



Key Focus Area

Focus is on the > \$300M amniotic tissue market in the US

- Requires published data to be successful
- Recently completed prospective, randomized, controlled multi-center study awaiting publication

Viability Tissue Matrix in liquid format

- Morselized human placental tissues and components of the amniotic fluid
- Can be used along with the ECM
- Provides a competitive answer to other cryopreserved products



Key Focus Area

Focus is on the in-patient and VA Hospital procedures in which wounds are larger and more difficult to manage with sheets of tissue substitutes

Worldwide exclusive license to novel, patented dressings comprised of a high percentage of Active Leptospermum Medical-Grade Honey

Multiple peer reviewed studies validate the efficacy and versatility of MEDIHONEY® in chronic wounds:

- Supporting healing of stalled wounds
- Promoting autolytic debridement

Method of Action

- High osmotic potential can increase the outflow of wound fluid, helping to liquefy and remove necrotic tissue from the wound bed
- Lowering pH on a wound's surface has been shown to create an optimal healing environment

Investment in Comvita (CVT.NZ) supports honey supply



Key Focus Area

Focus is on the \$3B+ Global Wound Dressing segment within the overall Advanced Wound Care market.

- **Versatility** – Does the job of multiple dressings
- **Full line** – For application to all wound types

Next generation dressings for a market of 6 million chronic wounds

Novel, proprietary dressings utilizing super absorbent polymers

- **Superior Absorption** – Absorbs 200% to 400% more than competitive conventional dressings
- **Fluid Locking** – Converts fluid to gel, locking the exudates into the dressing
- **Reduces risk of wound deterioration** – Holds fluids away from wound, limiting maceration and harmful effects from bacteria and proteases



Novel, patented barrier dressings containing an antimicrobial compound (PolyDADMAC)

- **Extremely effective** - Kills over 99.999% of virulent bacteria including MRSA
- **Competitive Edge** - Only non-leaching antimicrobial dressing cleared by FDA. Limits toxicity and negates resistance
- **Strong IP** - Protected by nine US patents and patents pending and 24 foreign counterparts
- **Cost Effective** - Minimizes costs and risks related to hospital acquired infections

Financial Overview



Segment Performance

(\$ in millions)

Year:	2013	2014	2015E	2016P
AWC Net Sales	\$33.9	\$38.1	\$41.7	\$47.2
Gross Profit	\$16.8	\$18.2	NA*	NA*
<i>Gross Margin %</i>	<i>50%</i>	<i>48%</i>	NA*	NA*
Seg. Contribution	\$(4.6)	\$(12.7)	NA*	NA*
TWC Net Sales	\$45.8	\$45.6	\$42.7	\$41.9
Gross Profit	\$12.6	\$11.9	NA*	NA*
<i>Gross Margin %</i>	<i>27%</i>	<i>26%</i>	NA*	NA*
Seg. Contribution	\$7.5	\$6.7	NA*	NA*
Pharma R&D expense	\$(11.4)	\$(18.9)	\$(17.6)	\$(0.1)

* Not yet available

Overall Financial Performance

(\$ in millions)

Year:	2013	2014	2015E	2016P
Net Sales	\$79.7	\$83.7	\$84.5	\$89.1
<i>Y-o-Y Growth</i>	10%	5.1%	1.0%	5.4%
Gross Profit	\$29.4	\$30.1	NA*	NA*
<i>Gross Profit %</i>	37%	36%	NA*	NA*
Net Loss	\$(24.0)	\$(39.8)	NA*	NA*
Net Loss, excluding R&D	\$(12.6)	\$(20.5)	NA*	NA*
Adj. EBITDA⁽¹⁾, excluding R&D	\$(8.7)	\$(16.7)	NA*	NA*

* Not yet available

(1) Includes equity-based compensation expense

Our Capital Structure

Estimated as of December 31, 2015	
Common Shares	25,877,000
Potentially dilutive shares:	
Convertible Preferred Shares	73,332
Stock issuable related to conversion of preferred shares	49,782
Restricted share units	150,000
Warrants	1,755,330
Stock options	2,300,000
Total Dilutive Shares	4,328,444
Total Fully Diluted Common Shares	30,205,444

- Cash, cash equivalents and short term investments at December 31, 2015 of \$40 million
- \$16 million in Comvita common stock held as a long-term investment
- No debt

Our 2016 Financial Expectations

- Total net sales of approximately \$89.1 million, representing growth of 5.4%
- AWC net product sales of approximately \$47.2 million, representing growth of 13%
- TWC net product sales of approximately \$41.9 million, representing a decline of 2%
- Operating expenses excluding R&D expenses to be approximately \$10.0 million less in 2016, consisting of reductions to
 - G&A expenses of \$4.0 million,
 - Sales expenses of \$3.5 million
 - Marketing expenses of \$2.5 million
- R&D expenses to be less than \$0.1 million in 2016
- Cash burn for the first half of 2016 of approximately \$7.5 million;
- Positive cash flow for the second half of 2016 of approximately \$1.0 million



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