

NEWS RELEASE

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PSYCHEMEDICS CORPORATION ANNOUNCES FIRST QUARTER PROFITS DECLARES 55th CONSECUTIVE QUARTERLY DIVIDEND

Acton, Massachusetts, May 11, 2010 -- Psychemedics Corporation (NASDAQ:PMD) today announced first quarter financial results for the quarter ended March 31, 2010. The Company also announced a quarterly dividend of \$0.12 per share payable to shareholders of record as of June 7, 2010 to be paid on June 18, 2010. This will be the Company's 55th consecutive quarterly dividend.

The Company's revenue for the quarter ended March 31, 2010 was \$4.5 million versus \$4.1 million for the quarter ended March 31, 2009. Net income for the quarter ended March 31, 2010 was \$506,000 or \$0.10 per share, versus \$39,000 or \$0.01 per share for the comparable period last year.

Raymond C. Kubacki, Chairman and Chief Executive Officer, said, "Our first quarter results were very solid, even taking into account the comparison with a depressed 2009. We continued to add new clients; and are also encouraged by the fact that our broad existing client base showed improving demand."

Kubacki continued, "With this revenue increase and continued strong cost controls, our margins and profits expanded very nicely. Our pre-tax margin was 19%."

Kubacki concluded, "We continue to have a strong balance sheet with more than \$5.2 million in cash, cash equivalents and short-term investments and no long term debt. Our directors share our confidence in the long-term future of Psychemedics and remain committed to rewarding shareholders and sharing the financial success of the Company with them as we move forward. Therefore, we are pleased to declare our 55th consecutive quarterly dividend."

Psychemedics is the world's largest provider of hair testing for drugs of abuse with thousands of corporations relying on the patented Psychemedics drug testing services. Psychemedics' clients include over 10% of the Fortune 500, some of the largest police departments in America and six Federal Reserve Banks.

The Psychemedics web site is www.drugtestwithhair.com

Cautionary Statement for purposes of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995: From time to time, information provided by Psychemedics may contain forward-looking information that involves risks and uncertainties. In particular, statements contained in this release that are not historical facts (including but not limited to statements concerning earnings, earnings per share, revenues, dividends, future business, growth opportunities, new accounts, customer base, market share, test volume and sales and marketing strategies) may be "forward looking" statements. Actual results may differ from those stated in any forward-looking statements. Factors that may cause such differences include but are not limited to risks associated with the expansion of the Company's sales and marketing team, development of markets for new products and services offered, the economic health of principal customers of the Company, government regulation, including but not limited to FDA regulations, competition and general economic conditions and other factors disclosed in the Company's filings with the Securities and Exchange Commission.

PSYCHEMEDICS CORPORATION
STATEMENTS OF INCOME
UNAUDITED

| | Three Months Ended March 31, 2010 | Three Months Ended March 31, 2009 |
|---|---|---|
| Revenue | \$4,464,243 | \$4,078,837 |
| Costs of revenues | 1,910,654 | 1,986,911 |
| | ----- | ----- |
| Gross profit | 2,553,589 | 2,091,926 |
| | ----- | ----- |
| Operating expenses: | | |
| General & administrative | 971,614 | 1,042,495 |
| Marketing & selling | 623,631 | 871,464 |
| Research & development | 122,481 | 125,046 |
| | ----- | ----- |
| Total operating expenses | 1,717,726 | 2,039,005 |
| | ----- | ----- |
| Operating income | 835,863 | 52,921 |
| Interest income | 8,176 | 15,507 |
| | ----- | ----- |
| Net income before provision for income taxes | 844,039 | 68,428 |
| | ----- | ----- |
| Provision for income taxes | 337,615 | 29,903 |
| | ----- | ----- |
| Net income | \$506,424 | \$38,525 |
| | ===== | ===== |
| Basic net income per share | <u>\$0.10</u> | <u>\$0.01</u> |
| Diluted net income per share | <u>\$0.10</u> | <u>\$0.01</u> |
| Dividends declared per share | <u>\$0.12</u> | <u>\$0.17</u> |
| Weighted average common shares outstanding, basic | 5,197,349 | 5,190,747 |
| Weighted average common shares outstanding, diluted | 5,206,584 | 5,204,876 |

PSYCHEMEDICS CORPORATION
BALANCE SHEETS
UNAUDITED

| | March 31, 2010 | December 31, 2009 |
|--|-------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 3,186,458 | \$ 4,840,367 |
| Short-term investments | 2,014,203 | 1,006,436 |
| Accounts receivable, net of allowance for doubtful accounts of \$129,325 in 2010 and \$134,282 in 2009 | 3,215,877 | 3,016,084 |
| Prepaid expenses | 556,560 | 573,191 |
| Other current assets | 326,155 | 90,242 |
| Deferred tax assets | 291,047 | 253,221 |
| | ----- | ----- |
| Total Current Assets | 9,590,300 | 9,779,541 |
| | ----- | ----- |
| Fixed Assets: | | |
| Equipment & leasehold improvements | 11,102,580 | 10,912,906 |
| Less accumulated depreciation | (10,445,052) | (10,381,599) |
| | ----- | ----- |
| Net Fixed Assets | 657,528 | 531,307 |
| | ----- | ----- |
| Deferred tax assets, long term | 204,764 | 204,764 |
| Other assets | 86,185 | 86,814 |
| | ----- | ----- |
| Total Assets | \$ 10,538,777 | \$ 10,602,426 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 283,332 | \$ 180,784 |
| Accrued expenses | 748,094 | 759,067 |
| Accrued income taxes | 205,052 | 331,831 |
| Deferred revenue | 31,545 | 36,360 |
| | ----- | ----- |
| Total Current Liabilities | 1,268,023 | 1,308,042 |
| | ----- | ----- |
| Commitments and Contingencies | | |
| Shareholders' Equity: | | |
| Preferred-stock, \$0.005 par value, 872,521 shares authorized, no shares issued or outstanding | -- | -- |
| Common stock, \$0.005 par value, 50,000,000 shares authorized, 5,861,872 shares issued in 2010 and 2009 | 29,309 | 29,309 |
| Paid-in capital | 27,512,987 | 27,419,359 |
| Less - Treasury stock, at cost, 664,523 shares in 2010 and 2009 | (10,053,364) | (10,053,364) |
| Accumulated deficit | (8,218,178) | (8,100,920) |
| | ----- | ----- |
| Total Shareholders' Equity | 9,270,754 | 9,294,384 |
| | ----- | ----- |
| Total Liabilities & Shareholders' Equity | \$ 10,538,777 | \$ 10,602,426 |
| | ===== | ===== |