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For Immediate Release

Science Dynamics Corporation Reports Second Quarter 2001 Results

CHERRY HILL, NJ -- (August 15, 2001) -- Science Dynamics "SciDyn" (NASDAQ: SIDY), a developer of Internet Protocol-based (IP) telephony solutions and services, announced today financial results for its second quarter 2001, ended June 30, 2001.

SciDyn's second quarter 2001 net sales totaled \$178,501, down modestly from first quarter 2001 net sales of \$194,113. This figure compared to net sales of \$2,104,271 in the corresponding second quarter of fiscal 2000. The decline in net sales in the year over year comparison is related to Cascadent Communications, Inc., which accounted for \$1,920,990 of net sales in the second quarter of 2000.

The Company posted a net loss for the second quarter 2001 of \$1,471,455 or (\$0.08) per share, compared with net loss of \$1,259,835, or (\$0.07) per share in the first quarter 2001, and a net income of \$323,719, or \$0.02 per share, during the corresponding second quarter of 2000.

Sheldon Hofferma, Chairman, stated, "Over the past six months, we have continued to see unprecedented challenges in the telecommunications sector, as many of our peers have disappeared from the landscape. SciDyn is focused on positioning itself for success as the telecommunications sector returns to health. We have recently seen the migration of VoIP technology towards the mainstream, as major technology players such as Cisco Systems and Microsoft have included applications of this technology in their latest respective platforms. We feel that this marks the beginning of the next generation of VoIP development and sets the stage for VoIP as a compelling solution for the mass market."

Joy Hartman, President and Chief Executive Officer of SciDyn stated, "In the second quarter, we have continued to enact key initiatives which we believe will yield positive results and a gradual rise in revenue as the second half of fiscal 2001 unfolds. To that end, we have focused on establishing international partnerships and reseller agreements for all our products. Our recent marketing and OEM agreement with Thales Contact Solutions to add fully integrated digital recording and playback capabilities to our Commander® products reflects our focus on integrating the most robust suite of technical features with our hardware. The addition of debitcall functions, Web administration and live real-time monitoring during the second quarter are further evidence of the comprehensive capabilities that SciDyn Call Control Solutions are bringing to market.

“The recent addition of Dr. Denny Ko as our Chief Technology Officer (CTO), who has extensive management experience at such companies as Lucent Technologies and Bell Laboratories, will also play a major role in the design of our next generation of SciDyn’s VoIP solutions. We continue to believe that Science Dynamics can provide a robust, high quality and feature rich solution to networks of all sizes and configurations”, continued Ms. Hartman.

About Science Dynamics Corporation:

SciDyn’s third generation of Call Control Solutions follows the previous Collect Call Timing Device introduced in 1986 and current Commander models that serve thousands of inmate beds nationwide. The System operates on SciDyn’s BubbleLINK® software architecture and offers the latest security and call control features to effectively manage inmate telephone calls. Standard features include a wide array of editable call control parameters, advanced call monitoring, real-time call recording and SciDyn’s patented 3-way call fraud detection featuring 36 tunable parameters that test the call path end-to-end.

Headquartered in Cherry Hill, New Jersey, Science Dynamics Corporation (SciDyn) is a leading developer of telecommunications solutions. SciDyn’s IP telephony products enable the seamless connection between traditional circuit-switch based networks and the next generation of packet-based networks. Products include: The IntegratorC-2000® series of IP telephony gateways, the Commander Call Control System for correctional facilities (also based on the IntegratorC-2000® architecture) and the VFX-200 series of Video over Frame Relay Access Devices. Visit Science Dynamics Corporation’s Web site at <http://www.scidyn.com>.

The Company is making this statement in order to satisfy the "safe harbor" provisions contained in the Private Securities Litigation Reform Act of 1995. This press release includes forward-looking statements relating to the business of the Company. Forward-looking statements contained herein or in other statements made by the Company are made based on management's expectations and beliefs concerning future events impacting the Company and are subject to risks, uncertainties and factors relating to the other factors, which Company's operations and business environment, all of which are difficult to predict and many of which are beyond the control of the Company, that could cause actual results of the Company to differ materially from those set forth above and elsewhere in the Annual Report. The Company may encounter competitive, technological, and financial and business challenges making it more difficult to market its products and services, the impact of which may in matters expressed in or implied by forward-looking statements. Although the Company expects to close upon a loan which will provide working capital shortly, until the loan is closed, there is no guarantee that the Company will receive such funds. If the Company does not receive the funds in the near term it may need to curtail its operations. The Company believes that the following factors, among others, could affect the Company’s results of operations and financial position, affect its future performance and cause actual results of the Company to differ materially from those expressed in or implied by forward-looking statements made by or on behalf of the Company: (a) the effect of technological changes; (b) increases in or unexpected losses; (c) increased competition; (d) fluctuations in the costs to operate the business; (e) uninsurable risks; and (f) general economic conditions.

(Tables Follow)

Science Dynamics Corporation and Subsidiary
Consolidated Statements of Operations
(Unaudited)

	<u>Six months ended</u> <u>June 30,</u>		<u>Three months ended</u> <u>June 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
NET SALES	<u>\$ 372,614</u>	<u>\$ 3,547,753</u>	<u>\$ 178,501</u>	<u>\$ 2,104,271</u>
Operating costs and expenses:				
Cost of sales	\$ 288,526	\$ 1,284,270	\$ 151,679	\$ 712,227
Research and development	\$ 754,790	\$ 526,534	\$ 334,268	\$ 270,826
Selling, general and administrative	<u>\$ 1,839,340</u>	<u>\$ 1,408,305</u>	<u>\$ 938,123</u>	<u>\$ 803,039</u>
Total operating expenses	<u>\$ 2,882,656</u>	<u>\$ 3,219,109</u>	<u>\$ 1,424,070</u>	<u>\$ 1,786,092</u>
Operating (Loss) / Income	<u>\$ (2,510,042)</u>	<u>\$ 328,644</u>	<u>\$ (1,245,569)</u>	<u>\$ 318,179</u>
Other income / expenses:				
Interest income	\$ 4,638	\$ 8,438	\$ 4,638	\$ 5,540
Interest expense	<u>\$ (230,524)</u>	----	<u>\$ (230,524)</u>	----
Net (Loss) / Income	<u>\$ (2,735,928)</u>	<u>\$ 337,082</u>	<u>\$ (1,471,455)</u>	<u>\$ 323,719</u>
Net (Loss) / Income per common share basic and diluted	<u>\$ (0.16)</u>	<u>\$ 0.02</u>	<u>\$ (0.08)</u>	<u>\$ 0.02</u>

**Science Dynamics Corporation and Subsidiary
Balance Sheet**

	June 30, 2001 <u>Unaudited</u>	December 31, 2000 <u>Audited</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 187,774	\$ 1,351,641
Accounts receivable – trade	\$ 113,925	\$ 102,194
Accounts receivable – other	\$ 48,447	\$ 51,401
Inventories	\$ 78,640	\$ 87,623
Other current assets	\$ 67,562	\$ 84,566
Total current assets	<u>\$ 496,348</u>	<u>\$ 1,677,425</u>
Property and equipment, net	\$ 974,308	\$ 1,005,364
Intangible assets, net of accumulated amortization of \$1,350,000 in 2001 and \$1,200,000 in 2000	\$ 150,000	\$ 300,000
Other assets	<u>\$ 25,363</u>	<u>\$ 25,363</u>
Total assets	<u>\$ 1,646,019</u>	<u>\$ 3,008,152</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of capital lease obligation	\$ 63,322	\$ 57,598
Accounts payable	\$ 490,062	\$ 358,820
Accrued expenses	\$ 161,646	\$ 118,059
Total current liabilities	<u>\$ 715,030</u>	<u>\$ 534,477</u>
Convertible Notes	\$ 1,200,000	\$ ---
Non-current portion of capital lease obligation	<u>\$ 90,422</u>	<u>\$ 128,413</u>
Total liabilities	\$ 2,005,452	\$ 662,890
Commitments		
Shareholders' equity –		
Common stock – \$0.01 par value 45,000,000 shares authorized, 17,783,700 and 17,286,278 issued 17,657,900 and 17,160,478 outstanding in 2001 and 2000 respectively.	\$ 177,837	\$ 177,837
Additional paid in capital	\$ 14,298,021	\$ 14,266,787
(Deficit)	<u>\$ (14,437,458)</u>	<u>\$ (11,701,529)</u>
	\$ 38,400	\$ 2,743,095
Common stock held in treasury, at cost	<u>\$ (397,833)</u>	<u>\$ (397,833)</u>
Total shareholders' equity	<u>\$ (359,433)</u>	<u>\$ 2,345,262</u>
Total liabilities and shareholders' equity	<u>\$ 1,646,019</u>	<u>\$ 3,008,152</u>

Science Dynamics Corporation And Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)

	June 30, 2001	June 30, 2000
Cash flows from operating activities:		
Net (loss) income	\$ <u>(2,735,928)</u>	\$ <u>337,082</u>
Adjustments to reconcile net (loss) income to net cash used for operating activities:		
Depreciation	140,231	59,880
Amortization of		
Intangible assets	150,000	150,000
Interest expense	212,524	---
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(11,731)	(1,413,777)
Other receivable	2,954	1,962
Inventories	8,983	(31,536)
Other current assets	17,004	(79,065)
Other assets	---	3,821
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>174,829</u>	<u>8,701</u>
Total adjustments	<u>694,794</u>	<u>(1,300,014)</u>
Net cash used for operating activities	<u>(2,041,134)</u>	<u>(962,932)</u>
Cash flows from investing activities:		
Purchase of property and equipment, net	<u>(109,176)</u>	<u>(305,384)</u>
Net cash used in investing activities	<u>(109,106)</u>	<u>(305,384)</u>
Cash flows from financing activities:		
Increase (decrease) in		
Issuance of Convertible debt, net	1,018,710	---
Payment on capitalized leases	(32,267)	---
Issuance of common stock and warrants	---	<u>1,724,057</u>
Net cash provided by financing activities	<u>986,443</u>	<u>1,724,057</u>
Net (decrease) increase in cash and cash equivalents	(1,163,867)	455,741
Cash and cash equivalents - beginning of period	<u>1,351,641</u>	<u>674,793</u>
Cash and cash equivalents - end of period	<u>187,774</u>	<u>1,130,534</u>