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**FOR IMMEDIATE RELEASE**

## **Science Dynamics Corporation Reports Second Quarter 2000 Results**

### ***Sales Up 378% Over Second Quarter of 1999***

**CHERRY HILL, NJ -- (August 14, 2000) -- Science Dynamics (BBOTC: SIDY)**, a leading developer of Internet Protocol-based (IP) telephony solutions, today announced financial results for the second quarter ended June 30, 2000.

During the second quarter sales increased to \$2,104,271, a 378 percent increase over sales of \$440,365 in the second quarter of 1999, and a 46 percent sequential increase over sales of \$1,443,482 in the first quarter of 2000. The Company generated net income of \$323,719 in the second quarter of 2000, compared with a net loss of \$500,879 in the second quarter of 1999, and net income of \$13,365 for the first quarter of 2000. Operating income for the second quarter of 2000 was \$318,179 compared with an operating loss of \$497,065 in the second quarter of 1999, and a gain of \$10,467 for the first quarter of this year. Net income was \$323,719, or \$0.02 per share, in the second quarter of 2000, compared with a net loss of \$500,879 or (\$0.03) per share, a year ago.

For the first six months ended June 30, 2000 total sales were \$3,547,753, a 194 percent increase over sales of \$1,208,224 in the corresponding first half of 1999. Total operating income for the first six months of 2000 was \$328,644 compared to an operating loss of \$856,778 during the same period in fiscal 1999. Net income for the first six months of this year was \$337,082 or \$0.02 per share, compared with a net loss of \$863,683, or (\$0.05) per share for the corresponding six-month period in 1999.

"SciDyn made significant progress during the second quarter of this year as we executed on our vision of providing innovative hardware and software solutions to connect traditional circuit switch based networks with the next generation of packet based networks" stated Joy C. Hartman, president and CEO. Hartman continued, "We are pleased with our sales and earnings improvement, and will continue to focus on the dynamic growth of the Company while investing in our internal organization, our technology, and the development of our brand. Underlying our financial and operational successes for the quarter was the expansion of our senior management team. The addition of Alan Bashforth as chairman of the Company's Board of Directors and Robert O'Connor as chief financial officer provide the depth of expertise that will be essential to lead SciDyn in our ongoing quest to be the 'Voice of IP Telephony'."

## **Alan C. Bashforth Named Chairman of the Board**

In June, SciDyn announced the appointment of Alan C. Bashforth as chairman of the Company's Board of Directors. Bashforth, who currently serves as president of Cascadet Communications, Inc., stated, "I look forward to working with the management team in achieving SciDyn's position as a leader in the IP telephony market. A high priority will be to attract talented executives to the Board who understand the Company's needs, as well as the future of the industry."

## **Robert M. O'Connor Appointed as Chief Financial Officer**

In May, SciDyn appointed Robert M. O'Connor as chief financial officer. O'Connor noted, "I am pleased to be able to join SciDyn at this exciting time, and look forward to establishing important profitability goals for the Company." Prior to joining SciDyn O'Connor was a manager for PricewaterhouseCoopers, L.L.P. and also served as controller and chief financial officer for three middle market technology companies.

## **SciDyn Expands European Sales Channel**

On May 3, 2000, SciDyn announced that Information Technology Services (ITS) signed a contract to distribute SciDyn's Integrator series of IP telephony gateways. ITS is based in Surrey, United Kingdom and is a technology and communications provider to European businesses. Joy Hartman, president and CEO noted, "As the demand for IP-enabled communications gains global momentum, SciDyn is building its direct and indirect distribution channels to address both traditional as well as emerging communications markets. ITS enhances our international market reach as a new distribution channel that is both well established and provides a complimentary integration with SciDyn's IP telephony market strategy."

### **About Science Dynamics Corporation:**

Headquartered in Cherry Hill, New Jersey, Science Dynamics Corporation (SciDyn) is a leading developer of telecommunications solutions. Products include: The IntegratorC-2000® series of IP Telephony Gateways; the Commander II Inmate Control phone system (also based on the IntegratorC-2000® architecture) and the VFX-200 series of Video over Frame Relay Access Devices (FRADs). Visit Science Dynamics' Web site at <http://www.SciDyn.com>

*Except for the historical information contained herein, this news release contains forward looking statements that involve risks and uncertainties, including the impact of the competitive products and pricing and general economic conditions as they affect the Company's customers. Actual results and developments may therefore differ materially from those described in this release.*

**SCIENCE DYNAMICS CORPORATION AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS**

PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements:

**ASSETS**

	June 30, 2000 <u>Unaudited</u>	December 31, 1999 <u>Audited</u>
Current assets:		
Cash and cash equivalents	\$ 1,130,534	\$ 674,793
Accounts receivable - trade	1,570,817	157,040
Accounts receivable - other	61,715	63,677
Inventories	392,575	361,039
Other current assets	<u>129,250</u>	<u>50,185</u>
Total current assets	<u>3,284,891</u>	<u>1,306,734</u>
Property and equipment, net	506,047	260,543
Deferred income taxes	308,000	308,000
Intangible Assets, net of accumulated amortization of \$1,050,000 in 2000 and \$900,000 in 1999.	450,000	600,000
Other assets	<u>129,955</u>	<u>133,776</u>
Total assets	<u>\$ 4,678,893</u>	<u>\$ 2,609,053</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 566,610	\$ 215,409
Accrued expenses	<u>82,177</u>	<u>424,677</u>
Total current liabilities	<u>648,787</u>	<u>640,086</u>
Commitments		
Shareholders' equity -		
Common stock - .01 par value, 45,000,000 shares authorized, 17,783,716 and 17,286,278 issued 17,657,916 and 17,160,478 outstanding in 2000 and 1999 respectively.	177,837	172,862
Additional paid-in capital	14,275,287	12,556,205
(Deficit)	<u>(10,025,185)</u>	<u>(10,362,267)</u>
Common stock held in treasury,	4,427,939	2,366,800
at cost	<u>(397,833)</u>	<u>(397,833)</u>
Total shareholders' equity	<u>4,030,106</u>	<u>1,968,967</u>
Total liabilities and shareholders' equity	<u>\$ 4,678,893</u>	<u>\$ 2,609,053</u>

**SCIENCE DYNAMICS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements (Continued):

	Six Months Ended June 30,		Three Months Ended June 30,	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
NET SALES	<u>\$ 3,547,753</u>	<u>\$ 1,208,224</u>	<u>\$ 2,104,271</u>	<u>\$ 440,365</u>
Operating costs and expenses:				
Cost of sales	1,284,270	433,948	712,227	185,549
Research and development	526,534	615,773	270,826	298,174
Selling, general and administrative	<u>1,408,305</u>	<u>1,015,281</u>	<u>803,039</u>	<u>453,707</u>
	<u>3,219,109</u>	<u>2,065,002</u>	<u>1,786,092</u>	<u>937,430</u>
Operating income (loss)	328,644	(856,778)	318,179	(497,065)
Other (expenses):				
Interest income	8,438	-	5,540	-
Interest expense	<u>                    </u>	<u>(6,905)</u>	<u>                    </u>	<u>(3,814)</u>
Net Income (Loss)	<u>\$ 337,082</u>	<u>\$ (863,683)</u>	<u>\$ 323,719</u>	<u>\$ (500,879)</u>
Net Income (Loss) per common share	<u>\$ 0.02</u>	<u>\$ (0.05)</u>	<u>\$ 0.02</u>	<u>\$ (0.03)</u>

**SCIENCE DYNAMICS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Continued):

	Six Months Ended June 30,	
	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Net income (loss)	\$ 337,082	\$ (863,683)
Adjustments to reconcile net income (loss) to net cash (used for) provided by operating activities:		
Depreciation	59,880	44,630
Amortization of capitalized software	-	69,498
Amortization of Intangible assets	150,000	150,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(1,413,777)	(61,520)
Other receivable	1,962	458,801
Inventories	(31,536)	35,740
Other current assets	(79,065)	32,045
Other assets	3,821	(96,179)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>8,701</u>	<u>(363,040)</u>
Total adjustments	<u>(1,300,014)</u>	<u>269,975</u>
Net cash provided by (used for) operating activities	<u>(962,932)</u>	<u>(593,708)</u>
Cash flows from investing activities:		
Purchase of property and equipment - net	<u>(305,384)</u>	<u>(19,311)</u>
Net cash (used) in investing activities	<u>(305,384)</u>	<u>(19,311)</u>
Cash flows from financing activities:		
Increase (decrease) in Loan Payable	-	143,224
Issuance of common stock and warrants	<u>1,724,057</u>	<u>504,975</u>
Net cash (used in) provided by financing activities	<u>1,724,057</u>	<u>648,199</u>
Net increase (decrease) in cash and cash equivalents	455,741	35,180
Cash and cash equivalents - beginning of period	<u>674,793</u>	<u>32,249</u>
Cash and cash equivalents - end of period	<u>\$ 1,130,534</u>	<u>\$ 67,429</u>