

INSCIGHT

INVESTOR BULLETIN

SUMMER 2010

INTRODUCTION

Welcome to the summer 2010 edition of **INSCIGHT** which we hope will give you additional insight into events, trading patterns and issues at SciSys ahead of the Company's interim report which is scheduled for publication in the early autumn.

CURRENT TRADING AND OUTLOOK

On July 23rd we issued a brief stock exchange announcement advising investors that SciSys is trading in line with guidance for the full year and is continuing to generate cash. We have benefited in the first half of the year from the strong opening order book previously reported and have already added several significant contract wins to it: the Audio Edit Payout system for the BBC at £9m; a Tier 1 position with Capgemini and BT in the winning outsource consortium for the Environment Agency; selection as sole UK prime contractor under the European Space Agency GFC8 framework contract; and selection as framework partners for the Met Office and the Irish Environmental Protection Agency.

Despite this strong first half performance the Directors are nevertheless urging caution when setting expectations. The Company needs to be alert over the next 12 to 18 months to the potential impact of delays and deferrals of projects and programmes in the public sector. Nevertheless its long term trading outlook continues to look very positive. With over 50% of our business derived from outside of the UK and with a good spread of customers and contracted projects in the UK, we believe that our business is sufficiently diverse and robust to weather any short term pressures.



AGM

At the AGM on the 27th May, Chairman Mike Love and Finance Director, Chris Cheetham, highlighted achievements made during 2009 and gave a more detailed assessment on the outlook for 2010. The full presentation given to shareholders at the AGM is available on our website at:

<http://www.scisys.co.uk/Finance&Investors/Presentations>



SHAREHOLDER NEWS

There has been one major shareholder change, with Microgen selling its 13% holding, most of which was bought by new institutional holder, Herald Investments, and Signature, the fund Management arm of Rowan Dartington, on behalf of private clients.



Mark Sevier, Fund Manager of Signature commented: "Fiscal austerity and public spending cuts are likely to overhang the UK Stock Market in the short term. We are looking beyond this to companies that are able to grow in a challenging but not impossible global economic environment. For those of our clients able to invest in UK smaller companies, Scisys ticks a lot of boxes – order visibility, scope for margin improvement, strong balance sheet and dividend growth potential."

As part of our ongoing investor relations programme Mike and Chris have hosted a number of private client broker events in London, Bristol, Birmingham and Leeds to promote the Company. If you would like your own broker to be included in these events please put them in contact with Sue Whitehead.

DIVIDEND NEWS

SciSys paid a dividend to shareholders of 0.7p per share on 30th March. With the current healthy cash flows and strong balance sheet, but subject to continued satisfactory trading, the Directors' have confirmed their intention to maintain the progressive dividend policy announced last year.



UPDATE FROM THE DIVISIONS

With an eye on the long term growth ambitions of the Company, SciSys has restructured operations into five divisions headed up by David Jones, Chief Operating Officer. An Executive Board comprising the executive plc directors and the five divisional directors has been established with responsibility for sales and operations.



GOVERNMENT DIVISION

GOVERNMENT & DEFENCE

On the surface, our Government & Defence Division would appear to be the most vulnerable division to the pressures from Government spending cuts. To some extent we have already seen the flavour of things to come with some large defence procurement projects, from which we have reasonable expectations of winning a substantial work share, already being deferred by many months pending completion of the Government's strategic defence review.

Despite this, Dave Gawthorpe and the G&D sales team have been very successful in finding other opportunities and in pushing their order book forward. They have already secured in excess of £3.5m of new orders this year. These are across a broad spectrum of clients including customers in the communications, transport and police sectors. In many instances confidentiality clauses mean we are restricted from making any detailed announcement of the nature of the work. However, there is no such restriction on work we have won with Arqiva.

SciSys Provides Fault Management System for Arqiva Digital Switch Over (DSO)

Arqiva is responsible for converting the entire UK terrestrial TV broadcast network to digital only – the Digital Switch Over programme that virtually everyone in the UK should be familiar with through the BBC publicity campaign. SciSys is providing the fault management system for this programme, which is being currently rolled out across the UK. We have recently integrated some of the existing DAB radio broadcast network into this system as well.



ARQIVA, EMLEY MOOR

ENVIRONMENT

Integrated Regulation (IR) Permitting Goes Live

In March the first stage of the IR Permitting solution went live for internal Environment Agency (EA) users and external customers thanks to the dedication of many people across both the EA and SciSys.

This is a significant milestone for the wider operation of the EA as it provides real progress towards its goal of a common approach through a shared web base with a centralised database capability. This will enable the EA's diverse customer base to access regulation facilities with greater ease, pace and efficiency thereby deriving significant business benefits.

CRC Goes Live

In April this year SciSys delivered the first phase of this Energy Efficiency Scheme on behalf of the Environment Agency (EA) within budget and in time to meet its official launch date, which coincided with the CRC legislation being enacted. The EA's CRC Programme Executive said: "SciSys demonstrated a clear understanding of our requirements, had a tried and tested solution and was able to establish a clear delivery strategy".

The CRC solution is a bespoke web based solution with stringent security requirements due to the nature of the data stored. It works in partnership with the UK Government's secure gateway portal to provide secure login and authentication and has been designed to maximise ease of use whilst remaining compliant with latest web content accessibility guidelines.



Project Managers
David Blamire-Brown (CRC)
and Nigel Sims (IR)



MEDIA & BROADCAST DIVISION

In February we were delighted to announce that MBS had been awarded a call-off contract with the BBC to provide Audio Editing and Playout (AE&P) solutions for the West One Project (London) and Project North (Salford/Manchester). The value of this major element is £4-5m professional services and software licences with a similar contract value for supply of hardware. The programme will stretch over a three year period and is the first phase of the framework agreement which we won last May. It will cover Audio & Music, National Radio News & World Service divisions with MBS dira!® products being installed across all the customer's sites to refresh and partly replace existing technology.

This strengthens MBS' position as a leading provider in the media broadcast business and is strategically very important from the perspective of the division's push into international markets.

SUPPORT DIVISION

EDF ENERGY NETWORKS

EDF Energy Networks is the largest electricity distribution network owner in the UK, covering the whole of London, the East and South East of England and serving over a quarter of the UK's population.

In 2003 EDF Energy Networks sought to consolidate its billing services and standardise business systems – effectively a three into one consolidation project. After a review of their combined legacy business systems, EDF Energy Networks concluded that the SciSys developed systems were the most flexible and value adding Distribution Use of System (DUoS) Billing Systems. EDF Energy Networks commissioned SciSys to develop an enhanced application suite to cover both Half-hourly Site Specific and Supercustomer DUoS billing for the combined network which was fully implemented by early 2004.

SciSys is continuing to support and enhance this system so that EDF Energy Networks continues to meet its evolving business and regulatory requirements.

For example, currently EDF Energy Networks has a requirement to implement the DUoS Tariff Changes arising from the Common Distribution Charging Methodology (CDCM) as defined by the Energy Networks Association work groups and approved by Ofgem. SciSys has been working closely with EDF Energy Networks to implement phased solutions to meet these requirements. The first delivery of a solution to deal with Generator DUoS Negative Tariffs was successfully installed in March 2010. The next release to implement new Tariff structures is due to be implemented in September and the final phase for BST/GMT Clock changes will be implemented before April next year.

SPACE DIVISION

SCISYS' ROLE IN THE SUCCESSFUL LAUNCH OF CRYOSAT-2

The European Space Agency (ESA) successfully launched CryoSat-2 mission in April. This 3½ year long radar mission will monitor the thickness of land and sea ice and help explain the connection between the melting of the polar ice and the rise in sea levels and how this is contributing to climate change. The SciSys on-board software team is responsible for monitoring the orbit and controlling the attitude of CryoSat-2 as well as handling all of its communications with the ground segment.



Cryosat tracks over the Ross Ice Shelf and Ross Sea on April 11.

SCISYS WINS FRAME CONTRACT FOR THE EUROPEAN SPACE OPERATIONS CENTRE (ESOC)

SciSys has recently been confirmed as one of only four suppliers, and the only UK space software company, to have been awarded Prime Contractor status for the ESOC frame contract. This means that the company will be able to tender for work on future satellite mission data systems, infrastructure software and support activities on a wide range of space missions and infrastructure developments. Alastair Pidgeon, the Business Manager responsible for SciSys' Ground Segment activities said: "this prestigious contract extends our 30+ year record of working with ESOC, will allow us to continue existing ground software work and offer opportunities for extending into the provision of software for ground stations, satellite navigation, flight dynamics and data centres."

The key to winning it was the breadth of capability that we can offer in undertaking fixed price projects including: ground systems, on-board systems, simulators, mission planning, flight dynamics.



Alastair Pidgeon
Business Manager,
Ground Segment Activities

STOP PRESS

TEAMWORK!

On a very hot Saturday in June SciSys hosted a six-a-side cricket tournament for the RNLI and companies involved in the design and build of the newest class of lifeboat. Held at the ground near Chippenham that is 'home' to the SciSys Sports and Social Club, the day was attended by some 50 players, staff and families. The RNLI team was the eventual winner against SciSys in the final, despite being soundly beaten by SciSys in the 'Round Robin' stages.



DONATIONS

SciSys supports local charities and events whenever possible and was particularly pleased to make a donation to The Friends of Redland School to help with their Environment, Science & Innovation Exhibition which was held recently at their 2010 Summer Fayre.

ISO27001 SUCCESS!

We are delighted to have received the BSI Certificate marking our success to gain certification to ISO/IEC 27001:2005 Information Security – at the first attempt.

Congratulations and thanks to the project team: Malcolm, Graham and Ray (pictured below with Scisys Technical Director, Steve Brignall and BSI Area Manager Nial Coleman) for all the hard work they put in to achieve this goal. A big thank you also goes to our in-house IT team who spent many happy hours documenting the numerous IT policies and procedures. Of course, we couldn't have achieved this success without the professionalism of the staff in adopting the ISO 27001 principles and maintaining the security of our information.



SciSys has taken a very practical approach to ISO 27001 that reflects the needs of its customers as well as its kind of business. The methodology that has been evolved can be applied easily to other organisations and the approach makes innovative use of wiki technology. SciSys will be looking to utilise the skills it has learned to provide advice and guidance to its customers.

If you have any queries regarding this newsletter or any aspect of your shareholding in SciSys plc, please contact: Sue Whitehead, Investor Relations, SciSys plc, Methuen Park, Chippenham, SN14 0GB. Telephone: +44 (0) 1249 466466 or e-mail: investorrelations@scisys.co.uk. www.scisys.co.uk