

# **INFONAUTICS FINANCIAL NEWS RELEASE, Q2 1998**

## **Infonautics, Inc. Reports Continued Strong Revenue Gains In Second Quarter Of 1998**

### **Sales Bookings Expand to a New Level**

Infonautics, Inc. (Nasdaq: INFO), a provider of premium online information and custom archive services, today reported revenue of \$3.6 million for the second quarter of 1998. This is an 88 percent increase over \$1.9 million in last year's comparable period and a 39 percent increase over this year's first quarter. The second quarter of 1997 included a non-recurring gain of \$500,000 related to a marketing agreement. Excluding this gain, second quarter 1998 revenue was up 155 percent.

In the first half of 1998, Infonautics had revenue of \$6.2 million, 127 percent more than \$2.7 million a year earlier.

New sales bookings were a record \$5.8 million in this year's second quarter. This represents an increase of 53 percent over the \$3.8 million recorded both in this year's first quarter and in the second quarter of 1997. In the first six months of 1998, new sales bookings totaled \$9.6 million, an 88 percent increase over last year's first half. Sales bookings are firm, non-cancelable customer commitments that will convert to revenue over the life of the contract.

Van Morris, president and chief executive officer of Infonautics, said the increase in sales bookings indicates strong customer acceptance and is at least as significant as the revenue increase.

Deferred revenue and backlog increased by 28 percent over the first quarter, totaling \$9.6 million on June 30, 1998.

"Rapidly increasing revenues, along with strong gains in deferred revenue and backlog as a result of higher sales bookings, demonstrate that we are achieving our goal of continual top-line growth," Mr. Morris said. "The growing acceptance of Electric Library, as reflected by big gains in sales bookings, is particularly gratifying because of what it says about the sustainability of our revenue growth."

As of the end of this year's second quarter, more than 6,800 schools and libraries were licensed to use Infonautics' Electric Library online reference service. This is a 17 percent increase from 5,800 institutions at the end of the first quarter of 1998 and a 94 percent increase from 3,500 at the end of the second quarter of 1997. Mr. Morris noted that many of the educational institutions that were newly licensed late in the second quarter are closed or less active in the summer months and will not start using or paying for their subscriptions until September.

Electric Library usage remained at high levels despite the fact that most schools were not in session during most of June. More than 4.7 million documents were downloaded by customers in the second quarter, compared with 2.2 million a year earlier and 5.1 million in the previous quarter of 1998.

Infonautics' net loss for this year's second quarter was \$4.8 million or \$0.50 per share, compared with a net loss of \$4.1 million or \$0.44 per share a year earlier. In the first half of 1998 the net loss was \$9.4 million, or

\$0.99 per share, compared with \$9.4 million or \$1.00 per share a year earlier.

Total costs and expenses were \$8.4 million in this year's second quarter, compared with \$6.3 million a year earlier. The increase is largely a result of the expansion of the educational sales force which was principally responsible for the gains in revenues, sales bookings and backlog.

Mr. Morris said the fact that sales bookings grew at a much faster rate than expenses positions the company for improvement in cash flow for the second half of the year. Net cash used in operating and investing activities amounted to \$4.2 million in this year's second quarter, compared with \$5.1 million a year earlier and \$5.5 million in the first quarter of 1998.

Infonautics had a cash and investment balance of \$3.3 million as of June 30, 1998, compared with \$7.5 million three months earlier. The company also announced today that it has raised \$3 million in equity capital through a private placement of convertible preferred stock and warrants to an institutional investment fund. At the company's option in the future, it may secure an additional \$2 million in equity capital from the investor under the same terms subject to certain conditions.

Current assets totaled \$8.2 million as of June 30 (versus \$10.8 million one quarter earlier) and total assets were \$11.7 million (versus \$14.4 million one quarter earlier).

### **About Infonautics**

Infonautics Inc. is a leading provider of online information services for schools, libraries, and consumers. Its award-winning Electric Library service was the first reference service of its type on the Internet, and today is one of the largest paid subscription sites on the Web with more than 50,000 paying subscribers. Electric Library is also one of the fastest growing electronic reference products for schools and libraries, serving more than 6,800 institutions in all 50 states. The company also provides custom content-management and online archive services to major publishers and other content creators. Infonautics was founded in November 1992, and is headquartered in Wayne, PA.

### [Infonautics financial charts](#)

To receive additional information on Infonautics, via fax at no charge, dial 1-800-PRO-INFO and enter code INFO.

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## **INFONAUTICS, INC. SUMMARY FINANCIAL DATA**

Three Months Ended June 30,	Six Months Ended June 30,
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	1998	1997	1998	1997
<b>Statement of Operations Data:</b>				
Total revenues	\$3,582,000	\$1,904,000	\$6,165,000	\$2,711,000
Total costs and expenses	\$8,392,000	\$6,315,000	\$15,757,000	\$12,683,000
Loss from operations	\$(4,810,000)	\$(4,411,000)	\$(9,591,000)	\$(9,972,000)
Net loss	\$(4,775,000)	\$(4,139,000)	\$(9,447,000)	\$(9,365,000)
Net loss per common share - basic and diluted	\$(0.50)	\$(0.44)	\$(0.99)	\$(1.00)
Weighted average shares outstanding - basic and diluted	\$9,634,000	\$9,491,600	\$9,563,900	\$9,491,600

	June 30, 1998	December 31, 1997
<b>Balance Sheet Data:</b>		
Cash, cash equivalents and investments	\$3,270,000	\$12,997,000
Working capital	\$(1,820,000)	\$7,163,000
Total assets	\$11,749,000	\$18,794,000
Long-term debt, less current portion	\$229,000	\$404,000
Total shareholders' equity	\$1,519,000	\$10,460,000

September      December

	30, 1998	31, 1997
<b>Balance Sheet Data:</b>		
Cash, cash equivalents and investments	\$4,679,000	\$12,997,000
Working capital	\$(2,745,000)	\$7,163,000
Total assets	\$13,701,000	\$18,794,000
Long-term debt, less current portion	\$135,000	\$404,000
Total shareholders' equity (deficit)	(\$2,424,000)	\$10,460,000

	December 31, 1998	December 31, 1997
<b>Balance Sheet Data:</b>		
Cash, cash equivalents and investments	\$3,268,000	\$12,997,000
Working capital	\$(5,563,000)	\$7,163,000
Total assets	\$10,192,000	\$18,794,000
Long-term debt, less current portion	\$47,000	\$404,000
Total shareholders' equity (deficit)	(\$3,298,000)	\$10,460,000