

# **INFONAUTICS FINANCIAL NEWS RELEASE, Q3 1997**

## **Infonautics, Inc. Reports Continued Revenue Gains And Record New Sales in Fourth Quarter of 1997**

WAYNE, Pa., Feb. 24 Infonautics, Inc. (Nasdaq:INFO), a provider of premium online information and custom archive services, today reported fourth quarter 1997 revenues of \$2.5 million, an increase of 47 percent over \$1.7 million in the year's third quarter and 384 percent over \$507,000 in the fourth quarter of 1996. The revenue gains were attributed to new educational contracts added at the beginning of the school year; a 27 percent increase in the number of subscribers to the company's Electric Library reference service; and development and launch of new custom archive sites.

Infonautics had a net loss of \$4.1 million, or \$0.43 per share, in the fourth quarter of 1997. This compares with a net loss of \$3.9 million, or \$0.41 per share in the immediately preceding quarter, and with a net loss of \$4.7 million or \$0.50 per share in the same quarter last year. The fourth quarter's higher net loss resulted from sales and marketing costs returning to a level experienced prior to the seasonally slow third quarter.

For the full year ended December 31, 1997, Infonautics had revenues of \$6.8 million, more than four times the previous year's total of \$1.4 million. The net loss for 1997 was \$17.4 million, or \$1.83 per share, compared with \$13.8 million, or \$1.61 per share, in 1996.

During the fourth quarter, Infonautics received a record \$4.7 million in new sales commitments from customers. For the full year 1997 new sales commitments, a portion of which was recognized as revenue during 1997, totaled \$12.6 million, up from \$2.5 million in 1996. The amount not recognized as revenue in 1997 represents services to be provided in future periods, and includes both deferred revenue and backlog.

"Our growth in new sales commitments is even more significant than our revenue growth," said Van Morris, President of Infonautics. "This growth demonstrates customer acceptance of Electric Library and our custom archive hosting services. It also produced a significant increase in our deferred revenue and backlog."

The Company's deferred revenue and backlog was \$6.3 million at the end of the year, up from \$3.9 million at September 30, 1997 and \$893,000 at December 31, 1996. A significant portion of the \$6.3 million will convert to revenues in 1998.

As of year-end 1997, Infonautics had licensed Electric Library to more than 5,000 schools and libraries. That number was five times larger than the number of licensed schools and libraries at end of 1996. Institutional revenues were \$987,000 in the fourth quarter, an increase of 61 percent over \$613,000 in the preceding quarter.

At year end Infonautics had more than 50,000 consumer subscribers, a 35 percent gain over the 37,100 subscribers at the end of the third quarter and a 92 percent gain over the 26,000 at the end of 1996. These numbers include active paying individual subscriptions to the Electric Library and Homework Helper services.

Mr. Morris stated "The company's number-one objective in 1997 was to generate sales momentum. We achieved that goal. In 1998 we turn our focus to generating cash from operations while continuing top-line

growth."

Mr. Morris noted that continued progress has been made in reducing cash burn, as fourth quarter growth was accomplished without an increase in cash burn. Excluding the effect of a sale-leaseback arrangement in the third quarter, net cash used in operating and investing activities was \$2.3 million in the fourth quarter, compared to \$2.6 million in the previous quarter (\$1.9 million including sale-leaseback).

Fourth quarter cash collections increased nearly 20 percent from the third quarter of 1997, while costs increased in sales and marketing where higher spending has a directly positive impact on revenue growth. The company's cash and investment balance was \$13.0 million on December 31, 1997, compared with \$15.3 million three months earlier.

Total costs and expenses were \$6.7 million in the fourth quarter of 1997, compared with \$5.8 million in the third quarter. Total costs and expenses for the year were \$25.2 million, compared with \$16.4 million in 1996.

Infonautics had current assets of \$15.1 million as of December 31, 1997 (versus \$17.9 million one quarter earlier) and total assets of \$18.8 million (versus \$20.9 million one quarter earlier). Previously announced events of the fourth quarter of 1997 included:

- an agreement for the exclusive distribution of a Canadian version of Electric Library with Rogers Multi-Media, Inc.
- an agreement for Follett Corporation to distribute Electric Library to Follett's K-12 school customers and prospects.

Additionally, after the end of the fourth quarter, Infonautics launched Encyclopedia.com, providing free access to the best-selling Concise Columbia Electronic Encyclopedia at <http://www.encyclopedia.com>.

### **About Infonautics**

Infonautics, Inc. (Nasdaq: INFO) provides premium online information and custom archive services for the consumers and creators of quality content. The Company's flagship reference service, ELECTRIC LIBRARY, is available through the Internet at <http://www.electricleibrary.com> and <http://www.education.elibrary.com> and consumer online services, and is marketed to consumers, educational institutions and libraries. The Company also offers HOMEWORK HELPER to individuals and families through the Prodigy Classic online service. Infonautics' core technology product, ELECTRONIC PRINTING PRESS (EPP), is used by major publishers through Infonautics' turnkey digital archive hosting system, EPP-DIRECT. Infonautics was founded in November 1992 and is headquartered in Wayne, Pa. Additional information on Infonautics can be found at <http://www.infonautics.com>.

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(Financial tables follow)

This news release contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. These forward-looking statements include statements regarding the Company's growth and expansion plans and the sufficiency of the Company's liquidity and capital. Such statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. More information about potential factors which could affect the Company's financial results is included in the Company's annual report on Form 10-K for the year ended December 31, 1996, which is on file with the

**INFONAUTICS, INC. SUMMARY FINANCIAL DATA**

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	1997	1996	1997	1996
<b>Statement of Operations Data:</b>				
Total revenues	\$2,454,000	\$507,000	\$6,832,000	\$1,442,000
Total costs and expenses	\$6,718,000	\$5,682,000	\$25,194,000	\$16,426,000
Loss from operations	\$(4,265,000)	\$(5,175,000)	\$(18,363,000)	\$(14,984,000)
Net loss	\$(4,096,000)	\$(4,747,000)	\$(17,359,000)	\$(13,786,000)
Net loss per share	\$(0.43)	\$(0.50)	\$(1.83)	\$(1.61)
Shares used in computing net loss per share	9,491,600	9,489,000	9,491,600	8,549,800
	December 31	December 31		
	1997	1996		

**Balance Sheet Data:**

Cash, cash equivalents and investments	\$12,997,000	\$27,379,000
Working capital	\$7,163,000	\$25,841,000
Total assets	\$18,749,000	\$30,227,000

Long-term debt, less current portion	\$404,000	\$0
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Total shareholders' equity	\$10,460,000	\$27,688,000

June 30, 1998	December 31, 1997
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**Balance Sheet Data:**

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 30, 1998	December 31, 1997
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**Balance Sheet Data:**

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,	December 31,
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	1998	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