



Brian Norris
Investor Relations
MatrixOne, Inc.
978-589-4040
brian.norris@matrixone.com

Alyssa Ross
Public Relations
MatrixOne, Inc.
978-589-4067
alyssa.ross@matrixone.com

MATRIXONE, INC. REPORTS FIRST QUARTER OPERATING RESULTS

Westford, Mass. – October 23, 2002 — MatrixOne, Inc. (NASDAQ: MONE), a leading provider of collaborative product lifecycle management (PLM) solutions for the value chain™, announced today results for its first quarter ended September 28, 2002.

For the first quarter ended September 28, 2002, total revenues were \$31.1 million, compared to \$24.8 million in the same period last year. For the first quarter, net loss was \$6.1 million, or \$0.13 per share, compared to a net loss of \$11.9 million, or \$0.26 per share, in the same period last year. For the first quarter, pro forma net loss, which excludes stock-based compensation, was \$5.3 million, or \$0.11 per share, compared to pro forma net loss, of \$10.9 million, or \$0.24 per share, in the same period last year.

“While our software license revenues this quarter met expectations, our service business had an adverse impact on our overall first quarter results,” said Mark F. O’Connell, President and Chief Executive Officer of MatrixOne, Inc. “While we are optimistic about the long-term growth prospects of the PLM market and our leadership position in it, we remain very cautious about the near-term revenue outlook. We have undertaken several cost savings initiatives with a goal of returning the Company to profitability, excluding stock based compensation, in our fiscal fourth quarter on lower revenues than previously anticipated.”

These cost saving initiatives include a reduction in workforce involving approximately 15% of the Company's employees, the consolidation of several field offices, and the elimination of various discretionary programs. As a result of these initiatives, the Company anticipates that it will recognize a restructuring charge of between \$4.0 million and \$4.5 million and an asset impairment charge of approximately \$0.5 million during its second quarter ending December 28, 2002. The total restructuring and asset impairment charges will represent a charge to earnings of approximately \$0.11 per share during the Company's current fiscal quarter that will end on December 28, 2002.

The following milestones were achieved since MatrixOne's fourth quarter earnings release on July 31, 2002:

- MatrixOne continued to see strong adoption of its collaborative PLM solutions across a wide range of vertical markets. New customers during the first quarter included: The Babcock & Wilcox Company, a leading manufacturer of energy systems; Lawrence Livermore National Laboratory, the national security laboratory; New Balance Athletic Shoe, Inc., a leading manufacturer of innovative footwear and athletic apparel; and Sener Ingengeria, a technical and scientific engineering and consulting firm.
- MatrixOne continued to receive significant follow-on revenue from its growing customer base, including General Electric, a diversified technology and services company, and Johnson Controls, a global market leader in automotive systems and facility management and control.
- MatrixOne continued to experience widespread adoption of its Value Chain Portfolio™ of applications, which are designed to improve and automate common business processes that companies use in managing product lifecycles. During the first quarter, revenues from Value Chain Portfolio of applications accounted for approximately half of total software license revenues.
- MatrixOne, together with Scandent Group Ltd., announced the establishment of MatrixOne India Pvt. Ltd. This new subsidiary of the Scandent Group will provide the sales, support, and implementation expertise for the full MatrixOne product line within India.

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- MatrixOne completed its development efforts to support the complete IBM eServer system environment. MatrixOne has optimized the eMatrix™ Global Collaboration Platform and Value Chain Portfolio applications to support the IBM DB2 Universal Database and to integrate with the IBM WebSphere® Business Integration infrastructure software portfolio on IBM AIX and Windows server systems.

Company to Host Live Web Cast

The Company's management team will host a live Web cast at 5:30 p.m. Eastern Time today to discuss the financial results and management's forward-looking guidance for fiscal year 2003. For more information, please click on www.matrixone.com/investor.

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About MatrixOne

MatrixOne, Inc. (NASDAQ: MONE) is a recognized leader in delivering collaborative Product Lifecycle Management (PLM) solutions. We provide flexible solutions that unleash the creative power of global value chains to inspire innovations and speed them to market. MatrixOne's more than 625 global customers represent the aerospace and defense, automotive, consumer products, high technology, life sciences, machinery and the process industries, and include Agilent Technologies, General Electric, Honda, Johnson Controls, Philips, Procter & Gamble, and Siemens. MatrixOne (www.matrixone.com) is headquartered in Westford, Massachusetts with locations throughout North America, Europe, and Asia/Pacific.

MatrixOne and eMatrix are registered trademarks, and a Leading Provider of Collaborative Product Lifecycle Management (PLM) Solutions for the Value Chain and Value Chain Portfolio are trademarks of MatrixOne, Inc. All other trademarks and service marks are the property of their respective owners.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995 -- Forward-looking statements in this release are not promises or guarantees and are subject to risks and uncertainties that could cause our actual results to differ materially from those anticipated. We caution you not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Such statements may relate, among other things, to our growth prospects, our ability to respond to economic changes and improve operational efficiency, the benefits of our products to be realized by our customers, or our plans, objectives, and expected financial and operating results. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances or using words such as: will, believe, anticipate, expect, could, may, estimate, project, plan, predict, or intend. The risks and uncertainties that may affect forward-looking statements include, among others: our history of losses and our ability to achieve or maintain profitability; the weak worldwide economy; the effectiveness of our cost reduction programs; the market may not accept our products; our sales cycle is lengthy and variable; we may be unable to develop new products and services that keep pace with technology; we may be unable to develop and maintain successful relationships with systems integrators and complementary technology vendors; our international operations are subject to additional business risks; future acquisitions may adversely affect our operations and financial results; and increased competition may have an adverse effect on pricing, revenues, gross margins and our customer base. For a more detailed discussion of the risks and uncertainties of our business, please refer to our periodic reports and registration statements filed with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended June 29, 2002.

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MATRIXONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	September 28, 2002 (unaudited)	September 29, 2001 (unaudited)
Revenues:		
Software license	\$ 13,735	\$ 6,898
Service	<u>17,389</u>	<u>17,944 (a)</u>
Total revenues	<u>31,124</u>	<u>24,842</u>
Cost of Revenues:		
Software license	1,409	703
Service	<u>13,510</u>	<u>14,473 (a)</u>
Total cost of revenues	<u>14,919</u>	<u>15,176</u>
Gross Profit	<u>16,205</u>	<u>9,666</u>
Operating Expenses:		
Selling and marketing	12,477	12,829
Research and development	6,650	6,150
General and administrative	2,855	2,894
Stock-based compensation	<u>864</u>	<u>988</u>
Total operating expenses	<u>22,846</u>	<u>22,861</u>
Loss from Operations	(6,641)	(13,195)
Other Income, Net	<u>499</u>	<u>1,283</u>
Net Loss	<u>\$ (6,142)</u>	<u>\$ (11,912)</u>
Basic and Diluted Net Loss Per Share	<u>\$ (0.13)</u>	<u>\$ (0.26)</u>
Shares Used in Computing Basic and Diluted Net Loss Per Share	<u>47,075</u>	<u>45,427</u>

	September 28, 2002 (unaudited)	September 29, 2001 (unaudited)
Reconciliation of Pro Forma Net Loss:		
Net Loss	\$ (6,142)	\$ (11,912)
Adjustments:		
Stock-based compensation	<u>864</u>	<u>988</u>
Pro Forma Net Loss	<u>\$ (5,278)</u>	<u>\$ (10,924)</u>
Basic and Diluted Net Loss Per Share	<u>\$ (0.11)</u>	<u>\$ (0.24)</u>
Shares Used in Computing Net Loss Per Share	<u>47,075</u>	<u>45,427</u>

- (a) Service revenues have been restated to include reimbursements received for out-of-pocket expenses incurred, which were previously reported as a reduction in cost of service revenues. Reimbursements received for out-of-pocket expenses incurred were \$885 and \$1,002 for the three months ended September 28, 2002 and September 29, 2001, respectively.

MATRIXONE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 28 2002	June 29, 2002
ASSETS		
Current Assets:		
Cash and equivalents	\$ 136,664	\$ 139,642
Accounts receivable, net	28,484	35,794
Prepaid expenses and other current assets	<u>7,617</u>	<u>8,039</u>
Total current assets	172,765	183,475
Property and Equipment, Net	14,576	14,784
Other Assets	<u>2,694</u>	<u>2,689</u>
	<u>\$ 190,035</u>	<u>\$ 200,948</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,534	\$ 10,583
Accrued expenses	19,899	20,663
Deferred revenues	<u>18,048</u>	<u>20,612</u>
Total current liabilities	<u>46,481</u>	<u>51,858</u>
Stockholders' Equity:		
Common stock	472	470
Additional paid-in capital	210,809	210,788
Deferred stock-based consideration	(2,969)	(3,898)
Accumulated deficit	(64,827)	(58,685)
Accumulated other comprehensive income	<u>69</u>	<u>415</u>
Total stockholders' equity	<u>143,554</u>	<u>149,090</u>
	<u>\$ 190,035</u>	<u>\$ 200,948</u>

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