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MATRIXONE, INC. REPORTS SECOND QUARTER OPERATING RESULTS

Westford, Mass. – January 22, 2003 — MatrixOne, Inc. (NASDAQ: MONE), a leading provider of collaborative product lifecycle management (PLM) solutions for the value chain™, announced today results for its second quarter ended December 28, 2002.

For the second quarter ended December 28, 2002, total revenues were \$28.0 million, compared to \$32.0 million in the same period last year. For the second quarter, net loss was \$9.4 million, or \$0.20 per share, compared to a net loss of \$9.2 million, or \$0.20 per share, in the same period last year. For the second quarter, pro forma net loss, which excludes stock-based compensation and restructuring charges, was \$4.8 million, or \$0.10 per share. For the second quarter ended December 29, 2001, pro forma net loss, which excludes stock-based compensation and restructuring charges, was \$5.1 million, or \$0.11 per share.

For the six months ended December 28, 2002, total revenues were \$59.1 million, compared to \$56.9 million in the same period last year. For the six months ended December 28, 2002, net loss was \$15.5 million, or \$0.33 per share, compared to a net loss of \$21.2 million, or \$0.46 per share, in the same period last year. For the six months ended December 28, 2002, pro forma net loss, which excludes stock-based compensation and restructuring charges, was \$10.0 million, or \$0.21 per share. For the six months ended December 29, 2001, pro forma net loss, which excludes stock-based compensation and restructuring charges, was \$16.0 million, or \$0.35 per share.

“Our operating results this quarter validate the decisive actions we took to align our operating expenses with today’s constrained information technology spending environment,” said Mark F. O’Connell, President and Chief Executive Officer of MatrixOne, Inc. “I am confident that these actions, along with our continuing success in securing strategic new customer wins, the expansion of our relationships with key alliance partners, and our unyielding dedication to customer success, will be the fundamental catalysts in the Company’s return to growth and profitability.”

The following milestones were completed or announced since MatrixOne’s first quarter earnings release on October 23, 2002:

- MatrixOne continued to see strong adoption of its collaborative PLM solutions across its key target markets. New strategic customer wins during the second quarter of fiscal 2003 included: Cap Gemini Ernst & Young, one of the largest management and IT consulting organizations in the world and a MatrixOne strategic alliance partner; C-COR.net Corp., a global provider of broadband products, systems, and services; and SNOP, a tier-one automotive supplier.
- During the second quarter of fiscal 2003, a significant number of existing MatrixOne customers extended their MatrixOne PLM implementations to include the MatrixOne Value Chain Portfolio™ of applications, continuing an ongoing trend within the MatrixOne customer base. During the second quarter, MatrixOne received major follow-on orders from dozens of existing customers including: BTicino, a division of the Legrand Group, an Italian provider of electric equipment for residential and commercial buildings; GE Industrial Systems, a division of General Electric Company; John Deere, the world’s leading producer of equipment for agriculture and forestry; Matsushita Graphic Communication Systems, best known for its Panasonic brand of facsimile machines; and Yamaha, a leader in business ranging from musical instruments and audio and video products to information technology products.

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- During the second quarter of fiscal 2003, the Company hosted the MatrixOne 2002 Global Customer Conference in Las Vegas, Nevada, which featured hundreds of customers and alliance partners from around the world and from a cross-section of industries sharing their MatrixOne success stories. These included Advanced Research Labs, Agilent Technologies, Alcatel Shanghai Bell, Applied Materials, Cap Gemini Ernst & Young, GE Medical Systems, Honda R&D, Honeywell, IBM, Johnson Controls, Motorola, Panasonic, Philips Semiconductors, Procter & Gamble, Siemens Dematic, SUN Microsystems, Toshiba, and Yazaki Global.

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 the third quarter of fiscal year 2003. For more information, please click on www.matrixone.com/investor.

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 customers include global leaders in 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, Siemens, and Toshiba. 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 and profitability 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 economic conditions may result in decreased revenues, increased customer credit risk, and higher net losses; 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 and our Quarterly Report on Form 10-Q for the quarter ended September 28, 2002.

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

	Three Months Ended		Six Months Ended	
	December 28, 2002	December 29, 2001	December 28, 2002	December 29, 2001
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues:				
Software license	\$ 11,066	\$ 13,429	\$ 24,801	\$ 20,327
Service	<u>16,952</u>	<u>18,598(a)</u>	<u>34,341</u>	<u>36,542(a)</u>
Total revenues	<u>28,018</u>	<u>32,027</u>	<u>59,142</u>	<u>56,869</u>
Cost of Revenues:				
Software license	1,104	1,596	2,513	2,299
Service	<u>11,068</u>	<u>13,791(a)</u>	<u>24,578</u>	<u>28,264(a)</u>
Total cost of revenues	<u>12,172</u>	<u>15,387</u>	<u>27,091</u>	<u>30,563</u>
Gross Profit	<u>15,846</u>	<u>16,640</u>	<u>32,051</u>	<u>26,306</u>
Operating Expenses:				
Selling and marketing	11,801	13,547	24,278	26,376
Research and development.....	6,581	6,020	13,231	12,170
General and administrative	2,725	3,066	5,580	5,960
Stock-based compensation	831	973	1,695	1,961
Restructuring charges.....	<u>3,800</u>	<u>3,202</u>	<u>3,800</u>	<u>3,202</u>
Total operating expenses.....	<u>25,738</u>	<u>26,808</u>	<u>48,584</u>	<u>49,669</u>
Loss from Operations	<u>(9,892)</u>	<u>(10,168)</u>	<u>(16,533)</u>	<u>(23,363)</u>
Other Income, Net	<u>508</u>	<u>920</u>	<u>1,007</u>	<u>2,203</u>
Net Loss	<u>\$ (9,384)</u>	<u>\$ (9,248)</u>	<u>\$ (15,526)</u>	<u>\$ (21,160)</u>
Basic and Diluted Net Loss Per Share	<u>\$ (0.20)</u>	<u>\$ (0.20)</u>	<u>\$ (0.33)</u>	<u>\$ (0.46)</u>
Shares Used in Computing Basic and Diluted				
Net Loss per Share	<u>47,451</u>	<u>45,782</u>	<u>47,263</u>	<u>45,605</u>
Reconciliation of Pro Forma Net Loss:				
Net Loss	\$ (9,384)	\$ (9,248)	\$ (15,526)	\$ (21,160)
Adjustments:				
Stock-based compensation.....	831	973	1,695	1,961
Restructuring charges	<u>3,800</u>	<u>3,202</u>	<u>3,800</u>	<u>3,202</u>
Pro Forma Net Loss	<u>\$ (4,753)</u>	<u>\$ (5,073)</u>	<u>\$ (10,031)</u>	<u>\$ (15,997)</u>
Pro Forma Basic and Diluted Net Loss Per				
Share	<u>\$ (0.10)</u>	<u>\$ (0.11)</u>	<u>\$ (0.21)</u>	<u>\$ (0.35)</u>
Shares Used in Computing Pro Forma Basic				
and Diluted Net Loss Per Share	<u>47,451</u>	<u>45,782</u>	<u>47,263</u>	<u>45,605</u>

(a) Service revenues for the three and six months ended December 29, 2001 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 \$732 and \$907 for the three months ended December 28, 2002 and December 29, 2001, respectively, and \$1,617 and \$1,909 for the six months ended December 28, 2002 and December 29, 2001, respectively.

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

	December 28, 2002 (unaudited)	June 29, 2002
ASSETS		
Current Assets:		
Cash and equivalents	\$ 131,641	\$ 139,642
Accounts receivable, net	27,318	35,794
Prepaid expenses and other current assets	<u>7,663</u>	<u>8,039</u>
Total current assets	166,622	183,475
Property and Equipment, Net	13,904	14,784
Other Assets	<u>2,486</u>	<u>2,689</u>
	<u>\$ 183,012</u>	<u>\$ 200,948</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,083	\$ 10,583
Accrued expenses	20,375	20,663
Deferred revenues	<u>17,991</u>	<u>20,612</u>
Total current liabilities	<u>46,449</u>	<u>51,858</u>
Stockholders' Equity:		
Common stock	477	470
Additional paid-in capital	211,472	210,788
Deferred stock-based consideration	(2,111)	(3,898)
Accumulated deficit	(74,211)	(58,685)
Accumulated other comprehensive income	<u>936</u>	<u>415</u>
Total stockholders' equity	<u>136,563</u>	<u>149,090</u>
	<u>\$ 183,012</u>	<u>\$ 200,948</u>

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