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MATRIXONE, INC. REPORTS FOURTH QUARTER AND FISCAL YEAR 2002 OPERATING RESULTS

Westford, Mass. – July 31, 2002 — MatrixOne®, Inc. (NASDAQ: MONE), a leading provider of product lifecycle management solutions for the value chain™, announced today results for its fourth quarter and fiscal year ended June 29, 2002.

For the fourth quarter ended June 29, 2002, total revenues were \$32.0 million, compared to \$42.5 million in the same period last year. For the fourth quarter, net loss was \$2.5 million, or \$0.05 per share, compared to net income of \$3.5 million, or \$0.07 per share, in the same period last year. For the fourth quarter, pro forma net loss from continuing operations, which excludes stock-based compensation and restructuring charges, was \$2.0 million, or \$0.04 per share, compared to pro forma net income from continuing operations, which excludes stock-based compensation, of \$4.1 million, or \$0.08 per share, in the same period last year.

For the year ended June 29, 2002, total revenues were \$121.5 million, compared to \$145.4 million last year. For the year ended June 29, 2002, net loss was \$28.7 million, or \$0.62 per share, compared to net income of \$8.8 million, or \$0.18 per share, last year. For the year ended June 29, 2002, pro forma net loss from continuing operations, which excludes stock-based compensation and restructuring charges, was \$22.0 million, or \$0.48 per share. For the year ended June 30, 2001, pro forma net income from continuing operations, which excludes stock-based compensation, was \$12.5 million, or \$0.25 per share.

“I am pleased with our ability to meet our financial and strategic objectives during the fourth quarter of fiscal year 2002. Our improved operating results this quarter reflect better than anticipated license revenues, lower than expected annual incentive compensation expenses, and our continued focus on expense control,” said Mark O’Connell, President and Chief Executive Officer of MatrixOne, Inc. “As we move into our new fiscal year, we look forward to leveraging the combined strength of our people, products and partners to continue to improve our financial performance.”

The following milestones were achieved since MatrixOne’s third quarter earnings release on April 24, 2002:

- MatrixOne continued to see strong adoption of its collaborative product lifecycle management (PLM) solutions across a wide range of vertical markets. During the fourth quarter, MatrixOne recognized significant revenue from many of the world’s most innovative companies, including: Honeywell, a diversified technology and manufacturing leader; Oceaneering International, a leading provider of advanced applied technologies for marine, space, and other harsh environments; Philips Consumer Electronics, one of the world’s largest consumer electronics companies; Toshiba Corporation, a leader in information and communications systems, electronic components, consumer products and power systems; and Yazaki Corporation, a global leader in electrical distribution systems for the automotive industry.
- MatrixOne expanded the breadth of its Value Chain Portfolio™ with the introduction of new capabilities for supplier relationship management. This new solution, which was driven by the requirements of companies with the largest value chains in the world, provides breakthrough capabilities that will dramatically change how companies and their suppliers collaborate on creating new products. By extending the value of MatrixOne solutions to more users throughout an enterprise and its value chain, companies can unleash the creative power of their value chains to inspire innovations and speed them to market.

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- MatrixOne strengthened its offering in the consumer packaged goods industry by announcing a licensing agreement with the Procter & Gamble Company for a new Value Chain Portfolio application for the management of specifications in the consumer packaged goods and pharmaceuticals industries. This new commercial offering delivers the capabilities required to manage large-scale specification portfolios such as recipes, packaging, regulatory compliance and supplier capability. P&G has already realized hundreds of millions of dollars in savings as a result of its implementation.
- As part of its ongoing commitment to customer success, MatrixOne launched the MatrixOne Business Value Program™. This unique program is based on extensive primary research conducted by the University of Texas at Dallas and the Hurwitz Group on the real-world results of PLM implementations at over thirty-five leading companies. The program provides methodologies, tools and benchmarks that customers can use to successfully plan, fund and implement comprehensive product lifecycle management programs which result in measurable benefits, reduced costs and improved bottom line performance.

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.

About MatrixOne

MatrixOne, Inc. (NASDAQ: MONE) is a recognized leader in delivering collaborative Product Lifecycle Management (PLM) solutions. Together with our partners, 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/defense, automotive, consumer products, general machinery, high technology, and life sciences industries, and include GE, Procter & Gamble, Philips, Siemens, Agilent Technologies, Johnson Controls, and Honda. MatrixOne is headquartered in Westford, Massachusetts with locations throughout the world.

MatrixOne is a registered trademark, and a Leading Provider of Product Lifecycle Management Solutions for the Value Chain, Value Chain Portfolio and MatrixOne Business Value Program are trademarks of MatrixOne, Inc. All other trademarks and service marks are the property of their respective owners.

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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 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 will 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 may have an adverse effect on our financial results; 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 30, 2001 and our Quarterly Report on Form 10-Q for the quarter ended March 30, 2002.

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

	Three Months Ended		Year Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
	(unaudited)	(unaudited)		
Revenues:				
Software license	\$ 14,033	\$ 21,937	\$ 47,443	\$ 84,290
Service	17,977	20,543(b)	74,020	61,100(b)
Total revenues	<u>32,010</u>	<u>42,480</u>	<u>121,463</u>	<u>145,390</u>
Cost of Revenues:				
Software license	1,889	1,878	5,927	8,212
Service	12,490	15,097(b)	54,478	45,737(b)
Total cost of revenues	<u>14,379</u>	<u>16,975</u>	<u>60,405</u>	<u>53,949</u>
Gross Profit	<u>17,631</u>	<u>25,505</u>	<u>61,058</u>	<u>91,441</u>
Operating Expenses:				
Selling and marketing	9,586	13,317	48,166	56,273
Research and development.....	6,977	6,318	25,374	19,749
General and administrative	3,545	3,219	12,814	10,406
Stock-based compensation	966	1,025	3,910	4,142
Restructuring charges.....	(390)	—	2,812	—
Total operating expenses.....	<u>20,684</u>	<u>23,879</u>	<u>93,076</u>	<u>90,570</u>
Income (Loss) from Operations	<u>(3,053)</u>	<u>1,626</u>	<u>(32,018)</u>	<u>871</u>
Other Income, Net	<u>514</u>	<u>1,420</u>	<u>3,313</u>	<u>8,940</u>
Income (Loss) from Continuing Operations				
Before Income Taxes	(2,539)	3,046	(28,705)	9,811
Provision for Income Taxes	—	—	—	1,465
Income (Loss) from Continuing Operations	<u>(2,539)</u>	<u>3,046</u>	<u>(28,705)</u>	<u>8,346</u>
Gain on Sale of Discontinued Operations.....	—	500	—	500
Net Income (Loss)	<u>\$ (2,539)</u>	<u>\$ 3,546</u>	<u>\$ (28,705)</u>	<u>\$ 8,846</u>
Net Income (Loss) Per Share:				
Basic net income (loss) per share.....	<u>\$ (0.05)</u>	<u>\$ 0.08</u>	<u>\$ (0.62)</u>	<u>\$ 0.20</u>
Diluted net income (loss) per share.....	<u>\$ (0.05)</u>	<u>\$ 0.07(a)</u>	<u>\$ (0.62)</u>	<u>\$ 0.18(a)</u>
Net Income (Loss) Per Share from Continuing Operations:				
Basic net income (loss) per share.....	<u>\$ (0.05)</u>	<u>\$ 0.07</u>	<u>\$ (0.62)</u>	<u>\$ 0.19</u>
Diluted net income (loss) per share.....	<u>\$ (0.05)</u>	<u>\$ 0.06(a)</u>	<u>\$ (0.62)</u>	<u>\$ 0.17(a)</u>
Shares Used in Computing:				
Basic net income (loss) per share.....	<u>46,916</u>	<u>44,901</u>	<u>46,147</u>	<u>43,543</u>
Diluted net income (loss) per share.....	<u>46,916</u>	<u>50,518(a)</u>	<u>46,147</u>	<u>50,357(a)</u>

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

	Three Months Ended		Year Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
	(unaudited)	(unaudited)		
Reconciliation of Pro Forma Net Income				
(Loss) from Continuing Operations:				
Net Income (Loss)	\$ (2,539)	\$ 3,546	\$ (28,705)	\$ 8,846
Adjustments:				
Stock-based compensation.....	966	1,025	3,910	4,142
Restructuring charges	(390)	—	2,812	—
Pro Forma Net Income (Loss).....	(1,963)	4,571	(21,983)	12,988
Gain on Sale of Discontinued Operations	—	(500)	—	(500)
Pro Forma Net Income (Loss) from				
Continuing Operations	\$ (1,963)	\$ 4,071	\$ (21,983)	\$ 12,488
Pro Forma Net Income (Loss) Per Share from				
Continuing Operations:				
Pro forma basic net income (loss) per share.....	\$ (0.04)	\$ 0.09	\$ (0.48)	\$ 0.29
Pro forma diluted net income (loss) per share..	\$ (0.04)	\$ 0.08(a)	\$ (0.48)	\$ 0.25(a)
Shares Used in Computing:				
Pro forma basic net income (loss) per share.....	46,916	44,901	46,147	43,543
Pro forma diluted net income (loss) per share..	46,916	50,518(a)	46,147	50,357(a)

- (a) The shares used in the computation of diluted net income per share for the three months and year ended June 30, 2001 include 5,617 and 6,814 common stock equivalents, such as stock options and warrants, respectively.
- (b) 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 \$523 and \$1,280 for the three months ended June 29, 2002 and June 30, 2001, respectively, and \$3,238 and \$3,246 for the years ended June 29, 2002 and June 30, 2001, respectively.

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

	<u>June 29, 2002</u>	<u>June 30, 2001</u>
ASSETS		
Current Assets:		
Cash and equivalents	\$ 139,642	\$ 156,349
Accounts receivable, net	35,794	42,619
Prepaid expenses and other current assets	<u>8,039</u>	<u>3,535</u>
Total current assets	183,475	202,503
Property and Equipment, Net	14,784	12,291
Other Assets	<u>2,689</u>	<u>2,832</u>
	<u>\$ 200,948</u>	<u>\$ 217,626</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 10,583	\$ 9,966
Accrued expenses	20,663	21,125
Deferred revenues	<u>20,612</u>	<u>17,219</u>
Total current liabilities	<u>51,858</u>	<u>48,310</u>
Stockholders' Equity:		
Common stock	470	452
Additional paid-in capital	210,788	209,065
Deferred stock-based consideration	(3,898)	(8,297)
Accumulated deficit	(58,685)	(29,980)
Accumulated other comprehensive income (loss)	<u>415</u>	<u>(1,924)</u>
Total stockholders' equity	<u>149,090</u>	<u>169,316</u>
	<u>\$ 200,948</u>	<u>\$ 217,626</u>

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