

Matrikon Reports First Quarter 2002 Financial Results

- Revenue up by 68% over Q1 2001
- Confirms guidance for 2002 within previous ranges

Edmonton, AB –January 22, 2002 — Matrikon Inc. (TSE: MTK), a leading industrial IT solutions provider, today reported consolidated financial results for its first quarter of fiscal 2002, ending November 30, 2001.

Revenues increased 68% to \$10.7 million in the first quarter from \$6.4 million in the corresponding period a year earlier when the company was a private company. Total revenue from implementation and consulting services and related equipment sales accounted for \$9.2 million or 85% of revenue, while license fee and extended support revenue was \$1.6 million or 15% of revenue.

Net income for the three-month period grew 43% to \$0.6 million (\$0.02 per share) versus \$0.4 million (\$0.02 per share) during the same period in fiscal 2001.

“I’m thrilled with our performance in the first quarter,” said Nizar J. Somji, Matrikon’s president and CEO. “To maintain profitability while continuing to grow revenue and build infrastructure during one of the toughest quarters in recent history is a major accomplishment.”

Commenting on financial guidance for 2002, Shafin U. Kanji, chief financial officer, Matrikon said: “Based on the momentum we have experienced during the first quarter and our backlog, we maintain our expectation that revenue for 2002 will be in the range of \$32.0 to \$35.0 million. We also maintain our expectations for EPS in the range of \$0.08 to \$0.12 cents per share. We will continue to focus on optimizing profitability and delivering value to our clients and our shareholders.”

Management’s Discussion & Analysis

The following Management’s Discussion and Analysis should be read in conjunction with the consolidated financial statements and accompanying notes for the first quarter of 2002 and with the Management’s Discussion and Analysis and notes to the consolidated financial statements appearing in the Annual Report for the fiscal year ended August 31, 2001.

Revenues

For the three-month period, Matrikon recorded revenues of \$10.7 million, an increase of 68% over \$6.4 million achieved in the corresponding period a year earlier. This increase reflects the success of sales and marketing initiatives launched in fiscal 2001 and Matrikon’s continued success in winning larger value projects.

- License fee revenue, derived primarily from the licensing of the company’s proprietary software, was \$1.0 million or 9% of revenue, compared to \$0.2 million or 4% of revenue in the corresponding period a year earlier. This growth in license fee revenue is consistent with Matrikon’s objective of increasing software licensing as a percentage of revenue.
- Matrikon earned \$2.3 million or 22% of revenue from equipment sales compared to \$0.2 million or 3% of revenue in the corresponding period in the prior year. Equipment sales are ancillary to consulting engagements and may fluctuate period by period, depending on both the type of project worked on and individual client needs. While equipment sales are not a primary focus for the company, larger projects often include equipment sales as part of the total solution package.
- Revenue from extended support accounted for \$0.6 million or 6% of revenue compared to \$0.1 million or 1% of revenue in the comparable period a year

EDMONTON

Suite 1800
10405 Jasper Avenue
Edmonton, Alberta
T5J 3N4
CANADA

780-448-1010
780-448-9191 fax

TORONTO, ON

CALGARY, AB

VANCOUVER, BC

EAST HANOVER, NJ

ATLANTA, GA

CLEVELAND, OH

ST. LOUIS, MO

HOUSTON, TX

www.matrikon.com

earlier. This growth reflects Matrikon's improved support infrastructure and is the result of the increased support base obtained in the TigrSoft acquisition (\$0.9 million in 2000).

Gross Margin

Gross margin was 46% of revenue in the three-month period, compared with 51% in the same period a year ago. A number of factors affect gross margin, including:

- The increase in equipment sales, which carry a lower profit margin than consulting services, caused an approximate 7% decline in gross margin in the first quarter of fiscal 2002.
- The residual impact of hiring approximately 100 employees in the third and fourth quarters of 2001 had a negative impact on gross margin as new consultants typically require three to six months of training before they contribute to revenue.
- The increase in license fee and extended support revenue, which carry a higher profit margin than consulting services, had a positive impact on gross margin.

Operating Expenses

Operating expenses reflect a growing business, but have generally remained constant as a percentage of revenue.

- Consulting expenses, which represent overhead expenses directly related to consulting engagements, increased to 14% of revenue or \$1.5 million in the first quarter of 2002 from 6% of revenue or \$0.4 million in the corresponding period in 2001. This increase is a result of the increased management infrastructure required as staff grew by 50% and the significant expansion in office space during the first quarter of fiscal 2002.

Cash

- At the end of the quarter, Matrikon had cash on hand of \$95,000 and accounts receivable in the amount of \$10.4 million compared to cash on hand of \$238,000 and accounts receivable of \$8.0 million at August 31, 2001.
- Matrikon has an operating line of credit in the amount of \$6.0 million of which \$2.8 million was drawn as at November 30, 2001 compared to \$0.9 million which had been advanced as at August 31, 2001. Several factors contributed to the draw on the line of credit:
 - Fiscal 2001 taxes of approximately \$0.5 million were paid during the quarter. Going forward the \$8.5 million in tax losses acquired in the TigrSoft acquisition will be available to the company. This should have a positive impact on the company's cash position.
 - Commissions (paid semi-annually) were paid in the quarter.
 - One-time expenses relating to the infrastructure expansion including moving, construction, equipment, and furnishing costs were paid in the quarter.

Quarter Highlights

- During the quarter the oil and gas and cement industries, in particular, continued to account for significant new business for Matrikon. The company also worked on projects for clients in the oil and gas, pulp and paper, mining, discrete manufacturing, chemical and other industries.

- Matrikon worked on the \$3.5 million project to implement an Emergency Warning System for Entergy's Indian Point nuclear plant in New York State.
- The Longaberger Company selected Matrikon's TigrAPS advanced planning and scheduling solution for its Woodcrafts Division in Newark, Ohio.
- In the first quarter of fiscal 2002, Matrikon expanded office space by 62% in preparation for the growth required to execute the backlog of projects and an increasing sales pipeline, which the company hopes will result in significant product and services wins in fiscal 2002. The Edmonton head office took over an additional floor, increasing space by 50%. The St. Louis and Vancouver offices moved to larger facilities and increased space by 36% and 167% respectively. In addition, the East Hanover, New Jersey office moved to White Plains, New York.
- Subsequent to the quarter, Matrikon appointed Hugh J. Bolton as Chairman of the Board of Directors, enhancing the strength and independence of the Board.

Forward-Looking Statements

This press release contains forward-looking statements. When used in a press release, the words "anticipates", "designed to", "plans", "believes", "expects", "will", "are confident that" and similar expressions are intended to identify such forward looking statements. These forward looking statements are made in light of the company's experience, its perception and assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. The material assumptions which underlie management's expectations for revenue and earnings per share include, but are not limited to, continued ability to close business at the same rate achieved in the past, continued market demand for Matrikon's products and service solutions, continued ability to retain and attract qualified employees, and continued availability of its existing line of credit. Readers should note that some assumptions, although considered reasonable at the date of the preparation of the forward-looking statement, might not materialize.

These forward looking statements are not guarantees of future performance and actual results could differ materially as a result of changes to Matrikon's plans and the impact of factors, risks and uncertainties, known and unknown, to which Matrikon's business is subject. The forward-looking statements in this press release speak only as of the date hereof. The factors which could cause actual results to differ materially from this level of revenue and earnings include, but are not limited to, changes to intensity of competition and a change in payroll costs (due to the service nature of the company, payroll is a significant component of costs). Readers are also referred to risk factors described in filings made by Matrikon from time to time with the securities regulators.

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For more information, contact:

MEDIA/INVESTOR INQUIRIES

Nicole Sayler
 Corporate Communications
 780-945-4010
 email: nicole.sayler@matrikon.com

CORPORATE

Shafin U. Kanji
 Chief Financial Officer
 780-945-4030
 email: shafin.kanji@matrikon.com