

Matrikon Reports Second Quarter 2002 Financial Results, Revises Guidance Upward

HIGHLIGHTS	GUIDANCE
<ul style="list-style-type: none"> • Revenue up by 40% (Q2); 54% year-to-date • Net income up 101% (Q2); 58% year-to-date • Software sales increased 26% (Q2); 111% year-to-date • Q2 EPS \$0.01, year-to-date EPS \$0.04 	<ul style="list-style-type: none"> • Revenue guidance revised upward to \$35 – \$37 million • On track to achieve earnings between \$0.08 and \$0.12

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Edmonton, AB –April 9, 2002 — Matrikon Inc. (TSE: MTK), a leading industrial IT solutions provider, today reported consolidated financial results for its second quarter of fiscal 2002 ending February 28, 2002.

Total revenues for the second quarter grew by 40% to \$8.33 million from \$5.97 million in the corresponding fiscal period a year earlier when the company was a private company. Revenue from implementation and consulting services and related equipment sales accounted for \$7.00 million or 84% of revenue, while license fee and extended support revenue was \$1.33 million or 16% of revenue.

Net income for the three-month period grew 101% to \$0.29 million, or \$0.01 per share versus \$0.14 million, or \$0.01 per share during the same period in fiscal 2001. Year-to-date net income grew 58% to \$0.85 million from \$0.54 million.

“Commitment to our vision of increased revenue from software licenses and large projects has enabled us to maintain revenue and earnings growth,” said Nizar J. Somji, Matrikon’s president and chief executive officer. “We have a clear and focused vision for the future. Matrikon will play a pivotal role in the increasingly important industrial IT industry. During the next quarter, we will launch new versions of two of our major products and maintain our dedication to growing revenue from the licensing of Matrikon’s software and related services.”

Commenting on financial guidance for 2002, Shafin U. Kanji, Matrikon’s chief financial officer said: “We are revising our revenue guidance upwards based on our six-month results. Our revised revenue target is \$35 to \$37 million. We maintain our expectations for earnings per share in the range of \$0.08 to \$0.12 per share due to the \$0.02 per share impact of legal fees incurred in the first six months. As always, we are focused on optimizing profitability while ensuring our customers’ and shareholders’ expectations are exceeded.”

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 second 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.

Overview

Matrikon is a provider of industrial IT solutions that optimize and streamline operations for maximum agility and profitability. Solutions include industrial data acquisition and storage strategies and implementation, data analysis and decision

support systems, and data connectivity and web-delivered data technologies. Headquartered in Edmonton, Alberta, Matrikon employed 300 people at February 28, 2002 compared to 220 people at February 28, 2001. Matrikon plans to begin hiring 40 to 50 additional employees in the third quarter to execute on backlog projects and an increasing sales pipeline. As at April 5, 2002, there were 22,737,524 common shares of the corporation issued and outstanding.

Revenue

For the three-month period, Matrikon recorded revenues of \$8.33 million, an increase of 40% over \$5.97 million achieved in the corresponding period a year earlier. For the half-year, Matrikon recorded revenues of \$19.07 million, an increase of 54% over revenues of \$12.37 million in the previous fiscal half-year.

Revenue from license fees and extended support accounted for \$1.33 million or 16% of revenue in the quarter compared to \$0.77 million or 13% of revenue in the same period a year ago. Year to date revenue from licenses and extended support accounted for \$2.92 million or 15% of revenue. These results are tracking with the company's objective of achieving 15:85 products to services revenue for the year.

Matrikon has developed a strong sales force over the past two years. This sales force, coupled with a growing network of distribution channels across the United States, is continuing to drive Matrikon's growth. A key factor in the company's performance in the quarter was strong business from the oil and gas industry, as clients in this industry strive to improve their productivity and profitability.

Management has noted the following seasonal trends in sales over the past several years. The second quarter is traditionally Matrikon's weakest quarter due to a company-wide week long shut-down in December and the start of a new IT budget year in January for many clients. Sales begin to pick up in the third quarter, with this increase being offset by increased hiring activity. The fourth quarter is historically Matrikon's strongest quarter, followed by a strong first quarter.

Other Income

Other income is largely made up of the Scientific Research and Experimental Development (SR&ED) credit (\$0.44 million) for the year ended August 31, 2000. The SR&ED credit is available to private companies in the form of a rebate and to public companies as a tax credit. As Matrikon became public during fiscal year 2001, SR&ED will be a tax credit in future years.

Operating Expenses

Cost of Sales

Gross margins for the second quarter of 2002 improved to 51% of revenues or \$4.26 million, compared with gross margins of 35% or \$2.12 million in the same period a year ago. Year-to-date, gross margins are 48% of revenue compared to 43% in the first six months of the last fiscal year.

In the second quarter of fiscal 2002 the company made an adjustment of \$0.60 million to correct an over-accrual for sales commissions for the period of July to December 2001, which were paid out in February and March, 2002. Commissions are calculated and paid out twice yearly. This adjustment decreased cost of sales in the quarter by \$0.50 million, resulting in improved gross margins. Gross margins without the adjustment would have been approximately \$3.76 million or 45% of revenue. Year-to-date gross margins with the accrual adjustment would be 47% of revenue.

In addition, the increase in license fees and extended support revenue had a positive impact on gross margin. As license fees and extended support continue to make up an increasing portion of revenue, gross margins should continue to improve.

Sales and Marketing

Sales and marketing expenses were \$1.06 million or 13% of revenue compared to \$0.26 million or 4% of revenue in the same quarter last year. Year-to-date sales and marketing expenses were \$2.09 million (11%) compared to \$0.89 million (7%) in the six-month period in the prior fiscal year. This increase is in line with management's expectations and reflects the significant increase in the sales force and increased investment in marketing initiatives to support the company's drive to increase product to services revenue mix.

Product Development

Research and development expenses were \$0.51 million or 6% of revenue in the quarter compared to \$0.40 million or 7% of revenue in the same period last year. Fiscal year-to-date research and development expenses grew 46% to \$1.06 million (6% of revenue) from \$0.72 million (6% of revenue) in the same period last year. This increase represents additional investment in the development and enhancement of Matrikon's product technology. New releases of ProcessNet (a web-based data access and visualization solution) and ProcessDoctor (a condition based monitoring product) are expected to be available during the third quarter.

General and Administrative

General and administrative expenses in the quarter were \$1.09 million or 13% of revenue compared to \$0.60 million or 10% of revenue in the same period last year. Year-to-date general and administrative expenses were \$1.82 million (10% of revenue) compared to \$1.22 million (10% of revenue) in the first six months of the last fiscal year.

General and administrative expenses increased as a percentage of revenue (6% in the first quarter of 2002) due to one-time legal fees related to the previously announced lawsuit. Legal fees and related costs incurred by the company amounted to \$0.62 million, or \$0.02 per share net of tax. General and administrative expenses were 6% of revenue when the one-time legal expenses are excluded.

Liquidity and Capital Resources

At the end of the quarter Matrikon had cash on hand of \$0.26 million compared to \$0.10 million at the end of the previous quarter and \$0.24 million at August 31, 2001. At the end of the quarter, accounts receivable were \$8.19 million compared to \$10.39 million at the end of the previous quarter and \$7.97 million at August 31, 2001. The average collection period in the second quarter was 82 days compared to 92 days in the same period a year ago. This is consistent with management's goal of improved collection cycles.

The amount drawn on the operating line of credit at the end of the second quarter was \$1.52 million compared to \$2.85 million, which had been advanced at the end of the first quarter, and \$0.94 million as at August 31, 2001. This fluctuation is a result of changing working capital requirements, with improved collections effecting a reduction in the amount drawn.

Management's goal of a strong balance sheet will enable the company to pursue growth strategies through strengthened sales and marketing initiatives and potential acquisitions of companies with complementary solutions and services.

Operating cash flow for the second quarter was \$0.54 million compared to \$0.31 million in the same period a year ago. Cash flow in the second quarter was impacted by \$1.12 million paid out related to the lawsuit settlement and technology acquisition. Fiscal year-to-date cash flow increased to \$1.68 million from \$1.08 million in the six-month period a year ago. Cash from non-cash working capital in the quarter improved to \$1.71 million from \$0.60 million a year ago. These improvements reflect improved collection cycles and an increase in maintenance and software license revenue.

Quarter Highlights

- As part of settling a lawsuit over ownership of Matrikon-developed components included within a project, Matrikon acquired various technology rights. The total consideration paid for the technology is shown in the table below.

In thousands

Cash	\$ 495
Shares in the plaintiff held by Matrikon	564
Legal fees relating to the acquisition	79
Total consideration paid for technology rights (amortized over 3 years)	1,138

The balance sheet reflects an increase in technology rights of \$1,138,000 and a reduction in long term investments of \$564,000. In addition, the income statement for the quarter includes charges to earnings for legal fees and other expenses relating to the lawsuit of \$623,000.

The technology acquired relates to certain modules of ProcessNet that will be introduced in the next release of the product, due out in Q3. Management believes that settling the lawsuit and acquiring the technology was in the best interest of the company, as any potential delay (either redeveloping components or continuing with the lawsuit) could have compromised Matrikon's competitive edge by delaying market entry.

- During the quarter, Matrikon completed work on projects in numerous industry segments, with major projects in forestry, food and beverage, cement, oil and gas and utilities industries. The TrusJoist project is nearing completion and work continued on the Qatar Petroleum project. In addition, project work related to Matrikon's products (ProcessNet, ProcessDoctor, ProcessGuard and TigrAPS) was conducted.
- Phase one of the KeySpan SCADANet project was completed with seven plants set up for the service and is fully operational. SCADANet is a virtual SCADA host that delivers timely production data from remote oil and gas wells via the web and is offered by Matrikon as an ASP (application service provider) service.

Significant Events Affecting Income

A number of events impacted income in the quarter, including the SR&ED credit, adjustment for over-accrual of sales commissions and legal fees and related costs. The table below shows the impact on income before income taxes.

<i>In thousands</i>	<i>For the period ended</i>	3 Months		6 Months	
		Feb 28, 2002 (Unaudited)	Feb 28, 2001 (Unaudited)	Feb 28, 2002 (Unaudited)	Feb 28, 2001 (Unaudited)
Income before income taxes (under Canadian GAAP)		485	238	1,427	907
SR&ED credit		(438)	-	(438)	-
Adjustment for over-accrual of commissions ⁽¹⁾		(500)	-	(200)	-
One-time legal fees and related costs		623	-	623	-
Adjusted income before income taxes		170	238	1,412	907

(1) The over-accrual adjustment covers the six-month commission period (July – December). The adjustments noted in the above table depict the portion of the over-accrual not related to the disclosed periods.

Outlook

Although the downturn in the global economy has affected some sectors, management reports that the company has not observed a change in its sales cycle or ability to win new business. This reflects the value proposition of Matrikon's products and services – improved efficiency and profitability are as important to industrial clients in an economic downturn as the ability to increase production and throughput is in a booming economy.

Based on Matrikon's results for the first and second quarters of 2002, and assuming the company's ability to win new business continues at the current pace, management has revised its expectations. Management now expects the company to achieve revenue of \$35 million to \$37 million in fiscal 2002, up from the previous forecast of \$32 to \$35 million. Expectations for earnings remain unchanged at between \$0.08 and \$0.12 per share for the year due to the impact of one-time legal fees incurred in the first six months (\$0.62 million or \$0.02 per share net of tax).

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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