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**FOR IMMEDIATE RELEASE:**

## **ANGOSS REPORTS THIRD QUARTER RESULTS**

Toronto, Canada – October 7, 2002

ANGOSS Software Corporation (TSX-V: ANC) released today its unaudited results for the third quarter and nine month periods ended August 31, 2002.

Revenues for the third quarter were \$838,973 (2001: \$1,125,665) with growth in data mining product revenues offset by lower solutions revenues. Year to date revenues are \$3,383,190 (2001: \$3,465,518), with growth in data mining revenues offset by lower solutions revenues. A non-core business, divested in December 2001 had accounted for \$92,000 or 8% of 2001 Q3 revenues and \$230,000 or 7% of 2001 year to date revenues.

### **RESULTS HIGHLIGHTS**

Results highlights are as follows:

- **Data Mining Product Revenues Up 12.6% in Q3; Up 13.5% YTD**  
Data mining product revenues include product license, renewal and related data mining software sales. Data mining product and license renewal growth was positive in North America offset by continued challenges in European markets. Ongoing client and prospect discussions and feedback on budgeting approvals, spending plans and commitments relating to ANGOSS products for 2003 currently provide a favorable outlook in both markets.
- **Solutions Revenues Down \$278,000 in Q3; \$179,000 YTD**  
Solutions revenues include direct and partner related user and developer training, consulting, and outsourcing services and partner license royalties, fees and other product revenues originated by or through partners. Termination of a 2001 solution development project involving a global professional services organization which ceased operations in 2002, together with lower demand among European clients for solution delivery due to business conditions, are the primary causes of lower third quarter and year to date revenues compared with 2001 results.
- **Key Account Transaction Value Grows In Q3 and YTD Results**  
One established client has accounted for in excess of 10% of 2002 nine month revenues (2001: Nil clients). A new client has accounted for in excess of 10% of 2002 third

quarter revenues (2001: Nil clients). These transactions reflect continued initiatives to expand user deployments among both existing and new clients. The Company expects to continue to broaden its user base and average transaction values in key accounts.

- **Partner Opportunities Outlook Positive Despite Business Climate**

Business conditions in both North America and Europe continue to affect near term close rates and outlook on partner generated revenue opportunities that involve sales or ANGOSS offerings. However, partner opportunities continue to expand, and growth in partner originated deal flow and solutions revenues is expected to expand, as the outlook for corporate IT spending improves. During the third quarter ANGOSS exchanged a letter of intent with an enterprise software vendor involving the integration and licensing of ANGOSS products for delivery to its global client base. There can be no assurance that such letter of intent will result in a definitive agreement on the terms proposed or at all.

- **Higher Margins With Cost of Goods Sold Down**

During 2002 the Company has continued to improve gross margins as a result of lower costs of goods sold achieved through the divestment of a non-core business. Gross margin levels of 99.25% and lowered cost of good sold thresholds achieved in the third quarter are expected to be maintained in future quarters, enabling further improvements in operating profitability and net income as business conditions improve.

- **Operating Expenses Down 12.7% in Q3; 11.7%YTD**

The Company continues to manage expenses prudently to align operating costs with revenues. Declines in expenses primarily reflect management initiatives to align costs with the Company's 2002 revenue outlook based on a deteriorating business environment through the year. Reductions in R&D expenses relate to the positive effects of tax credits available to offset selected research and development expenses. Expense management is expected to continue during the fourth quarter pending signs of broader improvements in business conditions.

- **Move From Operating Loss to Break Even in YTD Results; Loss Up in Q3**

For the nine months ended August 31, 2002 the Company operated at close to breakeven, with an operating loss of \$16,961 (2001: (\$434,374)). These improvements have been driven primarily by prudent expense management and stable revenues despite continued deterioration of the business environment for software vendors during the 2002 fiscal year. During the third quarter the Company's operating loss was \$243,682 compared to an operating loss of \$133,0445 for the third quarter of 2001. The primary factor contributing to this loss was lower then expected solutions revenues that have been addressed through expense reduction and redeployment of personnel to other opportunities. Based on current work in process, as well as identified client and partner opportunities, these measures are expected to align direct solution delivery costs more closely with direct solution delivery revenues during the fourth quarter.

## **RESULTS COMMENTARY**

"While we continue to experience success in increasing average transaction size, expanding existing client relationships, and bringing new clients on board, our top line and solutions revenue performance were below expectations this quarter" commented

ANGOSS President Eric Apps. "To further accelerate growth in a business environment that has been challenging for software vendors all year, and that continued to deteriorate in the third quarter, we need to place even more emphasis on sales execution which means growing our opportunity funnel, improving direct and partner deal flow and increasing close rates. We're working in all these areas."

"We continue to monitor expenses," commented ANGOSS Chief Financial Officer Lon Vining. "Our third quarter results have reminded our sales personnel that our key account sales strategies need to be balanced with a broader funnel of new opportunities to reflect the challenges of closing business in the current business environment given the budget constraints many of our clients and prospects are facing."

#### **RELEASE OF KNOWLEDGESTUDIO | KNOWLEDGESERVER 4**

In September 2002 ANGOSS announced to customers the general availability of KnowledgeSTUDIO 4, KnowledgeSERVER 4 and KnowledgeExclerator 4. Significant additional performance and features enhancements are reflected in these releases. Development is currently in progress on the next release of these products as well as other product initiatives planned for the first half of 2003.

#### **STOCK BASED COMPENSATION DISCLOSURE**

Comprehensive disclosure of ANGOSS stock options and related matters is contained in Note 10 to the company's audited annual financial statements and updated in quarterly unaudited reports issued to shareholders. This information is also available electronically via [www.sedar.com](http://www.sedar.com).

During the third quarter, the Company sought and obtained from The Toronto Venture Exchange permission to reprice up to 2,015,600 employee stock options with exercise prices in excess of \$0.20 for a smaller number of options at an exercise price of \$0.20. At the time of application the trading price of the common shares was \$0.15. 24 employees holding 1,122,100 options, and 3 external directors, holding 162,500 options, elected to reprice their options, resulting in the cancellation of 770,760 options with exercise prices ranging from \$0.25 to \$1.90. 97,500 of such cancelled options were held by external directors. The repricing of the external director options is subject to shareholder approval at the annual shareholders meeting of the Company for the 2002 fiscal year. 10 employees, including two officers, one of who is also a director, holding 731,000 options at prices ranging up to \$0.50 elected not to reprice their options.

## RESULTS DETAIL

Unaudited preliminary results for the three and nine months ended August 31, 2002 are as follows:

### ANGOSS Software Corporation Income Statement Information

(stated in Canadian dollars)

For the period ended August 31

	Three Months		Nine Months	
	2002	2001	2002	2001
Revenues	<b>838,973</b>	1,125,665	<b>3,383,190</b>	3,465,518
Gross Margin	<b>832,712</b>	1,100,375	<b>3,368,318</b>	3,402,451
Operating Expenses				
General and administration	<b>293,827</b>	309,667	<b>881,701</b>	992,784
Sales and marketing	<b>506,024</b>	622,366	<b>1,676,610</b>	1,846,132
Research and development, net	<b>276,543</b>	301,387	<b>826,968</b>	997,909
	<b>1,076,394</b>	1,233,420	<b>3,385,279</b>	3,836,825
Operating (loss) income	<b>(243,682)</b>	(133,045)	<b>(16,961)</b>	(434,374)
TRIFOX recovery	-	-	<b>35,394</b>	51,644
Gain on the sale of SmartWare business	-	-	<b>581,771</b>	-
Interest in SmartWare Corporation	-	-	<b>20,817</b>	-
Amortization	<b>(21,932)</b>	(55,353)	<b>(78,637)</b>	(163,601)
Foreign exchange gain (loss)	<b>6,810</b>	8,529	<b>(40,125)</b>	(1,245)
Financing fees and related interest	<b>(642)</b>	(1,831)	<b>(5,519)</b>	(6,679)
Income (loss) before	<b>(259,446)</b>	(181,700)	<b>496,740</b>	(554,255)
Income taxes	-	-	<b>(125,000)</b>	-
Net Income	<b>(259,446)</b>	(181,700)	<b>371,740</b>	(554,255)
Basic and diluted earnings (loss) per share	<b>\$ (0.007)</b>	\$ (0.005)	<b>\$ 0.010</b>	\$ (0.014)
Weighted average number of shares outstanding				
Basic	<b>38,402,096</b>	<b>38,338,764</b>	<b>38,397,777</b>	38,189,208
Diluted	<b>38,402,096</b>	<b>38,338,764</b>	<b>38,969,729</b>	38,189,208

### Selected Cash Flow Information

(stated in Canadian dollars)

For the period ended August 31

	Three Months		Nine Months	
	2002	2001	2002	2001
Cash provided by (used in) operating activities	<b>(78,949)</b>	244,108	<b>(168,318)</b>	(17,496)
Cash (used in) investing activities	<b>11,836</b>	(38,685)	<b>(166,742)</b>	(69,938)
Cash provided by (used in) financing activities	<b>23,636</b>	(13,655)	<b>10,906</b>	29,572
Net increase (decrease) in cash during the period	<b>(43,477)</b>	191,768	<b>(324,154)</b>	(57,862)

### Selected Balance Sheet Information

(stated in Canadian dollars)

	August 31, 2002	November 30, 2001
Cash and cash equivalents	<b>680,641</b>	1,004,795
Accounts receivable	<b>1,082,091</b>	1,096,517
Prepaid expenses and other	<b>91,510</b>	92,201
Other assets	<b>121,955</b>	231,515
Total assets	<b>1,976,197</b>	2,425,028
Accounts payable and accrued liabilities	<b>251,499</b>	504,124
Current portion of deferred revenue	<b>562,345</b>	592,616
Other	<b>6,143</b>	778,976
Total current liabilities	<b>819,987</b>	1,875,716
Total liabilities	<b>1,130,798</b>	2,017,644
Total shareholders' equity	<b>845,399</b>	407,384
Liabilities and shareholders' equity	<b>1,976,197</b>	2,425,028

## ABOUT ANGOSS SOFTWARE CORPORATION

ANGOSS Software Corporation, headquartered in Toronto, Canada, develops data mining software solutions that help business organizations across financial services, telecommunications, pharmaceuticals, retailing and manufacturing industries make "Better Business Decisions. Every Day."<sup>TM</sup>

ANGOSS data mining solutions includes:

- KnowledgeSEEKER®, KnowledgeSTUDIO®, KnowledgeExcelerator® and KnowledgeSERVER®, advanced data mining tools for analysts that are easy to learn, enjoyable to use and interoperate seamlessly with the Windows, Office and SQL Server application platforms from Microsoft ® Corporation.
- Informatica Data Mining Tools, a best of breed data mining module for users of Informatica Analytic Applications developed by ANGOSS for resale by Informatica Corporation.
- KnowledgeSERVER® for PeopleSoft, the ANGOSS data mining and decisioning solution for the PeopleSoft 8 application suite.
- KnowledgeSERVER® for Siebel, the ANGOSS data mining and decisioning solution for the Siebel eBusiness application suite.
- KnowledgeWebMiner™, the ANGOSS data mining solution for mining web data.
- The ANGOSS Data Mining SDK for SQL Server 2000 and KnowledgeSTUDIO SDK, software development kits leveraging Microsoft and Internet standards, platforms and technologies that help corporate and commercial software developers to support rapid deployment of advanced data mining technology to enterprise applications.

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### RELATED LINKS

For Microsoft Corporation

<http://www.microsoft.com/sql/partners/dwa/datamining.asp>

For Informatica Analytic Applications

<http://www.angoss.com/ProdServ/EnterpriseSolns/informatica.html>

For PeopleSoft CBM

<http://www.angoss.com/ProdServ/EnterpriseSolns/peoplesoft.html>

For Siebel eBusiness

<http://www.angoss.com/ProdServ/EnterpriseSolns/index.html>

For Microstrategy Incorporated

<http://www.angoss.com/Company/partners.html>

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*Note: The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.*

### CONTACT:

Lon L.E. Vining  
Chief Financial Officer  
(416) 593-2420  
lvining@angoss.com