



FOR IMMEDIATE RELEASE

Xenos Earns \$0.02/Share in Third Quarter

Returns to profitability on continued sales growth

TORONTO, Ontario, August 13, 2002: Xenos (TSE: XNS), the data to e-content company™, today reported financial results for its third quarter ended June 30, 2002, with continued year-over-year revenue growth, positive cash flow, and a return to profitability with earnings per share of \$0.02 for the quarter.

For the three-month period ended June 30, 2002, Xenos reported revenues of \$3,817,000, a 46% increase over revenues of \$2,607,000 for the same period last year. The Company reported a second consecutive quarter of positive EBITDA. Third quarter EBITDA was \$628,000, a substantial improvement versus negative EBITDA of \$1,550,000 last year.

Xenos also returned to profitability during the third quarter, producing net earnings of \$132,000, or \$0.02 per share, compared with a net loss of \$2,432,000, or (\$0.29) per share, for the third quarter of fiscal 2001.

"Returning to profitability has been a top priority for the Company," said Jim Farmer, President and Chief Operating Officer of Xenos. "This has been a substantial year-over-year turnaround for Xenos. Sales are continuing to increase and we are maintaining a responsible approach to expense management."

Gross margins for the third quarter increased to 86%, compared to 66% for the third fiscal quarter of last year. The improvement is primarily a result of higher sales volumes over a relatively constant cost base. The Company's gross margins typically move in direct relation to sales volumes.

For the nine months ended June 30, 2002, total revenues increased to \$9,883,000 from \$9,343,000 achieved in the same period of 2001. The Company also reported positive EBITDA of \$582,000, as compared with negative EBITDA of \$4,066,000 in the first nine months of 2001, and a nine-month net loss in fiscal 2002 of \$357,000, or (\$0.04) per share, as compared with a nine-month net loss of \$6,709,000, or (\$0.80) per share, in 2001.

At June 30, 2002, Xenos reported a cash position of \$11,795,000, or \$1.37 per common share. This represents an increase of \$124,000 over the second quarter of fiscal 2002 after adjusting for the acquisition of Rush Creek Software Corporation, which was completed during the third quarter.

The Company also took a non-cash, after-tax charge to retained earnings of \$6 million, reflecting the adoption of new accounting rules for goodwill and other intangible assets. The charge was determined specifically on conditions existing on October 1, 2001.

During the third fiscal quarter Xenos completed the acquisition of Dallas-based Rush Creek Software Corporation for 200,000 Xenos Common Shares, cash payments totalling \$1.5

million and additional consideration based on performance. Rush Creek is the developer of infoWEB™, a state-of-the-art distribution system for digitized documents. Rush Creek's staff has now been successfully integrated into the Xenos offices in Dallas, providing improved operating efficiencies and immediate cost savings to the business.

"infoWEB allows our customers the ability to deliver reports from essentially all corporate information repositories to both internal recipients and externally to corporate clients," stated Jim Farmer. "The integration of Rush Creek has gone extremely smoothly. infoWEB has already been integrated into our existing d2e product line. We can now provide a wider solution set to our customers, extending the depth of our offerings within our current market space. infoWEB can be sold as part of our overall solution or can be acquired as a stand alone product for report distribution."

Xenos continues to investigate other acquisition opportunities that are complementary to its business strategy.

During the period, significant sales were made to CalPERS, State of Illinois, American Family, GuideOne, ProCard, DST Output and Banco Itau. Also in this quarter, NCR integrated Xenos d2e software into its Imaged Statement Application.

Xenos began positioning to enter the substantial Asian market during the third quarter through the appointment of a value-added reseller (VAR) agreement with i-TransAct in June as a non-exclusive VAR for Singapore, Thailand, Malaysia and Hong Kong. Subsequent to the close of the quarter, Xenos appointed i-Bridge Capital as a non-exclusive VAR for Greater China (Hong Kong SAR, People's Republic of China, Taiwan), South East Asia (Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam) and the Middle East (Bahrain, Oman, Qatar, Saudi Arabia, United Arab Emirates, Kuwait, Jordan, Egypt, Yemen).

"We are continuing to extend our global market reach. Asia and the Middle East are important markets for Xenos going forward," said Farmer. "We will soon be introducing new products for this market through the distribution network that we are building."

Conference Call – Tuesday, August 13 - at 11:00am (Eastern Standard Time)

A conference call for shareholders, analysts and other members of the investment community has been scheduled for today (Tuesday, August 13, 2002) at 11:00 am (Eastern Time). Stuart Butts, Chief Executive Officer, Jim Farmer, President and Chief Operating Officer and Rob Kunihiro, Chief Financial Officer will discuss the financial results and provide updates on operations. To participate, please dial 1-888-881-4892 or 416-640-4127 approximately 10 minutes before the conference call on Tuesday, August 13.

The conference call can also be heard over the Internet at www.xenos.com. Visitors should click on Investor Relations and follow the link at the top of the page. A recording of the conference call will be available from 1:00PM EST, Tuesday, August 13, until 11:59PM EST Tuesday, August 20. Please dial 1-877-289-8525 and enter the reservation number 204420# to listen to the rebroadcast. The call will also be archived on the Xenos web site at www.xenos.com

About Xenos

Xenos (www.xenos.com) software enables organizations to transform and distribute electronic versions of printed documents, supporting their e-business and print strategies. Xenos d2e Platform™ and infoWEB™ software are utilized without changing existing systems.

Xenos d2e Platform software transforms legacy printstreams into standard electronic formats, for applications such as electronic statement presentment, enterprise content management/archiving, print automation and customer relationship management.

infoWEB software enables organizations to extract, publish and disseminate critical business information throughout the enterprise. Once processed by infoWEB, clients can access this information using any standard Web Browser regardless of what platform, application or format the information was generated with.

Xenos partners with industry-leading software companies, such as IBM, to provide end-to-end solutions to customers. Xenos products are deployed at organizations worldwide, in industries including banking, insurance, brokerage and telecommunications. Xenos is headquartered in Toronto, Canada, with offices in Dallas, Texas and the United Kingdom. Xenos trades on the Toronto Stock Exchange under the trading symbol "XNS", with approximately 8.6 million shares outstanding.

This press release contains forward-looking statements based on current expectations. These forward-looking statements entail various risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Risks and uncertainties about the company's business are more fully discussed in the Management Discussion and Analysis published in the company's annual report.

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Xenos Group Inc.Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	2002	2001	2002	2001
Sales	\$3,816,786	\$ 2,607,385	\$ 9,882,875	\$ 9,343,274
Service integration costs	545,073	894,227	1,801,393	2,566,265
Gross Profit	3,271,713	1,713,158	8,081,482	6,777,009
Expenses				
Sales and marketing	1,141,120	1,742,793	3,149,633	5,978,367
Research and development	826,640	810,348	2,419,071	2,577,828
Administration and general	676,262	709,533	1,931,205	2,287,053
Amortization	304,724	890,252	857,695	3,065,347
Interest expense	9,202	8,845	29,094	26,788
	2,957,948	4,161,771	8,386,698	13,935,383
Earnings (Loss) from operations	313,765	(2,448,613)	(305,216)	(7,158,374)
Other income				
Dividends, interest and other	(134,247)	143,666	99,110	741,312
Earnings (loss) before income taxes	179,518	(2,304,947)	(206,106)	(6,417,062)
Provision for income taxes	47,706	127,114	151,329	292,325
Net earnings (loss)	\$ 131,812	\$(2,432,061)	\$ (357,435)	\$(6,709,387)
Net earnings (loss) per share				
- Basic & fully-diluted	\$ 0.02	\$ (0.29)	\$ (0.04)	\$ (0.80)
Weighted average number of shares			8,440,722	8,385,597

Xenos Group Inc.Consolidated Balance Sheets
(Unaudited)

	As at June 30	
	2002	2001
ASSETS		
CURRENT		
Cash & S.T. investments	\$ 11,795,490	\$ 15,114,201
Trade receivables	2,639,976	2,803,762
Other receivables	991	38,727
Prepays	391,991	216,871
Deferred income taxes	115,970	-
	<u>14,944,418</u>	<u>18,173,561</u>
LONG TERM		
Deferred income taxes	1,762,089	1,933,698
Capital assets	1,685,712	2,217,377
Other assets	2,341,952	1,295,736
Goodwill	2,064,635	6,619,651
	<u>7,854,388</u>	<u>12,066,462</u>
TOTAL ASSETS	<u>\$ 22,798,806</u>	<u>\$ 30,240,023</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 500,000	\$ 500,000
Payables & accruals	2,140,659	2,360,316
Income taxes payable	319,697	466,791
Deferred revenue	3,400,496	2,079,999
	<u>6,360,852</u>	<u>5,407,106</u>
LONG TERM LIABILITIES		
Deferred revenue	48,462	123,811
	<u>48,462</u>	<u>123,811</u>
TOTAL LIABILITIES	<u>6,409,314</u>	<u>5,530,917</u>
SHAREHOLDERS' EQUITY		
Capital stock	41,325,723	41,048,098
Retained earnings/(deficit)	(24,936,231)	(16,338,992)
TOTAL SHAREHOLDERS' EQUITY	<u>16,389,492</u>	<u>24,709,106</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 22,798,806</u>	<u>\$ 30,240,023</u>

Xenos Group Inc.Consolidated Statements of Cash
Flows
(Unaudited)

	Three Months Ended June 30		Nine Months Ended June 30	
	2002	2001	2002	2001
Operating activities				
Net Earnings (loss)	\$ 131,812	\$(2,432,061)	\$ (357,435)	\$(6,709,387)
Amortization	304,724	890,252	857,695	3,065,347
Loss (gain) on sale of capital assets	10,593	-	730	-
Deferred income taxes	(62,285)	9,241	(90,260)	(7,788)
Change in non-cash working capital	181,657	(121,736)	(489,811)	2,391,282
	566,501	(1,654,304)	(79,081)	(1,260,546)
Financing Activities				
Bank financing	(106,318)	30,000	(126,318)	184,615
Proceeds on issue of shares	-	-	-	38,813
	(106,318)	30,000	(126,318)	223,428
Investing activities				
Cash paid on acquisition of subsidiaries	(1,090,387)	-	(1,090,387)	(766,985)
Purchase of capital assets	(82,245)	(78,649)	(192,379)	(426,690)
Proceeds on disposal of fixed assets	51,747	-	74,945	-
Development costs incurred	(305,388)	(363,061)	(995,231)	(1,125,096)
	(1,426,273)	(441,710)	(2,203,052)	(2,318,771)
Net (decrease) increase in cash and cash equivalents	(966,090)	(2,066,014)	(2,408,451)	(3,355,889)
Cash and cash equivalents				
Beginning of period	12,761,580	17,180,215	14,203,941	18,470,090
End of period	\$11,795,490	\$15,114,201	\$11,795,490	\$15,114,201