

VeriSign Reports Fourth Quarter and Year-End 2002 Results

MOUNTAIN VIEW, CA - January 23, 2003 - VeriSign, Inc. (Nasdaq: VRSN), the leading provider of digital trust services, today reported its results for the fourth quarter and year ended December 31, 2002.

VeriSign reported revenue of \$275 million for the fourth quarter. On a pro forma basis, operating income for the fourth quarter was \$47 million and pro forma net income was \$42 million or \$0.18 per fully diluted share. Pro forma results exclude the following items, which are included under Generally Accepted Accounting Principles ("GAAP"), of amortization and write-down of goodwill and intangible assets, the net gain on the sale of investments, as well as the write-down of certain investments, restructuring and other charges and non-cash stock-based compensation charges related to acquisitions. VeriSign's fourth quarter results were not fully taxed. On a fully taxed basis, applying a 30% tax rate (consistent with financial analyst projections) to pro forma pre-tax income of \$48 million, pro forma earnings per share for the fourth quarter was \$0.14 per fully diluted share.

VeriSign also reported revenue of \$1.2 billion for its fiscal year ended December 31, 2002. On the same pro forma basis described above, operating income for 2002 was \$201 million and pro forma net income was \$204 million or \$0.85 per fully diluted share. The pro forma year-end results exclude items (which are included under GAAP) of amortization and write-down of goodwill and intangible assets, the net gain on the sale of investments, as well as the write-down of certain investments, restructuring and other charges and non-cash stock-based compensation charges related to acquisitions. VeriSign's 2002 results were not fully taxed. On a fully taxed basis however, applying a 30% tax rate (consistent with financial analyst projections) to pro forma pre-tax income of \$214 million, pro forma earnings per share for fiscal 2002 was \$0.62 per fully diluted share.

"VeriSign saw continued improvement in both our external markets and internal operations in the fourth quarter," said Stratton Scavos, Chairman and CEO of VeriSign. "As a result, we believe we are well-positioned to capitalize on opportunities in the security, telecom and registry services areas as they emerge in 2003."

On a GAAP basis, VeriSign reported a net loss of \$39 million for the fourth quarter and a net loss of \$5.0 billion for the year ended December 31, 2002. The GAAP loss for the fourth quarter is primarily attributable to a charge of \$67 million for the amortization and write-down of goodwill and intangibles and \$15 million in charges related to the company's on-going efforts of the corporate restructuring announced in April 2002. The GAAP loss for the full year 2002 is similarly due to a \$4.9 billion charge for the amortization and write-down of goodwill and intangibles, as well as a write-down of approximately \$171 million on its investment portfolio and \$89 million in charges related to the company's corporate restructuring and other efforts mentioned above.

"In the midst of a difficult IT spending environment, VeriSign generated revenues in 2002 in excess of \$1.2 billion, pro forma operating income of \$201 million and cash flow from operations of more than \$230 million," said Dana Evan, Chief Financial Officer of VeriSign. "Most importantly, VeriSign enters 2003 well-positioned with a strong balance sheet and financial position including more than \$400 million in cash and short-term investments."

Notable business developments during the fourth quarter included the announcement of the general availability of VeriSign's Consumer Identity Verification Service, VeriSign's Trusted Content Delivery Service for software providers and the adoption by leading web hosting companies of VeriSign's authentication services. VeriSign Telecommunication Services launched its integrated billing and

customer care system for GSM networks and announced new carrier contracts for expanded telecommunications services with leading providers such as MetroPCS and Douglas Telecommunications. Also during the quarter, VeriSign announced an agreement with America Online to provide business e-mail, web sites and domain names to AOL's small business customers. Effective January 15, 2003, VeriSign realigned the business segments under which it will report. The new business segments for 2003 reporting purposes will be the Internet Services Group, the Telecommunication Services Group and Network Solutions. As part of this realignment, the Company announced that it has re-launched the Network Solutions brand through which it will market its domain name registration, Web site and e-mail services as this brand has been inextricably linked since its inception to domain names and has strong market recognition.

Significant developments during the previous quarters in 2002 included several key announcements regarding VeriSign's partnerships with such leading technology players such as IBM and Intel. In its relationship with IBM, VeriSign and IBM announced the first set of jointly developed security services and solutions from a global alliance the two companies forged earlier in the year. In addition, VeriSign and Intel announced a deal to strengthen the security for next generation wireless notebook computers whereby VeriSign will optimize its digital certificates and Personal Trust Agent for native integration into Intel's future mobile computing platform known as Centrino.

Additional Financial Information

VeriSign ended the fourth quarter with Cash, Cash Equivalents and Short-term Investments of approximately \$404 million, an increase of approximately \$77 million from the third quarter.

Accounts Receivable decreased to \$134 million as of December 31, 2002 compared to \$206 million as of September 30, 2002 and \$291 million as of December 31, 2001.

Net Days Sales Outstanding (Net DSOs), which takes into account the change in deferred revenue, decreased to 52 days from 68 days in Q3'02.

Deferred Revenue on the balance sheet decreased 8% (or \$43 million) to \$484 million as of December 31, 2002 as compared to \$527 million as of September 30, 2002.

Cash Flow From Operations was approximately \$80 million for the fourth quarter and was more than \$230 million for fiscal 2002.

Capital Expenditures for the fourth quarter were approximately \$24 million, down sequentially from \$37 million in the third quarter, bringing 2002 capital expenditures to approximately \$176 million.

Enterprise and Service Provider (ESP) Division Highlights

The ESP Division, which includes the VeriSign Telecommunication Services Group, delivered \$180 million or approximately 65% of total revenue in the fourth quarter.

VeriSign ended the year with more than 4,500 active enterprise customers.

VeriSign's Registry business added 2.6 million new domain names in the fourth quarter, ending the year with 28.3 million active domain names. VeriSign's Registry is currently handling more than 7½ billion look-ups per day on its DNS infrastructure.

VeriSign's Telecommunication Services Group ended the year with a total number of signaling points of 966, up from 939 at the end of 2001.

Mass Markets Division Highlights

The Mass Markets Division revenue was \$95 million or 35% of total revenue for the fourth quarter, a 5% decline from third quarter revenue of \$100 million.

VeriSign's Registrar added approximately 450,000 new domain names during the fourth quarter and renewed or extended 700,000 additional names, providing for a 51% renewal rate for the fourth quarter as compared to a 48% renewal rate for the third quarter.

VeriSign ended the fourth quarter with 9.3 million active domain names under management, including 8.5 million in .com, .net and .org.

VeriSign's website certificate business issued approximately 90,000 new and renewed certificates out of both the Mass Markets and ESP divisions ending the quarter with a base of more than 392,000 certificates.

VeriSign's Payments business ended the year with approximately 83,000 merchants under management, an increase of approximately 3,000 merchants in the fourth quarter. Further, the business processed approximately 68 million individual/unique transactions for approximately \$4.5 billion during the quarter.

Today's Conference Call

VeriSign will be hosting a teleconference call today at 2:00 pm (PDT) to review the fourth quarter and fiscal year 2002 earnings. The call will be accessible by direct dial at (800) 967-7141. A listen-only live webcast of the quarterly earnings call will also be available on the company's website at www.verisign.com and at www.streetevents.com. A replay of the teleconference will be available by calling (888) 203-1112 (passcode: 578883) beginning at 6:00 pm (PDT) today and will run through January 31st.

About VeriSign

VeriSign, Inc. is the leading provider of digital trust services that enable everyone, everywhere to engage in commerce and communications with confidence. VeriSign's digital trust services create a trusted environment through four core offerings - Web presence services, telecommunications services, security services and payment services - powered by a global infrastructure that manages billions of network connections and transactions a day. Additional news and information about the company is available at www.verisign.com.

Statements in this announcement other than historical data and information, including but not limited to, statements regarding new business relationships and new service offerings, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve risks and uncertainties that could cause VeriSign's actual results to differ materially from those stated or implied by such forward-looking statements. The potential risks and uncertainties include, among others, VeriSign's limited operating history under its current business structure; the uncertainty of future revenue and profitability and potential fluctuations in quarterly operating results; the ability of VeriSign to successfully develop and market new services and customer acceptance of any new services; the risk that VeriSign's announced strategic relationships may not result in additional products, services, customers and revenues; increased competition and pricing pressures; and risks related to potential security breaches. More information about potential factors that could affect the company's business and financial results is included in VeriSign's filings with the Securities and Exchange Commission, including in the company's Annual Report on Form 10-K for the year ended December 31, 2001 and quarterly reports on Form 10-Q. VeriSign undertakes no obligation to update any of the forward-looking statements after the date of this press release.

VERISIGN, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except share data)

	December 31, 2002	December 31, 2001
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Assets		
Current assets:		
Cash and cash equivalents	\$ 282,288	\$ 306,054
Short-term investments	121,616	420,643
Accounts receivable, net	134,124	290,923
Prepaid expenses and other current assets	66,276	72,939
Total current assets	604,304	1,090,559
Property and equipment, net	609,354	532,546
Goodwill and other intangible assets, net	1,129,602	5,691,169
Long-term investments	36,741	201,781
Other assets, net	11,317	21,453
	\$ 2,391,318	\$ 7,537,508
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 278,545	\$ 313,447
Accrued merger costs	5,015	49,069
Accrued restructuring costs	23,835	—
Deferred revenue	357,950	471,329
Total current liabilities	665,345	833,845
Long-term deferred revenue	125,893	150,727
Deferred taxes	—	26,553
Other long-term liabilities	20,655	20,309
Total long-term liabilities	146,548	197,589
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - par value \$.001 per share		
Authorized shares: 5,000,000		
Issued and outstanding shares: none	—	—
Common stock - par value \$.001 per share		
Authorized shares: 1,000,000,000		
Issued and outstanding shares:		
237,510,063 and 234,358,114		
(excluding 1,690,000 shares held in treasury		
at December 31, 2002 and December 31,		
2001)	238	234
Additional paid-in capital	23,072,212	23,051,546
Notes receivable from stockholders	—	(252)
Unearned compensation	(8,086)	(27,042)
Accumulated deficit	(21,480,175)	(16,518,878)
Accumulated other comprehensive income	(4,764)	466
(loss)		
Total stockholders' equity	1,579,425	6,506,074
	\$ 2,391,318	\$ 7,537,508

VERISIGN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Three Months Ended December 31,		Year Ended December 31,	
	2002	2001	2002	2001
Revenues	\$ 275,002	\$ 283,799	\$ 1,221,668	\$ 983,564
Costs and expenses:				
Cost of revenues	116,594	105,555	571,367	343,721
Sales and marketing	50,778	63,994	248,170	259,585
Research and development	10,948	15,939	48,353	78,134
General and administrative	52,534	40,039	172,123	143,297
Restructuring and other	15,235	—	88,574	—
Amortization and write-down of goodwill and other intangible assets	67,471	466,124	4,894,714	13,569,653
Total costs and expenses	313,560	691,651	6,023,301	14,394,390
Operating loss	(38,558)	(407,852)	(4,801,633)	(13,410,826)
Other income (expense), net	5,152	(5,013)	(148,873)	(22,469)
Minority interest in net (income) loss of subsidiary	159	345	(416)	(579)
Loss before income taxes	(33,247)	(412,520)	(4,950,922)	(13,433,874)
Income tax benefit (expense)	(6,133)	11,410	(10,375)	77,922
Net loss	\$ (39,380)	\$ (401,110)	\$ (4,961,297)	\$ (13,355,952)
Net loss per share:				
Basic	\$ (.17)	\$ (1.91)	\$ (20.97)	\$ (65.64)
Diluted	\$ (.17)	\$ (1.91)	\$ (20.97)	\$ (65.64)
Shares used in per share computation:				
Basic	237,351	209,758	236,552	203,478
Diluted	237,351	209,758	236,552	203,478

VERISIGN, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended December 31, 2002		Three Months Ended December 31, 2001	
	Pro Forma Reported	Pro Forma	Pro Forma Reported	Pro Forma
Revenues	\$ 275,002	\$ —	\$ 275,002	\$ 283,799

Costs and expenses:						
Cost of revenues	116,594	(47)	(a)116,547	105,555	(540)	(a)105,015
Sales and marketing	50,778	(2,339)	(a)48,439	63,994	(1,100)	(a)62,894
Research and development	10,948	(330)	(a)10,618	15,939	(330)	(a)15,609
General and administrative	52,534	(7)	(a)52,527	40,039	(1,752)	(a)38,287
Restructuring and other	15,235	(15,235)	(b)—	—	—	—
Amortization of goodwill and other intangible assets	67,471	(67,471)	(c)—	466,124	(466,124)	(c)—
Total costs and expenses	313,560	(85,429)	228,131	691,651	(469,846)	221,805
Operating income (loss)	(38,558)	85,429	46,871	(407,852)	469,846	61,994
Other income (expense), net	5,152	(3,804)	(d)1,348	(5,013)	14,446	(d)9,433
Minority interest in net (income) loss of subsidiary	159	—	159	345	—	345
Income (loss) before income taxes	(33,247)	81,625	48,378	(412,520)	484,292	71,772
Income tax benefit (expense)	(6,133)	—	(6,133)	11,410	(11,410)	(e)—
Net income (loss)	\$ (39,380)	\$ 81,625	\$ 42,245	\$ (401,110)	\$ 472,882	\$ 71,772

Net income (loss) per share:

Basic	\$ (.17)		\$.18	\$ (1.91)		\$.34
Diluted	\$ (.17)		\$.18	\$ (1.91)		\$.33

Shares used in per share computation:

Basic	237,351		237,351	209,758		209,758
Diluted	237,351	1,207	(f) 238,558	209,758	8,179	(f) 217,937

Notes:

- (a) Non-cash stock based compensation charges resulting from acquisitions
- (b) Restructuring and other
- (c) Amortization and write-down of acquired goodwill and intangible assets
- (d) Net gain/loss on sale and write-down of investments
- (e) Income tax benefit

(f) Dilutive stock options

VERISIGN, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Year Ended December 31, 2002			Year Ended December 31, 2001		
	Reported	Pro Forma Entries	Pro Forma	Reported	Pro Forma Entries	Pro Forma
Revenues	\$ 1,221,668	\$ —	\$ 1,221,668	\$ 983,564	\$ —	\$ 983,564
Costs and expenses:						
Cost of revenues	571,367	(4,215)	(a)567,152	343,721	(1,297)	(a)342,424
Sales and marketing	248,170	(11,778)	(a)236,392	259,585	(2,100)	(a)257,485
Research and development	48,353	(1,320)	(a)47,033	78,134	(1,319)	(a)76,815
General and administrative	172,123	(1,640)	(a)170,483	143,297	(3,087)	(a)140,210
Restructuring and other	88,574	(88,574)	(b)—	—	—	—
Amortization and write-down of goodwill and other intangible assets	4,894,714	(4,894,714)	(c)—	13,569,653	(13,569,653)	(c)—
Total costs and expenses	6,023,301	(5,002,241)	1,021,060	14,394,390	(13,577,456)	816,934
Operating income (loss)	(4,801,633)	5,002,241	200,608	(13,410,826)	13,577,456	166,630
Other income (expense), net	(148,873)	162,967	(d)14,094	(22,469)	89,136	(d)66,667
Minority interest in net income of subsidiary	(416)	—	(416)	(579)	—	(579)
Income (loss) before income taxes	(4,950,922)	5,165,208	214,286	(13,433,874)	13,666,592	232,718
Income tax benefit	(10,375)	—	(10,375)	77,922	(77,922)	(e)—

(expense)

Net income	\$ (4,961,297)	\$ 5,165,208	\$ 203,911	\$ (13,355,952)	\$ 13,588,670	\$ 232,718
(loss)						

Net income
(loss) per
share:

Basic	\$ (20.97)		\$.86	\$ (65.64)		\$ 1.14
Diluted	\$ (20.97)		\$.85	\$ (65.64)		\$ 1.09

Shares used
in per
share
computation:

Basic	236,552		236,552	203,478		203,478
Diluted	236,552	3,498	(f) 240,050	203,478	9,893	(f) 213,371

Notes:

- (a) Non-cash stock based compensation charges resulting from acquisitions
- (b) Restructuring and other
- (c) Amortization and write-down of acquired goodwill and intangible assets
- (d) Net gain/loss on sale and write-down of investments
- (e) Income tax benefit
- (f) Dilutive stock options