

VeriSign Reports Fourth Quarter and Fiscal 2001 Results

Fourth Quarter Results Cap a Successful Year and Position VeriSign's Digital Trust Services for Continued Growth

Mountain View, CA, January 24, 2002 - VeriSign, Inc. (Nasdaq:VRSN), the leading provider of digital trust services, today reported its fourth quarter results for the quarter ending December 31, 2001.

Announced revenues for the fourth quarter of fiscal 2001 were \$284 million. Pro forma net income for the quarter ended December 31, 2001, excluding the amortization of goodwill and intangible assets related to acquisitions, stock-based compensation charges related to acquisitions, write-down of investments and benefit for income taxes (all of which are included under GAAP results), was \$72 million, or \$0.33 diluted earnings per share compared to pro forma net income in the quarter ended December 31, 2000 of \$46 million, or \$0.21 diluted earnings per share. Including the amortization of goodwill and intangible assets related to acquisitions, stock-based compensation charges, write-down of investments and benefit for income taxes not reflected in the pro forma results, the net loss for the quarter ended December 31, 2001 was \$401 million.

Revenues for fiscal 2001 were \$984 million as compared to revenues of \$475 million in fiscal 2000. Pro forma net income for fiscal 2001, excluding the amortization and write-down of goodwill and intangible assets related to acquisitions, stock-based compensation charges related to acquisitions, write-down of investments and benefit for income taxes, was \$233 million, or \$1.09 diluted earnings per share compared to pro forma net income for fiscal 2000 of \$129 million, or \$0.72 diluted earnings per share. Including the amortization of goodwill and intangible assets related to acquisitions, stock-based compensation charges, write-down of investments and benefit for income taxes not reflected in the pro forma results, the net loss for fiscal 2001 was \$13.4 billion.

Pro forma operating income for the fourth quarter ended December 31, 2001, excluding stock-based compensation charges and the amortization of goodwill and intangible assets, was \$62 million, or a 21.8% operating margin, as compared to \$24 million, or a 12.2% operating margin, in the quarter ended December 31, 2000. Including the amortization of goodwill and intangible assets related to acquisitions, stock-based compensation charges, write-down of investments and benefit for income taxes not reflected in the pro forma results, the net operating loss for fiscal 2001 was \$408 million.

"Our fourth quarter results cap a successful 2001. That we were able to achieve the majority of our financial and strategic objectives in what many consider the toughest economic environment in recent memory makes me very proud of the VeriSign team," said Stratton Sclavos, president and CEO of VeriSign. "We head into 2002 with a clear strategy and the proven infrastructure to deliver the critical trust services that businesses and consumers have come to rely on for digital commerce and communications."

The results for the current quarter and fiscal 2001 reflect the acquisition of Illuminet Holdings, Inc., which closed on December 12, 2001, and therefore include 19 days of Illuminet's fourth quarter activity. On a standalone basis, VeriSign revenues for the fourth quarter of 2001 were \$272 million, as compared to \$197 million in the quarter ended December 31, 2000. Standalone pro forma net income for the fourth quarter, excluding

the amortization of goodwill and intangible assets related to acquisitions, stock-based compensation charges related to acquisitions, write-down of investments and benefit for income taxes, was \$67 million, or \$0.32 diluted earnings per share.

For the fourth quarter of fiscal 2001, deferred revenue balances increased over 6% sequentially to \$622 million. On an organic basis, excluding deferred revenue from acquisitions during the quarter, deferred revenue grew approximately 3.5%. The VeriSign standalone net days sales outstanding (DSO) decreased to 74 days from 76 days in the third quarter. This takes into account the change in deferred revenue and the exclusion of \$60 million of accounts receivable from acquisitions that were booked in conjunction with the closing of those acquisitions.

Enterprise/Service Provider Division

	Q401	Q301	Q201	Q101
Enterprise - Active Customers	4,465	3,775	3,330	3,120
Affiliate - Active Customers	48	46	38	37
Registry - Active Customers	107	93	84	82
Telephony - Signaling Points	939	919	895	882

VeriSign's Enterprise and Service Provider Division provides managed public key infrastructure (PKI) services, network and security consulting, corporate domain name management, international affiliate platforms, global registry services and now telephony services with the acquisition of Illuminet.

In the enterprise arena, VeriSign ended the quarter with over 4,465 active enterprise customers, up from 3,775 last quarter, an indication of the continued strong demand for a broad range of digital trust services that enable enterprises to increase revenues and reduce operational costs. In addition to a pick-up in the consulting business, VeriSign saw another quarter of very healthy growth in the PKI space with the addition of several large customers including Pacificare, Blue Cross and Siebel Systems.

VeriSign's Digital Brand Management Services group unveiled a suite of services to help attorneys, brand marketers, IT professionals and professional service firms with the complex task of building and managing product and service brands in the digital world. The services, enhanced through the acquisitions of 1GlobalPlace, Inc. and NameEngine, Inc. and new partners, enable enterprises to register, recover and protect their domain names; monitor activity around use of their brands; and, protect and promote their intellectual property.

VeriSign's affiliate program continued to expand during the quarter ending with 48 affiliates up from 46 affiliates in the prior quarter and 35 affiliates in the year ago period. During the year, VeriSign also introduced a payment services platform ending the year with nine international service providers signed up to deliver co-branded online payment services to merchants in international markets. Merchants in Asia, Australia/New Zealand, Europe, North America, and South America are able to securely process payments online through VeriSign's trusted payment services infrastructure.

The Registry Services group continued to see demand for .com and .net domain names with the addition of 2.3 million new names in the fourth quarter. The Registry Services group also processed the renewal, extension or transfer of an additional 2.8 million domain names during the quarter, bringing the total number of paid domain name transactions to 5.1 million. The active zone file for all domain names ending in .com, .net and .org contained approximately 28.8 million domain names at the end of Q4. In addition, the number of customers at the registry increased to 107 in the fourth quarter, up from 93 at the end of last quarter, as the Registry Services group continued to add customers for new service offerings including country-code or ccTLD services, Webnum services, and Managed DNS services.

VeriSign also established a strong foothold in the telephony space in the fourth quarter with the completion of the Illuminet acquisition. Illuminet is the leading independent provider of intelligent network and signaling services to communications carriers in both wireless and wire line markets. Illuminet continued to see strong growth in traffic on its network, with the connection of 20 new signaling points in the fourth quarter, bringing the total number of signaling points to 939, up from 832 in the year ago period. In addition, Illuminet saw the number of queries on its databases increase to 6.2 billion, up from 5.7 billion last quarter and 3.3 billion in the year ago period.

VeriSign recently announced an agreement to acquire H.O. Systems, a leading provider of billing and customer care solutions to wireless carriers, to strengthen its position in the telephony space. H.O. Systems' advanced billing platform combined with the signaling, intelligent network and clearing services of Illuminet will give wireless carriers a comprehensive package of essential services needed to succeed and grow in a highly competitive marketplace. The H.O. acquisition is expected to close by the end of the first quarter.

Mass Market Division

	Q401	Q301	Q201	Q101
Registrar - Active Customers	6.2 million	6.5 million	6.5 million	6.5 million
Website - Installed Certificates	260,000	250,000	238,000	225,000
Payment - Active Merchants	61,000	56,000	50,000	20,000

VeriSign's Mass Market Division, which sells services through its retail websites as well as a network of ISPs and other resellers, includes domain name registration and web presence services, website digital certificates, and B2C payment services.

In the Web identity space, VeriSign continued to demonstrate its market leadership in the fourth quarter by registering approximately 600,000 new domain names and renewing or extending an additional 1.2 million. The Mass Markets group ended the quarter with 6.2 million unique customers with more than 13.6 million active domain names under management, including 13.1 million in .com, .net, and .org.

VeriSign's website certificate business for both the Mass Market and Enterprise/Service Provider divisions saw continued sequential growth in its core markets, ending the quarter with a total of 100,000 new and renewed certificates issued, increasing the installed base to over 366,000 certificates. This represented 33% growth over the fourth quarter of 2000 and 5% growth over the third quarter ended September 30, 2001. In

particular, the Mass Market website certificate base grew to 260,000, up 24% from 210,000 certificates at the end of fiscal 2000.

The VeriSign Payment Services (VPS) business saw another quarter of outstanding growth ending the year with more than 61,000 active merchant customers under management, up from more than 56,000 in the third quarter ended September 30, 2001 and up from 15,100 from the year ago period. In addition, VPS processed approximately \$2.4 billion of e-commerce transactions through the payment gateway bringing the total dollars processed for the year to \$6 billion.

Other Q4 Highlights

VeriSign and IBM entered into a significant technology, services and marketing agreement designed to help ensure trusted commerce and communications over the Internet. The announcement provides a roadmap for the future of e-business on the Internet, signaling a far-reaching collaboration between IBM and VeriSign on Internet technology, infrastructure and security.

VeriSign also announced a strategic alliance with Intuit to offer advanced Web site services for small businesses. QuickBooks® Web Site Solutions, powered by VeriSign technology and services, will help small businesses easily establish an online presence and more effectively manage and grow their businesses.

VeriSign and go2, the most widely used mobile location-based directory and information service in the United States, announced an alliance in which go2 will use VeriSign Global Registry Services to enhance and scale go2's Local Business Registry™ while VeriSign will offer go2 listings in this registry through its registrar channel customers.

Conference Call Information:

VeriSign will host a conference call at 2:00pm (Pacific) this afternoon to review the fourth quarter and fiscal year 2001 earnings announcement. A listen-only live broadcast of the Q4 and fiscal 2001 earnings conference call will be available at www.verisign.com or www.ccbn.com. The live teleconference may also be accessed by direct dial at (800) 479-9001. A replay of the teleconference will also be available at (888) 203-1112 (passcode: 439632) beginning at 5:00pm (Pacific) on January 24 and running through February 1.

About VeriSign

VeriSign, Inc. (Nasdaq:VRSN) 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 three core offerings—name, authentication and payment services—powered by a global infrastructure that manages more than 5 billion network connections and transactions a day. Additional news and information about the company is available at www.verisign.com.

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Statements in this announcement other than historical data and information 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 risk that the VeriSign and Illuminet businesses as well as other businesses will not be integrated successfully and unanticipated costs of such integration; 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; risks associated with the company's international business 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, especially in the company's Annual Report on Form 10-K for the year ended December 31, 2000, and Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 2001. VeriSign undertakes no obligation to update any of the forward-looking statements after the date of this press release.

VeriSign is a registered trademark of VeriSign, Inc. Other names may be trademarks of their respective owners.

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

	December 31, 2001	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 311,649	\$ 460,362
Short-term investments.....	127,320	565,913
Accounts receivable, net.....	314,923	128,011
Prepaid expenses and other current assets.....	55,946	32,146
Total current assets.....	809,838	1,186,432
Property, plant and equipment, net.....	532,546	105,602
Goodwill and other intangible assets, net.....	5,677,684	17,656,641
Long-term investments.....	486,002	209,145
Other assets, net.....	31,438	37,402
	\$ 7,537,508	\$ 19,195,222
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.....	\$ 313,447	\$ 193,952
Accrued merger costs.....	49,069	18,814
Deferred revenue.....	471,329	452,713
Total current liabilities.....	833,845	665,479
Long-term deferred	150,727	55,575

revenue.....		
Deferred income taxes.....	26,553	—
Other long-term liabilities.....	20,309	3,560
Total long-term liabilities.....	197,589	59,135
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: 234,529,299 and 198,639,497		
(excluding 1,690,000 shares and 40,000 shares held in treasury at		
December 31, 2001 and December 31, 2000, respectively).....	235	199
Additional paid-in capital.....	23,051,545	21,670,647
Notes receivable from stockholders.....	(252)	(245)
Unearned compensation.....	(27,042)	(36,365)
Accumulated deficit.....	(16,518,878)	(3,162,926)
Accumulated other comprehensive income (loss).....	466	(702)
Total stockholders' equity.....	6,506,074	18,470,608
	\$ 7,537,508	\$ 19,195,222

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

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2001	2000	2001	2000
Revenues.....	\$ 283,799	\$ 197,355	\$ 983,564	\$ 474,7
Costs and expenses:				
Cost of revenues.....	105,555	68,077	343,721	163,04
Sales and marketing.....	63,994	66,656	259,585	167,14
Research and development.....	15,939	15,228	78,134	41,256
General and administrative.....	40,039	24,966	143,297	60,672

Write-off of acquired in-process research and development.....	—	—	—	54,000
Amortization and write-down of goodwill and other intangible assets.....	466,124	1,356,114	13,569,653	3,188,
Total costs and expenses.....	691,651	1,531,041	14,394,390	3,675,
Operating loss.....	(407,852)	(1,333,686)	(13,410,826)	(3,200,
Other income:				
Interest and investment income (loss).....	(4,956)	22,670	(20,681)	87,647
Other income (expense), net.....	(57)	115	(1,788)	(1,4
Total other income (expense).....	(5,013)	22,785	(22,469)	86,
Loss before income taxes and minority interest	(412,865)	(1,310,901)	(13,433,295)	(3,114,
Income tax benefit.....	11,410	—	77,922	-
Loss before minority interest.....	(401,455)	(1,310,901)	(13,355,373)	(3,114,
Minority interest in net (income) loss of subsidiary.....		345	(1,294)	(579)
Net loss.....	\$ (401,110)	\$ (1,312,195)	\$ (13,355,952)	\$ (3,115,4
Net loss per share:				
Basic.....	\$ (1.91)	\$ (6.64)	\$ (65.64)	\$ (19.
Diluted.....	\$ (1.91)	\$ (6.64)	\$ (65.64)	\$ (19.
Shares used in per share computation:				
Basic.....	209,758	197,753	203,478	159,
Diluted.....	209,758	197,753	203,478	159,

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

	Three Months Ended December 31, 2001		Three Months Ended December 31, 2000			
	Pro Reported	Pro Forma Entries	Pro Forma Reported	Pro Forma Entries	Pro Forma	Pro Forma
Revenues.....	\$ 283,799	—	\$ 283,799	\$ 197,355	—	\$ 197,355
Costs and expenses:						
Cost of revenues.....	105,555	(540)	(a)105,015	68,077	(809)	(a)67,268
Sales and marketing.....	63,994	(1,100)	(a)62,894	66,656	(485)	(a)66,171
Research and development.....	15,939	(330)	(a)15,609	15,228	—	15,228
General and administrative.....	40,039	(1,752)	(a)38,287	24,966	(324)	(a)24,642

Amortization of goodwill and other intangible assets.....	466,124	(466,124)	(b)—	1,356,114	(1,356,114)	(b)—
Total costs and expenses.....	691,651	(469,846)	221,805	1,531,041	(1,357,732)	173,309
Operating income (loss).....	(407,852)	469,846	61,994	(1,333,686)	1,357,732	24,046
Other income:						
Interest and investment income (loss)	(4,956)	14,446	(c)9,490	22,670	—	22,670
Other income (expense), net.....	(57)	—	(57)	115	—	115
Total other income (expense).....	(5,013)	14,446	9,433	22,785	—	22,785
Income (loss) before income taxes and minority interest.....	(412,865)	484,292	71,427	(1,310,901)	1,357,732	46,831
Income tax benefit.....	11,410	(11,410)	(d)—	—	—	—
Income (loss) before minority interest.....	(401,455)	472,882	71,427	(1,310,901)	1,357,732	46,831
Minority interest in net (income) loss of subsidiary.....	345	—	345	(1,294)	—	(1,294)
Net income (loss).....	\$ (401,110)	\$ 472,882	\$ 71,772	\$ (1,312,195)	\$ 1,357,732	\$ 45,537
Net income (loss) per share:						
Basic.....	\$ (1.91)		\$.34	\$ (6.64)		\$.23
Diluted.....	\$ (1.91)		\$.33	\$ (6.64)		\$.21
Shares used in per share computation:						
Basic.....	209,758		209,758	197,753		197,753
Diluted.....	209,758	8,179	(e)217,937	197,753	15,726	(e)213,479

Notes:

- (a) Non-cash stock based compensation expense resulting from acquisitions
- (b) Amortization of acquired goodwill and intangible assets
- (c) Write-down of investments
- (d) Income tax benefit
- (e) 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, 2001			Year Ended December 31, 2000		
	Reported	Pro Forma Entries	Pro Forma	Reported	Pro Forma Entries	Pro Forma
Revenues.....	\$ 983,564	—	\$	\$ 474,766	—	\$

				983,564		474,766
Costs and expenses:						
Cost of revenues.....	343,721	(1,297)	(a)342,424	163,049	(809)	(a)162,240
Sales and marketing.....	259,585	(2,100)	(a)257,485	167,148	(485)	(a)166,663
Research and development.....	78,134	(1,319)	(a)76,815	41,256	—	41,256
General and administrative.....	143,297	(3,087)	(a)140,210	60,672	(324)	(a)60,348
Write-off of acquired in-process research and development.....	—	—	—	54,000	(54,000)	(b)—
Amortization and write-down of goodwill and other intangible assets	13,569,653	(13,569,653)	(c)—	3,188,950	(3,188,950)	(c)—
Total costs and expenses.....	14,394,390	(13,577,456)	816,934	3,675,075	(3,244,568)	430,507
Operating income (loss).....	(13,410,826)	13,577,456	166,630	(3,200,309)	3,244,568	44,259
Other income:						
Interest and investment income (loss)	(20,681)	89,136	(d)68,455	87,647	—	87,647
Other income (expense), net.....	(1,788)	—	(1,788)	(1,478)	—	(1,478)
Total other income (expense).....	(22,469)	89,136	66,667	86,169	—	86,169
Income (loss) before income taxes and minority interest.....	(13,433,295)	13,666,592	233,297	(3,114,140)	3,244,568	130,428
Income tax benefit.....	77,922	(77,922)	(e)—	—	—	—
Income (loss) before minority interest.....	(13,355,373)	13,588,670	233,297	(3,114,140)	3,244,568	130,428
Minority interest in net (income) of subsidiary.....	(579)	—	(579)	(1,334)	—	(1,334)
Net income (loss).....	\$ (13,355,952)	\$ 13,588,670	\$ 232,718	\$ (3,115,474)	\$ 3,244,568	\$ 129,094
Net income (loss) per share:						
Basic.....	\$ (65.64)		\$ 1.14	\$ (19.57)		\$.81
Diluted.....	\$ (65.64)		\$ 1.09	\$ (19.57)		\$.72
Shares used in per share computation:						
Basic.....	203,478		203,478	159,169		159,169
Diluted.....	203,478	9,893	(f) 213,371	159,169	19,082	(f) 178,251

Notes:

(a) Non-cash stock based compensation expense resulting from acquisitions

- (b) Write-off of acquired in-process research and development
- (c) Amortization and write-down of acquired goodwill and intangible assets
- (d) Write-down of investment
- (e) Income tax benefit
- (f) Dilutive stock options

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