

VeriSign Reports Second Quarter Results

MOUNTAIN VIEW, CA - July 25, 2002 - VeriSign, Inc. (Nasdaq:VRSN), the leading provider of digital trust services, today reported its results for the second quarter ended June 30, 2002.

VeriSign reported revenue of \$317 million for the second quarter. The results reflect a full quarter of activity for H.O. Systems, which VeriSign acquired in February 2002. On a pro forma basis, operating income for the second quarter was \$46 million and pro forma net income was \$50 million or \$0.21 per fully-diluted share. Pro forma results exclude non-recurring items (which are included under GAAP) such as the amortization and write-down of goodwill and intangible assets, the write-down of certain investments, restructuring and other charges, and non-cash stock-based compensation charges related to acquisitions.

VeriSign's second quarter results were not fully-taxed. On a fully-taxed basis (using a 30% tax rate consistent with financial analyst projections), however, pro forma earnings per share for the second quarter was \$0.15 per fully-diluted share.

"With the IT spending environment very challenging, we are focused on improving our business performance, managing expenses and rolling out new services that enable our customers to conduct trusted commerce and communications," said Stratton Sclavos, Chairman and CEO of VeriSign.

While economic conditions directly affected the international Affiliate and Consulting businesses in the quarter, the company experienced modest organic growth in bookings in its core Authentication and Telecommunications Services businesses. Results of the Mass Markets Division came in as expected, with a decline in revenue of approximately 8% to \$103 million for the quarter. Further, the renewal rate in the domain name business was 45% in the second quarter.

On a GAAP basis, VeriSign reported a net loss of \$4.8 billion primarily due to a non-cash charge of approximately \$4.6 billion. This non-cash charge relates to a portion of the goodwill and intangible assets for acquisitions made primarily with stock over the last three years and is in accordance with financial accounting standards FASB Statement No. 142 that deals with evaluating the impairment of goodwill and other intangible assets. The company also recorded a non-cash write-down of approximately \$95 million on its long-term investment portfolio. This was a result of VeriSign's recurring quarterly review of its investment portfolio and reflects the continued pressure on private and public equity valuations. Additionally, as part of the corporate restructuring announced in April 2002, VeriSign recognized a \$68 million charge in the second quarter consisting of employee severance, lease and contract terminations and write downs of certain property and equipment.

"These non-cash charges reflect a reduction in the market value for acquisitions and investments, consistent with the macroeconomic environment around us. And while the benefits of the restructuring that we announced in April will not be fully-recognized until the second half of 2002, we made solid progress this quarter in managing expenditures and aligning resources across the company," said Dana Evan, Chief Financial Officer of

VeriSign. "We were also pleased to generate increased cash flow from operations in the second quarter of approximately \$45 million."

Noteworthy developments in the second quarter included the launch of the NetDiscovery service that enables all wireline, wireless and cable telephony carriers to be in compliance with CALEA, the Communications Assistance for Law Enforcement Act, which will provide all carriers with a one-stop, turnkey solution to meet the requirements mandated by CALEA. VeriSign also made steady progress in advancing the WS-Security specification with IBM and Microsoft. Other developments included VeriSign's partnership with AOL Time Warner to introduce a secure IM platform for the enterprise space and an agreement with eBay to incorporate VeriSign's authentication and authorization services into the eBay online market process.

Additional Financial Information

VeriSign ended the second quarter with cash and cash equivalents of more than \$281 million.

Accounts receivable decreased to \$247 million as of June 30, 2002 as compared to \$283 as of March 31, 2002.

Net Days Sales Outstanding (Net DSOs), which takes into account the change in deferred revenue, decreased to 78 days from 81 days in the first quarter.

Deferred revenue on the balance sheet decreased to \$555 million as of June 30, 2002 as compared to \$588 million at March 31, 2002.

Cash flow from operations was approximately \$45 million for the second quarter as compared to \$24 million in the first quarter of 2002.

Enterprise and Service Provider Division (ESP) Highlights

The ESP Division, which includes the Telecommunications Services Group, delivered \$214 million or approximately 67% of total revenue in the quarter.

VeriSign ended the quarter with more than 4,700 active enterprise customers, as enterprises continue to turn to VeriSign for a broad range of digital trust services that enable them to increase revenues and reduce operational costs.

VeriSign ended the second quarter with 51 Affiliates, the same as in the first quarter. Additionally, early in the third quarter, VeriSign increased its equity stake in its Australian affiliate eSign from 19% to 51% for approximately \$2 million.

VeriSign's Registry business added 2.7 million new domain names in the second quarter and ended the quarter with 27.3 million active domain names.

VeriSign's Registry is now handling 7.5 billion look-ups per day on its DNS infrastructure as compared to 6.5 billion per day in the first quarter.

VeriSign's Telecommunications Services Group added 10 new signaling points in the second quarter, bringing the total number of signaling points to 985, up from 975 at the end of the first quarter. In addition, Telecom Services saw the number of queries on its

authoritative databases increase to 7.2 billion for the quarter, up from 6.6 billion last quarter.

Mass Markets Division Highlights

Mass Markets revenue was \$103 million or 33% of total revenue for the second quarter as compared to \$113 million in the first quarter of 2002.

VeriSign's Registrar registered approximately 550,000 gross new domain names during the second quarter and renewed or extended 660,000 additional names.

The Mass Markets group ended the quarter with 10.3 million active domain names under management, including 9.6 million in .com, .net and .org, which was comprised of more than 5 million unique customers.

VeriSign's website certificate business issued a total of 105,000 new and renewed certificates out of both the Mass Markets and ESP divisions ending the quarter with a base of more than 400,000 certificates. The Mass Markets group alone ended with a base of 275,000 certificates up from 270,000 last quarter.

VeriSign's Payments business ended the second quarter with more than 75,000 merchants under management, an increase of approximately 5,000 new merchants in the quarter. Further, the business processed more 58 million individual/unique transactions for more than \$3.4 billion during the quarter.

Today's Conference Call

VeriSign will be hosting a teleconference call today at 3:00 p.m. (PT) to review the second quarter 2002 earnings. The call will be accessible by direct dial at 800-967-7140. A listen-only live webcast of the quarterly earnings call will also be available on the company's Web site at www.verisign.com and at www.streetevents.com. A replay of the teleconference will be available by calling 888-203-1112 (passcode: 185890) beginning at 6:00 p.m. (PT) today and will run through August 2.

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 four core offerings - Web presence services, security services, payment services, and telecommunication services - powered by a global infrastructure that manages more than seven 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, including but not limited to, statements regarding benefits of VeriSign's restructuring 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 risk that businesses of previously-acquired companies 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 and pricing pressures; risk that the company may not be able to achieve anticipated cost savings from the restructuring; 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)

(Unaudited)

	June 30, 2002	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	\$ 177,293	\$ 306,054
Short-term investments	104,359	420,643
Accounts receivable, net	247,098	314,923
Prepaid expenses and other current assets	81,962	48,939
Total current assets	610,712	1,090,559
Property, plant and equipment, net	608,796	532,546
Goodwill and other intangible assets, net	1,350,764	5,691,169
Long-term investments	110,814	201,781
Other assets, net	11,367	21,453
	\$ 2,692,453	\$ 7,537,508
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 290,747	\$ 313,447
Accrued merger costs	24,939	49,069
Accrued restructuring costs	25,186	—
Deferred revenue	438,326	471,329
Total current liabilities	779,198	833,845
Long-term deferred revenue	117,151	150,727
Deferred income taxes	82,723	26,553
Other long-term liabilities	26,113	20,309
Total long-term liabilities	225,987	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:		
236,604,343 and 234,358,114		
(excluding 1,690,000 shares held in treasury		
at June 30, 2002 and December 31, 2001)	237	234
Additional paid-in capital	23,067,542	23,051,546

Notes receivable from stockholders	—	(252)
Unearned compensation	(19,581)	(27,042)
Accumulated deficit	(21,361,123)	(16,518,878)
Accumulated other comprehensive income	193	466
Total stockholders' equity	1,687,268	6,506,074
	\$ 2,692,453	\$ 7,537,508

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Revenues	\$ 317,409	\$ 231,197	\$ 645,225	\$ 444,610
Costs and expenses:				
Cost of revenues	146,296	80,308	295,998	154,648
Sales and marketing	69,281	65,337	136,600	129,788
Research and development	13,012	20,659	27,792	40,546
General and administrative	46,622	34,842	85,089	66,008
Restructuring and other	67,779	—	67,779	—
Amortization and write-down of goodwill and other intangible assets	4,686,119	11,269,036	4,771,042	12,643,805
Total costs and expenses	5,029,109	11,470,182	5,384,300	13,034,795
Operating loss	(4,711,700)	(11,238,985)	(4,739,075)	(12,590,185)
Other income (expense), net	(90,663)	19,151	(102,833)	(34,012)
Minority interest in net income of subsidiary	(172)	(309)	(337)	(519)
Loss before income taxes	(4,802,535)	(11,220,143)	(4,842,245)	(12,624,716)
Income tax benefit	—	29,413	—	56,609
Net loss	\$ (4,802,535)	\$ (11,190,730)	\$ (4,842,245)	\$ (12,568,107)
Net loss per share:				
Basic	\$ (20.31)	\$ (55.49)	\$ (20.52)	\$ (62.65)
Diluted	\$ (20.31)	\$ (55.49)	\$ (20.52)	\$ (62.65)
Shares used in per share computation:				
Basic	236,435	201,675	235,940	200,624
Diluted	236,435	201,675	235,940	200,624

VERISIGN, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30, 2002			Three Months Ended June 30, 2001		
	Reported	Pro Forma Entries	Pro Forma	Reported	Pro Forma Entries	Pro Forma
Revenues	\$ 317,409	\$ —	\$ 317,409	\$ 231,197	\$ —	\$ 231,197
Costs and expenses:						
Cost of revenues	146,296	(548)	(a)145,748	80,308	(1,700)	(a)78,608
Sales and marketing	69,281	(2,641)	(a)66,640	65,337	(1,020)	(a)64,317
Research and development	13,012	(330)	(a)12,682	20,659	(330)	(a)20,329
General and administrative	46,622	(208)	(a)46,414	34,842	(679)	(a)34,163
Restructuring and other	67,779	(67,779)	(b)—	—	—	—
Amortization and write-down of goodwill and other intangible assets	4,686,119	(4,686,119)	(c)—	11,269,036	(11,269,036)	(c)—
Total costs and expenses	5,029,109	(4,757,625)	271,484	11,470,182	(11,272,765)	197,417
Operating income (loss)	(4,711,700)	4,757,625	45,925	(11,238,985)	11,272,765	33,780
Other income (expense), net	(90,663)	94,767	(d)4,104	19,151	—	19,151
Minority interest in net income of subsidiary	(172)	—	(172)	(309)	—	(309)
Income (loss) before income taxes	(4,802,535)	4,852,392	49,857	(11,220,143)	11,272,765	52,622
Income tax benefit	—	—	—	29,413	(29,413)	(e)—
Net income (loss)	\$ (4,802,535)	\$ 4,852,392	\$ 49,857	\$ (11,190,730)	\$ 11,243,352	\$ 52,622
Net income (loss) per						

share:						
Basic	\$ (20.31)		\$.21	\$ (55.49)		\$.26
Diluted	\$ (20.31)		\$.21	\$ (55.49)		\$.25

Shares used
in per
share
computation:

Basic	236,435		236,435	201,675		201,675
Diluted	236,435	2,946	(f) 239,381	201,675	9,865	(f) 211,540

Notes:

- (a) Non-cash stock based compensation expense resulting from acquisitions
- (b) Restructuring and other
- (c) Amortization and write-down of acquired goodwill and intangible assets
- (d) 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)

	Six Months Ended June 30, 2002			Six Months Ended June 30, 2001		
	Reported	Pro Forma Entries	Pro Forma	Reported	Pro Forma Entries	Pro Forma
Revenues	\$ 645,225	\$ —	\$ 645,225	\$ 444,610	\$ —	\$ 444,610
Costs and expenses:						
Cost of revenues	295,998	(1,096)	(a)294,902	154,648	(3,405)	(a)151,243
Sales and marketing	136,600	(5,285)	(a)131,315	129,788	(2,044)	(a)127,744
Research and development	27,792	(660)	(a)27,132	40,546	(660)	(a)39,886
General and administrative	85,089	(417)	(a)84,672	66,008	(1,361)	(a)64,647
Restructuring and other	67,779	(67,779)	(b)—	—	—	—
Amortization and write- down of goodwill and other intangible	4,771,042	(4,771,042)	(c)—	12,643,805	(12,643,805)	(c)—

assets						
Total costs and expenses	5,384,300	(4,846,279)	538,021	13,034,795	(12,651,275)	383,520
Operating income (loss)	(4,739,075)	4,846,279	107,204	(12,590,185)	12,651,275	61,090
Other income (expense), net	(102,833)	113,540	(d)10,707	(34,012)	74,690	(d)40,678
Minority interest in net income of subsidiary	(337)	—	(337)	(519)	—	(519)
Income (loss) before income taxes	(4,842,245)	4,959,819	117,574	(12,624,716)	12,725,965	101,249
Income tax benefit	—	—	—	56,609	(56,609)	(e)—
Net income (loss)	\$ (4,842,245)	\$ 4,959,819	\$ 117,574	\$ (12,568,107)	\$ 12,669,356	\$ 101,249

Net income (loss) per share:

Basic	\$ (20.52)		\$.50	\$ (62.65)		\$.50
Diluted	\$ (20.52)		\$.49	\$ (62.65)		\$.48

Shares used in per share computation:

Basic	235,940		235,940	200,624		200,624
Diluted	235,940	4,346	(f) 240,286	200,624	10,558	(f) 211,182

Notes:

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

(b) Restructuring and other

(c) Amortization and write-down of acquired goodwill and intangible assets

(d) Write-down of investments

(e) Income tax benefit

(f) Dilutive stock options

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