

VeriSign Reports Third Quarter 2002 Results

MOUNTAIN VIEW, CA - October 24, 2002 - VeriSign, Inc. (Nasdaq: VRSN), the leading provider of digital trust services, today reported its results for the third quarter ended September 30, 2002.

VeriSign reported revenue of \$301 million for the third quarter. On a pro forma basis, operating income for the third quarter was \$47 million and pro forma net income was \$44 million or \$0.19 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 third quarter 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 \$48 million, pro forma earnings per share for the third quarter were \$0.14 per fully-diluted share.

"While there are continued challenges in the IT and telecom markets, we were pleased to be able to meet our business and financial objectives for the quarter," said Stratton Sclavos, Chairman and CEO of VeriSign. "From an operational perspective, we remain focused on those objectives that we can control - developing new products, supporting our customers and improving operational and financial rigor."

On a GAAP basis, VeriSign reported a net loss of \$80 million primarily due to a \$56 million non-cash charge for the amortization of goodwill and intangibles, a non-cash write-down of approximately \$53 million on its long-term investment portfolio and a \$6 million charge related to the company's on-going efforts of the corporate restructuring announced in April 2002.

"We continue to stay focused on efficiently executing our business and managing operations and expenses across the company," said Dana Evan, Chief Financial Officer of VeriSign. "We were encouraged to have seen some good initial results from our efforts with an improvement to our balance sheet and strong cash flow generation this quarter."

Notable business developments during the third quarter included several key announcements regarding VeriSign's partnerships with such leading technology players as IBM, Intel and others. In its partnership 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 this year. The new services include VeriSign Access ManagementSM Service and the IBM-VeriSign Trusted e-business Integration Solution. In addition, VeriSign and Intel announced a deal to strengthen the security for next generation wireless notebook computers. VeriSign will optimize its digital certificates and Personal Trust Agent for native integration into Intel's future mobile computing platform known as "Banias." Other business developments during the quarter included the company's transition out of the third-party product reselling component of its consulting business.

Additional Financial Information

VeriSign ended the third quarter with cash and cash equivalents of more than \$327 million, an increase of approximately \$45 million from the second quarter.

Accounts receivable decreased to \$206 million as of September 30, 2002 as compared to \$247 million as of June 30, 2002.

Net Days Sales Outstanding (Net DSOs), which takes into account the change in deferred revenue, decreased to 68 days from 78 days in the second quarter.

Deferred revenue on the balance sheet decreased \$28 million to \$527 million as of September 30, 2002 as compared to \$555 million at June 30, 2002.

Cash flow from operations was approximately \$82 million for the third quarter as compared to \$47 million in the second quarter of 2002.

Capital expenditures for the third quarter were approximately \$37 million down marginally from \$42 million in the second quarter.

Enterprise and Service Provider (ESP) Division Highlights

The ESP Division, which includes the VeriSign Telecommunication Services Group, delivered \$201 million or approximately 67% of total revenue in the quarter.

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

VeriSign ended the third quarter with 46 Affiliates, down 5 from the second quarter.

VeriSign expanded its direct presence in the Pacific region and Europe during the third quarter. In Australia, the company increased its equity stake in its affiliate eSign from 19% to 51%, as eSign changed its name to VeriSign Australia, and in Germany, VeriSign launched its direct presence with offices in Berlin.

VeriSign's Registry business added 2.7 million new domain names in the third quarter, ending the quarter with 27.5 million active domain names. VeriSign's Registry is now handling over 7 billion look-ups per day on its DNS infrastructure.

VeriSign's Telecommunication Services Group added 19 new signaling points in the third quarter, bringing the total number of signaling points to 1,004 from 985 at the end of the second quarter. In addition, Telecommunication Services saw the number of queries on its authoritative databases increase to 7.9 billion for the quarter, up from 7.2 billion last quarter.

Mass Markets Division Highlights

Mass Markets revenue was \$100 million or 33% of total revenue for the third quarter, a modest 3% decline from second quarter revenue of \$103 million.

VeriSign's Registrar added approximately 500,000 new domain names during the third quarter and renewed or extended 700,000 additional names, providing for a 48% renewal rate for the third quarter as compared to a 45% renewal rate for the second quarter.

VeriSign ended the third quarter with 9.7 million active domain names under management, including 8.7 million in .com, .net and .org.

VeriSign's website certificate business issued approximately 95,000 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.

VeriSign's Payments business ended the second quarter with approximately 80,000 merchants under management, an increase of approximately 5,000 merchants in the quarter. Further, the business processed more than 61 million individual/unique transactions for more than \$3.7 billion during the quarter.

Today's Conference Call

VeriSign will be hosting a teleconference call today at 2:00 pm (PDT) to review the third quarter 2002 earnings. The call will be accessible by direct dial at (800) 475-3716. 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: 242760) beginning at 6:00 pm (PDT) today and will run through November 1st.

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.

###

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 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; 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)

	September 30, 2002 (Unaudited)	December 31, 2001
Assets		
Current assets:		
Cash and cash equivalents	\$ 212,650	\$ 306,054
Short-term investments	114,386	420,643

Accounts receivable, net	206,000	314,923
Prepaid expenses and other current assets	74,721	48,939
Total current assets	607,757	1,090,559
Property and equipment, net	620,425	532,546
Goodwill and other intangible assets, net	1,305,262	5,691,169
Long-term investments	55,024	201,781
Other assets, net	10,455	21,453
	\$ 2,598,923	\$ 7,537,508

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	\$ 297,307	\$ 313,447
Accrued merger costs	14,791	49,069
Accrued restructuring costs	24,961	—
Deferred revenue	400,191	471,329
Total current liabilities	737,250	833,845
Long-term deferred revenue	126,409	150,727
Deferred taxes	91,878	26,553
Other long-term liabilities	26,060	20,309
Total long-term liabilities	244,347	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:

237,156,305 and 234,358,114

(excluding 1,690,000 shares held in treasury

at September 30, 2002 and December 31, 2001)

	237	234
Additional paid-in capital	23,070,527	23,051,546
Notes receivable from stockholders	—	(252)
Unearned compensation	(10,809)	(27,042)
Accumulated deficit	(21,440,795)	(16,518,878)
Accumulated other comprehensive income	(1,834)	466
Total stockholders' equity	1,617,326	6,506,074
	\$ 2,598,923	\$ 7,537,508

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Revenues	\$ 301,441	\$ 255,155	\$ 946,666	\$ 699,765
Costs and expenses:				
Cost of revenues	140,086	83,518	436,084	238,166
Sales and marketing	60,792	65,803	197,392	195,591
Research and development	9,613	21,649	37,405	62,195
General and administrative	53,189	37,250	138,278	103,258
Restructuring and other	5,560	—	73,339	—
Amortization and write-down of goodwill and other intangible assets	56,201	459,724	4,827,243	13,103,529
Total costs and expenses	325,441	667,944	5,709,741	13,702,739
Operating loss	(24,000)	(412,789)	(4,763,075)	(13,002,974)
Other income (expense), net	(51,193)	16,556	(154,025)	(17,456)
Minority interest in net income of subsidiary	(237)	(405)	(575)	(924)
Loss before income taxes	(75,430)	(396,638)	(4,917,675)	(13,021,354)
Income tax benefit	(4,242)	9,903	(4,242)	66,512
Net loss	\$ (79,672)	\$ (386,735)	\$ (4,921,917)	\$ (12,954,842)
Net loss per share:				
Basic	\$ (.34)	\$ (1.91)	\$ (20.83)	\$ (64.34)
Diluted	\$ (.34)	\$ (1.91)	\$ (20.83)	\$ (64.34)
Shares used in per share computation:				
Basic	236,958	202,894	236,283	201,362
Diluted	236,958	202,894	236,283	201,362

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

	Three Months Ended September 30, 2002		Three Months Ended September 30, 2001		
	Pro Forma Reported	Pro Forma Entries	Pro Forma Reported	Pro Forma Entries	Pro Forma

Revenues	\$ 301,441	\$ —	\$ 301,441	\$ 255,155	\$ —	\$ 255,155
Costs and expenses:						
Cost of revenues	140,086	(3,072)	(a)137,014	83,518	2,648	(a)86,166
Sales and marketing	60,792	(4,154)	(a)56,638	65,803	1,044	(a)66,847
Research and development	9,613	(330)	(a)9,283	21,649	(330)	(a)21,319
General and administrative	53,189	(1,216)	(a)51,973	37,250	27	(a)37,277
Restructuring and other	5,560	(5,560)	(b)—	—	—	—
Amortization of goodwill and other intangible assets	56,201	(56,201)	(c)—	459,724	(459,724)	(c)—
Total costs and expenses	325,441	(70,533)	254,908	667,944	(456,335)	211,609
Operating income (loss)	(24,000)	70,533	46,533	(412,789)	456,335	43,546
Other income (expense), net	(51,193)	53,231	(d)2,038	16,556	—	16,556
Minority interest in net income of subsidiary	(237)	—	(237)	(405)	—	(405)
Income (loss) before income taxes	(75,430)	123,764	48,334	(396,638)	456,335	59,697
Income tax benefit	(4,242)	—	(4,242)	9,903	(9,903)	(e)—
Net income (loss)	\$ (79,672)	\$ 123,764	\$ 44,092	\$ (386,735)	\$ 446,432	\$ 59,697
Net income (loss) per share:						
Basic	\$ (.34)		\$.19	\$ (1.91)		\$.29
Diluted	\$ (.34)		\$.19	\$ (1.91)		\$.28
Shares used in per share computation:						
Basic	236,958		236,958	202,894		202,894

Diluted 236,958 971 (f) 237,929 202,894 7,955 (f) 210,849

Notes:

- (a) Non-cash stock based compensation charges resulting from acquisitions
- (b) Restructuring and other
- (c) Amortization 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)

	Nine Months Ended September 30, 2002			Nine Months Ended September 30, 2001		
	Reported	Pro Forma Entries	Pro Forma	Reported	Pro Forma Entries	Pro Forma
Revenues	\$ 946,666	\$ —	\$ 946,666	\$ 699,765	\$ —	\$ 699,765
Costs and expenses:						
Cost of revenues	436,084	(4,168)	(a)431,916	238,166	(757)	(a)237,409
Sales and marketing	197,392	(9,439)	(a)187,953	195,591	(1,000)	(a)194,591
Research and development	37,405	(990)	(a)36,415	62,195	(990)	(a)61,205
General and administrative	138,278	(1,633)	(a)136,645	103,258	(1,334)	(a)101,924
Restructuring and other	73,339	(73,339)	(b)—	—	—	—
Amortization and write-down of goodwill and other intangible assets	4,827,243	(4,827,243)	(c)—	13,103,529	(13,103,529)	(c)—
Total costs and expenses	5,709,741	(4,916,812)	792,929	13,702,739	(13,107,610)	595,129
Operating income (loss)	(4,763,075)	4,916,812	153,737	(13,002,974)	13,107,610	104,636
Other income (expense), net	(154,025)	166,771	(d)12,746	(17,456)	74,690	(d)57,234
Minority interest in net	(575)	—	(575)	(924)	—	(924)

income of subsidiary						
Income (loss) before income taxes	(4,917,675)	5,083,583	165,908	(13,021,354)	13,182,300	160,946
Income tax benefit (expense)	(4,242)	—	(4,242)	66,512	(66,512)	(e)—
Net income (loss)	\$ (4,921,917)	\$ 5,083,583	\$ 161,666	\$ (12,954,842)	\$ 13,115,788	\$ 160,946

Net income (loss) per share:

Basic	\$ (20.83)		\$.68	\$ (64.34)		\$.80
Diluted	\$ (20.83)		\$.67	\$ (64.34)		\$.76

Shares used in per share computation:

Basic	236,283		236,283	201,362		201,362
Diluted	236,283	3,946	(f) 240,229	201,362	9,784	(f) 211,146

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) Write-down of investments
- (e) Income tax benefit
- (f) Dilutive stock options

Contacts:

Media Relations: Tom Galvin, tgalvin@verisign.com, 650-426-5526

Investor Relations: Steven Gatoff, sgatoff@verisign.com, 650-426-4560