

VeriSign Reports Third Quarter Results

Continued Demand for Broad Range of Services Fuels Revenue and Earnings Growth

Mountain View, CA, October 25, 2001 - VeriSign, Inc. (Nasdaq:VRSN), the leading provider of digital trust services, today reported its third quarter results for the quarter ending September 30, 2001.

Announced revenues for the third quarter of fiscal 2001 were \$255.2 million, compared to \$173.1 million for the same period last year, a 47% increase.

Pro forma net income for the quarter ended September 30, 2001, excluding the amortization of goodwill and intangible assets related to acquisitions, stock-based compensation charges related to acquisitions, and benefit for income taxes, was \$59.7 million, or \$0.28 diluted earnings per share compared to pro forma net income in the quarter ended September 30, 2000 of \$36.0 million, or \$0.17 diluted earnings per share.

Pro forma operating income for the third quarter, excluding stock-based compensation charges and the amortization of goodwill and intangible assets, was \$43.5 million, or a 17.1% operating margin, as compared to \$16.8 million, or a 9.7% operating margin, in the quarter ended September 30, 2000.

"Continued demand by our customers to utilize our digital trust services as the foundation for online commerce and communications drove our strong third quarter results," said Stratton Sclavos, president and CEO of VeriSign. "As we look ahead into 2002, we remain convinced that our broad portfolio of services, highly scalable global infrastructure and unique distribution model position us for continued growth and execution."

For the third quarter of fiscal 2001, deferred revenue balances increased 3% sequentially to \$585 million, and cash and investments totaled \$1.2 billion for the quarter ended September 30, 2001. Including the amortization of goodwill and intangible assets related to acquisitions, stock-based compensation charges, and benefit for income taxes, the net loss for the quarter ended September 30, 2001 was \$386.7 million.

Enterprise/Service Provider Division

	Q301	Q201	Q101	Q400
Enterprise - Active Customers	3,775	3,330	3,120	3,000
Affiliate - Active Customers	46	38	37	35
Registry - Active	93	84	82	77

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 and global registry services.

In the enterprise arena, VeriSign ended the quarter with over 3,775 active enterprise customers, up from 3,330 last quarter, an indication of the continued strong demand for a broad range of services that enable enterprises to increase revenues and reduce

operational costs. In particular, VeriSign saw very healthy growth in the PKI space with the addition of several large customers across the energy, insurance, healthcare and manufacturing sectors.

VeriSign's Affiliate program thrived in the quarter with the addition of 5 new international affiliates, and 3 vertical market affiliates in the U.S., bringing the total number of affiliates in the VeriSign Trust Network to 46, up from 38 last quarter. In addition, VeriSign strengthened its relationship with two existing affiliates for the territories of Canada and Australia, adding payment platforms to their existing PKI platforms. VeriSign now has a total of 9 affiliates that intend to deliver its payment services in their markets.

The Registry Services group continued to see demand for .com and .net domain names with the addition of 2.6 million new names in the third quarter. The Registry Services group also processed the renewal, extension or transfer of an additional 2.6 million domain names during the quarter, bringing the total number of paid domain name transactions to 5.2 million. The authoritative database for all domain names ending in .com, .net and .org contained over 32 million domain names at the end of Q3. In addition, the number of customers at the registry increased to 93 in the third quarter, up from 84 at the end of last quarter. The Registry Services group also continued to execute on its strategy to expand its service offerings into new areas including country-code or ccTLD services, keyword services, location-based directory services and eNUM services.

Mass Market Division

	Q301	Q201	Q101	Q400
Registrar - Active Customers	6.5 million	6.5 million	6.5 million	6.3 million
Website - Installed Certificates	250,000	238,000	225,000	210,000
Payment - Active Merchants	56,000	50,000	20,000	15,000

VeriSign's Mass Market Division, which sells services through its retail websites as well as a network of ISPs, 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 third quarter by registering approximately 750 thousand new domain names and renewing or extending an additional 1.2 million. The Mass Markets group ended the quarter with 6.5 million unique customers with more than 14.5 million active domain names under management.

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 98,000 new and renewed certificates issued, increasing the installed base to over 348,000 certificates. This represented 53% growth over the third quarter of 2000 and 6% growth over the second quarter ended June 30, 2001. In particular, the Mass Market website certificate base grew to 250,000, up 5% from 238,000 certificates last quarter.

The VeriSign Payment Services (VPS) business saw another quarter of outstanding

growth ending the quarter with more than 56,000 active merchant customers under management, up from more than 50,000 in the second quarter ended June 30, 2001. In addition, VPS processed over \$2 billion of e-commerce transactions through the payment gateway representing 44 million round-trip transactions.

Other Q3 Highlights

Another significant event in the quarter was VeriSign's announcement of its agreement to acquire Illuminet Holdings, the leading independent provider of intelligent network and signaling services to communications carriers in both wireless and wire line markets. Through this combination, service providers and enterprises will have the opportunity to use VeriSign's and Illuminet's highly scalable infrastructures to deliver next generation data and voice services

During the quarter, VeriSign also made significant strides to strengthen its consulting business by naming a new general manager and by combining and consolidating the existing VeriSign Network Security Services, Internet Technology Services and PKI Professional Services organizations. VeriSign also moved to expand the customer base and geographic coverage of the consulting group with the acquisition of Exault, a privately held network security and consulting firm based in Chicago. Headcount in the newly formed Consulting Services Group, including Exault, grew to 220 professionals up from 190 in Q2.

In addition, VeriSign launched a fully integrated suite of e-commerce services to enable small businesses to get started on the Internet and manage their growing e-business more effectively. The bundled services help companies build web sites, create online catalogs, process payments, conduct real-time credit card processing and secure all transactions.

VeriSign also announced a strategic alliance with ActivCard to deliver seamlessly integrated, strong two-factor authentication solutions for enterprises, service providers, government agencies and smart card manufacturers engaged in wire line and wireless e-commerce. The alliance will combine ActivCard's leading two-factor authentication solutions with VeriSign's award-winning managed PKI service.

Conference Call Information:

VeriSign will host a conference call at 2:00pm (Pacific) this afternoon to review the third quarter earnings announcement. A listen-only live broadcast of the Q3 earnings conference call will be available at www.verisign.com or www.streetfusion.com. The live teleconference may also be accessed by direct dial at (800) 289-0493. A replay of the teleconference will also be available at (888) 203-1112 (passcode: 622732) beginning at 5:00pm (Pacific) on October 25th and running 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 three core offerings - web identity, 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, failure of the Illuminet merger to close due to the failure to obtain regulatory or other approvals; failure of the Illuminet stockholders to approve the merger; the risk that the VeriSign and Illuminet 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; 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, Registration Statement on Form S-4 filed on October 10, 2001 and Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 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

PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months		Nine Months	
	Ended Sept. 30		Ended Sept. 30	
	2001	2000	2001	2000
Revenues	\$ 255,155	\$ 173,086	\$ 699,765	\$ 277,411
Costs and expenses:				
Cost of revenues	86,166	59,939	237,409	94,971
Sales and marketing	66,847	57,974	194,591	100,492
Research and development	21,319	14,485	61,205	26,028
General and administrative	37,277	23,869	101,924	35,705
Total costs and expenses	211,609	156,267	595,129	257,196
Operating income	43,546	16,819	104,636	20,215
Other income:				
Interest and investment income	18,309	20,497	58,964	29,981
Other expense, net	(1,753)	(1,138)	(1,730)	(1,595)
Total other income	16,556	19,359	57,234	28,386
Income before minority interests	60,102	36,178	161,870	48,601
Minority interest in net income of subsidiary	(405)	(130)	(924)	(40)
Net income	\$ 59,697	\$ 36,048	\$ 160,946	\$ 48,561
Net income per share:				
Basic	\$.29	\$.18	\$.80	\$.33
Diluted	\$.28	\$.17	\$.76	\$.29

Shares used in per share computation:

Basic.	202,894	195,346	201,362	146,307
Diluted.	210,849	215,219	211,146	166,639

Note: The above unaudited pro forma condensed consolidated statements of operations exclude the effects of the amortization and write-down of goodwill and intangible assets, stock-based compensation charges, the write-down of investments, and tax benefits.

VERISIGN, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended Sept. 30		Nine Months Ended Sept 30	
	2001	2000	2001	2000
Revenues	\$ 255,155	\$ 173,086	\$ 699,765	\$ 277,411
Costs and expenses:				
Cost of revenues	83,518	59,939	238,166	94,971
Sales and marketing.	65,803	57,974	195,591	100,492
Research and development	21,649	14,485	62,195	26,028
General and administrative	37,250	23,869	103,258	35,705
Write-off of acquired in-process research and development.	—	—	—	54,000
Amortization and write-down of goodwill and other intangible assets	459,724	1,362,606	13,103,529	1,832,836
Total costs and expenses.	667,944	1,518,873	13,702,739	2,144,032
Operating loss	(412,789)	(1,345,787)	(13,002,974)	(1,866,621)
Other income:				
Interest and investment income (loss)	18,309	22,870	(15,726)	64,977
Other expenses, net	(1,753)	(1,138)	(1,730)	(1,595)
Total other income (expense).	16,556	21,732	(17,456)	63,382
Loss before income taxes and minority interests.	(396,233)	(1,324,055)	(13,020,430)	(1,803,239)
Income tax benefit	9,903	—	66,512	—
Loss before minority interest	(386,330)	(1,324,055)	(12,953,918)	(1,803,239)
Minority interest in net income of subsidiary	(405)	(130)	(924)	(40)
Net loss.	\$(386,735)	\$(1,324,185)	\$(12,954,842)	\$(1,803,279)

Net loss per share:

Basic and diluted.	\$ (1.91)	\$ (6.78)	\$ (64.34)	\$ (12.33)
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Shares used in per share computation:

Basic and diluted.	202,894	195,346	201,362	146,307
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VERISIGN, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	Sept. 30, 2001	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents.	\$ 565,717	460,362
Short-term investments.	149,066	565,913
Accounts receivable, net.	228,376	128,011
Prepaid expenses and other current assets.	41,008	32,146
Total current assets.	984,167	1,186,432
Property and equipment, net.	133,637	105,602
Goodwill and other intangible assets, net.	4,700,764	17,656,641
Long-term investments.	471,816	209,145
Deferred income taxes.	66,642	—
Other assets, net.	37,640	37,402
	\$ 6,394,666	\$ 19,195,222
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities.	\$ 247,192	\$ 212,766
Deferred revenue.	442,625	452,713
Total current liabilities.	689,817	665,479

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Long-term deferred revenue.	142,196	55,575
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Other long-term liabilities.	4,007	3,560
..		
Total long-term liabilities	146,203	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:		
202,940,772 and 198,639,497		
excluding 1,190,000 and 40,000		
shares held in treasury.		
...	203	199
Additional paid-in capital.	21,704,386	21,670,647
...		
Notes receivable from		
stockholders.	(252)	(245)
Unearned compensation.	(30,660)	(36,365)
....		
Accumulated deficit.	(16,117,768)	(3,162,926)
...		
Accumulated other comprehensive		
income (loss).	2,737	(702)
..		
Total stockholders' equity.	5,558,646	18,470,608
....		
	\$ 6,394,666	\$ 19,195,222

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