UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ______________ TO _______________

COMMISSION FILE NUMBER: 000-23593

VERISIGN, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	94-3221585
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1390 SHOREBIRD WAY, MOUNTAIN VIEW, CA 94043-1338
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (650) 961-7500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares Outstanding July 31, 1998
Common stock, $.001 par value	22,511,430

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EXHIBIT

Exhibit 27.01 Financial Data Schedule (available in EDGAR format only).

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The consolidated financial statements included under this item are as follows:

VERISIGN, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
Revenues	$ 5,301	$ 2,249	$ 9,303	$ 3,516
Costs and expenses:				
Cost of revenues	2,939	1,733	5,771	3,152
Sales and marketing	4,769	2,686	8,886	4,940
Research and development	1,931	1,222	3,537	2,251
General and administrative	1,489	864	2,927	1,817
Total costs and expenses	11,128	6,505	21,121	12,160
Operating loss	(5,827)	(4,256)	(11,818)	(8,644)
Other income	637	166	1,013	635
Loss before minority interest	(5,190)	(4,090)	(10,805)	(8,009)
Minority interest in net loss of subsidiary	325	482	713	787
Net loss	$(4,865)	$(3,608)	$(10,092)	$(7,222)
Basic and diluted net loss per share	$(.23)	$(.56)	$(.54)	$(1.13)
Shares used in per share computations	20,787	6,441	18,593	6,411

See accompanying Notes to Consolidated Financial Statements

VERISIGN, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	JUNE 30, 1998	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,883	$ 3,943
Short-term investments	22,994	7,951
Receivables	4,328	2,274
Prepaid expenses and other current assets	1,067	750
Total current assets	51,272	14,918
Property and equipment, net	9,231	8,622
Other assets	880	866
	$ 61,383	$ 24,406
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,865	$ 2,526
Accrued liabilities	3,830	2,346
Deferred revenue	7,618	4,819
Total current liabilities	13,313	9,691
Minority interest in subsidiary	1,533	2,246
Commitments		
Stockholders' equity:		
Preferred stock, $.001 par value; 5,000,000 shares authorized; none issued	--	--
Convertible preferred stock, $.001 par value; 10,282,883 shares authorized in 1997; 10,031,006 shares issued and outstanding in 1997	--	10
Common stock, $.001 par value; 50,000,000 shares authorized; 20,838,304 and 7,120,238 shares issued and outstanding, respectively	21	7
Additional paid-in capital	88,950	44,908
Notes receivable from stockholders	(582)	(644)
Deferred compensation	(328)	(380)
Accumulated deficit	(41,524)	(31,432)
Total stockholders' equity	46,537	12,469
	$ 61,383	$ 24,406

See accompanying Notes to Consolidated Financial Statements

VERISIGN, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED JUNE 30,	
	1998	1997
Cash flows from operating activities:		
Net loss	$(10,092)	$ (7,222)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,717	621
Minority interest in net loss of subsidiary	(713)	(787)
Stock-based compensation	52	--
Loss on disposal of property and equipment	50	--
Changes in operating assets and liabilities:		
Receivables	(2,054)	(451)
Prepaid expenses and other current assets	(317)	148
Accounts payable	(661)	(926)
Accrued liabilities	1,484	18
Deferred revenue	2,799	254
Net cash used in operating activities	(7,735)	(8,345)
Cash flows from investing activities:		
Purchases of short-term investments	(36,563)	(9,716)
Maturities and sales of short-term investments	21,520	--
Purchases of property and equipment	(2,362)	(4,107)
Other assets	(28)	(610)
Net cash used in investing activities	(17,433)	(14,433)
Cash flows from financing activities:		
Proceeds from bank borrowings	--	616
Collections on notes receivable from stockholders	62	--
Net proceeds from issuance of common stock	44,046	--
Net cash provided by financing activities	44,108	616
Net change in cash and cash equivalents	18,940	(22,162)
Cash and cash equivalents at beginning of period	3,943	29,983
Cash and cash equivalents at end of period	$ 22,883	$ 7,821
Noncash financing and investing activities:		
Conversion of convertible preferred stock to common stock	--	--
Issuance of notes receivable collateralized by common stock	--	$ 115

See accompanying Notes to Consolidated Financial Statements

VERISIGN, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1998 AND 1997

(1) BASIS OF PRESENTATION

The accompanying interim unaudited consolidated balance sheets and statements of operations and cash flows reflect all normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the financial position of VeriSign, Inc. ("VeriSign" or the "Company") at June 30, 1998, and the results of operations and cash flows for the interim periods ended June 30, 1998 and 1997.

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes necessary for a complete presentation of the Company's results of operations, financial position, and cash flows. In conformity with generally accepted accounting principles, the Company filed audited consolidated financial statements that included all information and footnotes necessary for such a presentation for the period from April 12, 1995 (inception) to December 31, 1995, and for each of the years in the two-year period ended December 31, 1997, in the Company's Prospectus, dated January 29, 1998, filed as part of a Registration Statement on Form S-1 (No. 333-40789), as amended, in connection with the Company's initial public offering ("IPO").

The results of operations for any interim period are not necessarily indicative of the results of the Company's operations for any other future interim period or for a full fiscal year.

(2) STOCKHOLDERS' EQUITY

On January 30, 1998, the Company completed its IPO issuing 3,450,000 shares of its Common Stock (including 450,000 shares issued upon the exercise of the underwriters' over-allotment option) at an initial public offering price of $14 per share. The net proceeds to the Company from the offering, after deducting underwriting discounts and commissions and offering expenses incurred by the Company, were approximately $43.7 million. Concurrently, with the IPO, each outstanding share of the Company's Convertible Preferred Stock was automatically converted into one share of Common Stock.

(3) REVENUE RECOGNITION

For software transactions entered into beginning January 1, 1998, the Company adopted the American Institute of Certified Public Accountants' Statement of Position ("SOP") No. 97-2, Software Revenue Recognition. SOP No. 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair value of the elements. The fair value of the element must be based on objective evidence that is specific to the vendor. If a vendor does not have objective evidence of the fair value of all elements in a multiple-element arrangement, all revenue from the arrangement must be deferred until such evidence exists or until all elements have been delivered. The adoption of SOP No. 97-2 did not have a material effect on the Company's operating results.

(4) NET LOSS PER SHARE

Basic earnings per share is computed using the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted-average number of common and common equivalent shares outstanding during the period. Common stock equivalent shares are excluded from the computation if their effect is antidilutive. Antidilutive common equivalent shares excluded from basic and diluted loss per share for the three-month periods ending June 30, 1998 and 1997 were comprised of common stock options, which totaled 2,207,066 and 448,879, respectively, and the weighted average number of convertible preferred stock shares outstanding during the three-month period ending June 30, 1997, which totaled 10,031,006. For the six-month periods ending June 30, 1998 and 1997, the antidilutive common equivalent shares excluded from basic and diluted loss per share were comprised

(4) NET LOSS PER SHARE (CONTINUED)

of common stock options, which totaled 2,209,434 and 561,123, respectively, and the weighted average number of convertible preferred stock shares outstanding, which totaled 1,607,148 and 10,031,006, respectively.

(5) COMPREHENSIVE INCOME

Effective January 1, 1998, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income. SFAS No. 130 establishes standards for the display of comprehensive income and its components in a full set of financial statements. Comprehensive income includes all changes in equity during a period except those resulting from the issuance of stock and distributions to stockholders. There were no material differences between the Company's net loss and its comprehensive loss.

(6) RECENT ACCOUNTING PRONOUNCEMENT

In March 1998, the American Institute of Certified Public Accountants issued SOP No. 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP No. 98-1 requires that certain costs related to the development or purchase of internal-use software be capitalized and amortized over the estimated useful life of the software. SOP No. 98-1 is effective for financial statements issued for fiscal years beginning after December 15, 1998. The Company does not expect the adoption of SOP No. 98-1 to have a material impact on its results of operations.

(7) SUBSEQUENT EVENT

On July 6, 1998, the Company issued approximately 1,666,000 shares of its common stock in exchange for all of the outstanding common stock of SecureIT, Inc., a provider of Internet security products and services. The business combination will be accounted for as a pooling-of-interests combination, and, accordingly, the Company's historical consolidated financial statements presented in future reports will be restated to include the accounts and results of operations of SecureIT, Inc.

The following unaudited pro forma data summarize the combined results of operations of VeriSign, Inc. and SecureIT, Inc. as if the combination had been consummated on June 30, 1998, and reflect adjustments to conform the accounting methods of SecureIT, Inc. to those of VeriSign, Inc.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
Revenues	$ 8,555	$ 2,931	$15,217	$ 4,520
Net loss	$(4,774)	$(3,508)	$(9,477)	$(7,054)
Basic and diluted net loss per share	$ (.21)	$ (.44)	$ (.47)	$ (.89)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the interim unaudited consolidated financial statements and notes thereto.

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statement. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in the section below entitled "Factors That May Affect Future Results Of Operations." Readers should carefully review the risks described in the other documents that the Company has filed from time to time with the United States Securities and Exchange Commission, including its Quarterly Reports on Form 10-Q and the Company's Prospectus dated January 29, 1998. Readers are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. The Company undertakes no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

OVERVIEW

VeriSign, Inc. ("VeriSign" or the "Company") is the leading provider of public key infrastructure ("PKI") and digital certificate solutions needed by companies, government agencies, trading partners and individuals to conduct trusted and secure communications and commerce over the Internet, and over intranets and extranets using the Internet Protocol (collectively, "IP networks"). Headquartered in Mountain View, California, the Company was incorporated in April 1995 as a spin-out of RSA Data Security ("RSA"), a subsidiary of Security Dynamics Technologies, Inc.. Since its founding, VeriSign has issued more than 65,000 Digital IDs to Web sites and 3,000,000 IDs to consumers, in partnership with leading companies including Acer, AT&T, British Telecommunications, Lotus, Lucent Technologies, Microsoft, Netscape and Network Associates. The Company has delivered enterprise certificate solutions to companies and government agencies including Bank of America, Hewlett-Packard, Kodak, NationsBank, Texas Instruments, United Parcel Service and US West.

VeriSign's service offerings target three main lines of business; Enterprise PKI Solutions, Web-site IDs and Consumer IDs. VeriSign Web-site IDs and Consumer IDs are delivered through the VeriSign Digital ID Center/SM/, an online service that is open 24 hours a day, 7 days a week. VeriSign has been first to market with Digital IDs for servers, browsers, e-mail applications, and software content, and continues to hold a majority of the market share in these areas.

VeriSign's Enterprise PKI Solution, VeriSign OnSite, is targeted at Fortune 10,000 companies in the financial services, publishing, legal, transportation and other industries as well as government agencies and educational institutions. VeriSign OnSite is comprised of a suite of software applications and mission-critical processing services that enable enterprises to deploy a full PKI to secure their intranets, extranets and Internet commerce applications using digital certificates. The Company introduced VeriSign OnSite in the last quarter of 1997. During 1997, the Company also began providing technology and products for digital certificate management to OEMs.

The Company introduced its Web-site IDs product, the Secure Server ID for Netscape Commerce Servers, in June 1995. In October 1995, the Company introduced additional server Digital IDs for the Web server products of Microsoft, IBM, Open Market and other vendors. In May 1996, the Company began providing online enrollment and issuance of client Digital IDS, as part of the Consumer ID line of business, for Netscape Navigator through its Digital ID Center and began shipping another form of Digital ID known as a Software Developer Digital ID for Microsoft's Authenticode Program. The Company began issuing Digital IDS for Microsoft's Internet Explorer through the Company's Digital ID Center in August 1996. During 1997, the Company introduced its Universal Digital IDS and three new types of server digital certificate products--its Global Server ID, Financial Server ID and EDI Server ID.

During the second quarter of 1998, the Company introduced VeriSign OnSite for Secure Server IDs, a digital certificate solution that enables organizations to secure Web servers used in intranets, extranets and Internet commerce applications. Leveraging the Secure Sockets Layer (SSL) protocol, this solution enables enterprises and organizations to control the issuance and administration of multiple server digital certificates within a single domain name (e.g., www.yourcompany.com), issued either within the globally interoperable VeriSign Trust Network or under a private certificate hierarchy.

Historically, the Company has derived substantially all of its revenues from the sale of Digital IDs and from fees for services rendered in connection with the Company's digital certificate solutions and digital certificate service and product development agreements. The purchase of a Digital ID by a consumer or for a Web-site allows the customer to use the Digital ID for a limited period of time, generally 12 months. After this period, the Digital ID must be renewed for continued usage by the customer. Renewal fees are typically lower than the fees charged for the initial Digital ID. Revenues from the sale or renewal of Digital IDs for consumers and Web-sites are deferred and recognized ratably over the life of the digital certificate. Revenues from the Company's Enterprise PKI Solutions consist of fees for the issuance of digital certificates, which are recognizable ratably over the term of the particular license agreement relating to the enterprise or electronic commerce solution; fees for software tool kits, which are recognized upon delivery; and fees for set-up service, which are recognized upon completion of the service. Revenues from other services are recognized using the percentage-of-completion method for fixed-fee development arrangements, on a time-and-materials basis for consulting and training services or ratably over the term of the agreement for support and maintenance services.

The Company markets its products and services worldwide through multiple distribution channels, including the Internet, direct sales, telesales, VARs, systems integrators and OEMs. Although a significant portion of its revenues to date has been generated through sales from the Company's Web-site, the Company intends to continue increasing its direct sales force, both domestically and internationally, and intends to continue to expand its other distribution channels.

In connection with the formation of VeriSign Japan K.K. ("VeriSign Japan") the Company licensed certain technology and contributed other assets to VeriSign Japan. Subsequent to its formation, additional investors purchased minority interests in VeriSign Japan, and, as of June 30, 1998, the Company owned 50.5% of the outstanding capital stock of VeriSign Japan. Accordingly, the Company's consolidated financial statements include the accounts of the Company and this subsidiary and the Company's consolidated statements of operations reflect the elimination of the minority shareholders' share of the net losses of the subsidiary. Historically, VeriSign Japan has funded its net losses with investments from its shareholders. However, to the extent VeriSign Japan is unable to continue to fund its operations principally from investments by minority shareholders, the Company may be required to fund the operations of this subsidiary, which could have a material adverse effect on the Company's business, operating results and financial condition.

The Company has experienced substantial net losses in each fiscal period since its inception and, as of June 30, 1998, had an accumulated deficit of $41.5 million. Such net losses and accumulated deficit resulted from the Company's lack of substantial revenues and the significant costs incurred in the development and sale of the Company's products and services and in the establishment and deployment of the Company's operations, infrastructure and practices. The Company intends to increase its expenditures in all areas in order to execute its business plan. As a result, the Company expects to incur additional losses for the foreseeable future. Although the Company has experienced revenue growth in recent periods, there can be no assurance that such growth rates are sustainable and, therefore, they should not be considered indicative of future operating results. There can be no assurance that the Company will ever achieve significant revenues or profitability. A more complete description of these and other risks relating to the Company's business is set forth under the caption "Risk Factors" in the Company's Prospectus dated January 29, 1998.

RESULTS OF OPERATIONS

REVENUES

	1998	1997	CHANGE
Three-month period:			
Revenues..........................	$5,301	$2,249	136%
(Dollars in thousands)			
Six-month period:			
Revenues..........................	$9,303	$3,516	165%
(Dollars in thousands)			

Revenues increased significantly from the prior year due to increased sales of VeriSign's products and services, particularly its Web-site IDs and OnSite products. As a result of the continued acceptance of Digital IDs, the number of digital certificates issued continued to grow on a quarterly basis. The Company has seen year-to-year increases in the number of customers that are buying Consumer and Web-site Digital IDs and the number of organizations and government agencies beginning to deploy PKI and digital certificate solutions and believes that such increases are attributable to the continued acceptance of digital certificates as a mechanism for authentication, access control and secure messaging. In addition, during the three and six months ended June 30, 1998, the Company completed certain work required under various contracts for its enterprise and electronic commerce solutions and, therefore, recognized the related portion of revenues.

For software transactions entered into beginning January 1, 1998, the Company adopted the American Institute of Certified Public Accountants' Statement of Position ("SOP") No. 97-2, Software Revenue Recognition. SOP No. 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair value of the elements. The fair value of the element must be based on objective evidence that is specific to the vendor. If a vendor does not have objective evidence of the fair value of all elements in a multiple-element arrangement, all revenue from the arrangement must be deferred until such evidence exists or until all elements have been delivered. The adoption of SOP No. 97-2 did not have a material effect on the Company's operating results.

No one customer accounted for 10% or more of revenues during the three months ended June 30, 1998. Security Dynamics Technologies, Inc. accounted for 12% of revenues in the six months ended June 30, 1998. VISA International accounted for 19% and 17% of revenues for the three months and six months ended June 30, 1997, respectively. Revenues of VeriSign Japan and revenue from other international customers accounted for 17% of revenues in the second quarters of 1998 and 1997 and 17% and 16% of revenues in the first half of 1998 and 1997, respectively.

A portion of the Company's sales will be earned later than billed and collected. Deferred revenue increased from $4.8 million at December 31, 1997 to $7.6 million at June 30, 1998. In the future, the Company anticipates that it may receive additional revenues from sales of software products, value-added services and training, licensing and royalty fees from licenses of digital certificates and related technology, maintenance, and fees for customer support.

COSTS AND EXPENSES

	1998	1997	CHANGE
Three-month period:			
Cost of revenues...................	$2,939	$1,733	70%
(Dollars in thousands)			
Six-month period:			
Cost of revenues...................	$5,771	$3,152	83%
(Dollars in thousands)			

Cost of Revenues. Cost of revenues consists primarily of costs related to personnel providing digital certificate enrollment and issuance services, customer support and training, consulting and development services and facilities and computer equipment used in such activities. Cost of revenues also includes fees paid to third parties to verify certificate applicants' identities and insurance premiums for the Company's NetSure warranty plan and errors and omission insurance.

The increase in cost of revenues from 1997 to 1998 was due primarily to hiring personnel to support the additional volume of issuances of Digital IDs, the cost of the Company's NetSure warranty plan (which was not in effect in the first three months of 1997), increased expenses for access to third-party databases and support charges for the Company's external disaster recovery program.

The Company anticipates that cost of revenues will vary for the remainder of 1998 depending on the product mix sold during that period, as cost of service revenues is typically higher than cost of product revenues due to the relatively high personnel costs associated with providing services.

	1998	1997	CHANGE
Three-month period:			
Sales and marketing................	$4,769	$2,686	78%
(Dollars in thousands)			
Percentage of revenues	90%	119%	
Six-month period:			
Sales and marketing................	$8,886	$4,940	80%
(Dollars in thousands)			
Percentage of revenues	96%	141%	

Sales and Marketing. Sales and marketing expenses consist primarily of costs related to sales, marketing, and practices and external affairs personnel, including salaries, sales commissions and other personnel-related expenses, travel and related expenses, computer equipment and support services used in such activities, facilities costs, consulting fees and costs of marketing programs.

Sales and marketing expenses increased from 1997 to 1998 as a result of the continued growth of the Company's direct sales force and an expansion of the Company's marketing efforts during 1998, particularly in lead and demand generation activities. The decrease in sales and marketing expenses as a percentage of revenues from 1997 to 1998 is primarily due to the increase in revenues.

The Company anticipates that sales and marketing expenses will continue to increase in absolute dollars as it expands its direct sales force, hires additional marketing personnel and increases its marketing and promotional activities during 1998.

	1998	1997	CHANGE
Three-month period:			
Research and development...........	$1,931	$1,222	58%
(Dollars in thousands)			
Percentage of revenues	36%	54%	
Six-month period:			
Research and development...........	$3,537	$2,251	57%
(Dollars in thousands)			
Percentage of revenues	38%	64%	

Research and Development. Research and development expenses consist primarily of costs related to research and development personnel, including salaries and other personnel-related expenses, consulting fees, facilities, and computer equipment and support services used in product and technology development.

Research and development expenses increased in absolute dollars as the Company invested in the design, testing and deployment of, and technical support for, the Company's expanded product offerings and technology. The increase reflects the expansion of the Company's engineering staff and related costs required to support its continued emphasis on developing new products and enhancing existing products. During 1998, the Company continued to make significant investments in development of all of its software products and related platforms supported, including those targeted for the enterprise and electronic commerce market.

The Company believes that timely development of new and enhanced products and technology are necessary to remain competitive in the marketplace. Accordingly, the Company intends to continue recruiting experienced research and development personnel and make other investments in research and development. Therefore, the Company expects research and development expenses will continue to increase in absolute dollars.

	1998	1997	CHANGE
Three-month period:			
General and administrative..........	$1,489	$ 864	72%
(Dollars in thousands)			
Percentage of revenues	28%	38%	
Six-month period:			
General and administrative..........	$2,927	$1,817	61%
(Dollars in thousands)			
Percentage of revenues	31%	52%	

General and Administrative. General and administrative expenses consist primarily of salaries and other personnel-related expenses for the Company's administrative, finance and human relations personnel, facilities and computer equipment, support services and professional services fees.

During 1998, the Company incurred increased costs due primarily to increased staffing levels required to support the Company's expanded operations and to implement additional management information systems and related procedures. In addition, the Company has incurred additional costs related to being a public company, including investor relations programs and professional services fees.

The Company also expects to continue to invest in an expanded and more comprehensive executive and administrative infrastructure. Accordingly, the Company anticipates that general and administrative expenses will continue to increase in absolute dollars.

OTHER INCOME

	1998	1997	CHANGE
Three-month period:			
Other income.......................	$ 637	$166	284%
(Dollars in thousands)			
Percentage of revenues	12%	7%	
Six-month period:			
Other income.......................	$1,013	$635	60%
(Dollars in thousands)			
Percentage of revenues	11%	18%	

Other income consists primarily of interest earned on the Company's cash, cash equivalents and short-term investments, less interest expense on bank borrowings of VeriSign Japan and the effect of foreign currency transaction gains and losses.

The increase in other income from 1997 to 1998 is primarily due to a higher cash and short-term investment base as a result of the proceeds from the Company's initial public offering on January 30, 1998.

PROVISION FOR INCOME TAXES

No provision for federal and California income taxes has been recorded because the Company has experienced net losses since inception. As of December 31, 1997, the Company had federal and California net operating loss carryforwards of approximately $26.9 million and $27.1 million, respectively. These federal and California net operating loss carryforwards will expire, if not utilized, in years 2010 through 2014 and in 2003, respectively.

MINORITY INTEREST IN NET LOSS OF SUBSIDIARY

Minority interest in the net losses of VeriSign Japan was $325,000 and $482,000 during the second quarters of 1998 and 1997, respectively, and $713,000 and $787,000 during the first halves of 1998 and 1997, respectively. The decrease from 1997 to 1998 was primarily due to increased revenue from VeriSign Japan as compared to the prior year. VeriSign Japan is still in the early stage of operations, and, therefore, the Company expects that the minority interest in net loss of subsidiary will continue to fluctuate in future periods.

FACTORS THAT MAY AFFECT FUTURE RESULTS OF OPERATIONS

LIMITED OPERATING HISTORY; HISTORY OF LOSSES AND ANTICIPATION OF FUTURE LOSSES

The Company was incorporated in April 1995 and began introducing its products and services in June 1995. Accordingly, the Company has only a limited operating history on which to base an evaluation of its business and prospects. The Company's prospects must be considered in light of the risks and uncertainties encountered by companies in the early stages of development, particularly companies in new and rapidly evolving markets. The Company's success will depend on many factors, including, but not limited to, the following: the rate and timing of the growth and use of IP networks for communications and commerce and the extent to which digital certificates are used for such communications and commerce; the demand for the Company's products and services; the levels of competition; the perceived security of communications and commerce over IP networks, and of the Company's infrastructure, products and services in particular; and the Company's continued ability to maintain its current, and enter into additional, strategic relationships. To address these risks the Company must, among other things: attract and retain qualified personnel; respond to competitive developments; successfully introduce new products and services; successfully introduce enhancements to its existing products and services to address new technologies and standards; and successfully market its digital certificates and its enterprise and electronic commerce solutions. There can be no assurance that the Company will succeed in addressing any or all of these risks, and the failure to do so would have a material adverse effect on the Company's business, operating results and financial condition. In addition, the Company has experienced substantial net losses in each fiscal period since its inception and, as of June 30, 1998, had an accumulated deficit of $41.5 million. Such net losses and accumulated deficit resulted from the Company's lack of substantial revenues and the significant costs incurred in the development and sale of the Company's products and services and in the establishment and deployment of the Company's operations, infrastructure and practices. The Company's limited operating history, the emerging nature of its market and the factors described under "--Adoption of IP Networks", among other factors, make prediction of the Company's future operating results difficult. In addition, the Company intends to increase its expenditures in all areas in order to execute its business plan. As a result, the Company expects to incur substantial additional losses for the foreseeable future. Furthermore, to the extent the Company's majority-owned subsidiary, VeriSign Japan, is unable to continue to fund its operations with investments from minority shareholders, the Company may be required to fund the operations of VeriSign Japan, which could have a material adverse effect on the Company's business, operating results and financial condition. Although the Company has experienced revenue growth in recent periods, there can be no assurance that such growth rates are sustainable and, therefore, they should not be considered indicative of future operating results. There can also be no assurance that the Company will ever achieve significant revenues or profitability or, if significant revenues and profitability are achieved, that they could be sustained.

ADOPTION OF IP NETWORKS

In order for the Company to be successful, IP networks must be adopted as a means of trusted and secure communications and commerce to a sufficient extent and within an adequate time frame. Because trusted and secure communications and commerce over IP networks is new and evolving, it is difficult to predict with any assurance the size of this market and its growth rate, if any. To date, many businesses and consumers have been deterred from utilizing IP networks for a number of reasons, including, but not limited to, potentially inadequate development of network infrastructure, security concerns, inconsistent quality of service, lack of availability of cost-effective, high-speed service, limited numbers of local access points for corporate users, inability to integrate business applications on IP networks, the need to interoperate with multiple and frequently incompatible products, inadequate protection of the confidentiality of stored data and information moving across IP networks and a lack of tools to simplify access to and use of IP networks. The adoption of IP networks for trusted and secure communications and commerce, particularly by individuals and entities that historically have relied upon traditional means of communications and commerce, will require a broad acceptance of new methods of conducting business and exchanging information. Companies and government agencies that already have invested substantial resources in other methods of conducting business may be reluctant to adopt a new strategy that may limit or compete with their existing efforts. Furthermore, individuals with established patterns of purchasing goods and services and effecting payments may be reluctant to alter those patterns.

The use of IP networks for trusted and secure communications and commerce may not increase or may increase more slowly than expected because the infrastructure required to support widespread trusted and secure communications and commerce on such networks may not develop. For example, the Internet has experienced, and may continue to experience, significant growth in its number of users and amount of traffic. There can be no assurance that the Internet infrastructure will continue to support the demands placed on it by this continued growth or that the performance or reliability of the Internet will not be adversely affected by this continued growth. In addition, IP networks could lose their viability due to delays in the development or adoption of new standards and protocols to handle increased levels of activity or due to increased governmental regulation. Changes in, or insufficient availability of, communications services to support IP networks could result in slower response times and also adversely affect usage of IP networks. If the market for trusted and secure communications and commerce over IP networks fails to develop or develops more slowly than expected, or if the Internet infrastructure does not adequately support any continued growth, the Company's business, operating results and financial condition would be materially adversely affected.

NO ASSURANCE OF MARKET ACCEPTANCE FOR DIGITAL CERTIFICATES AND THE COMPANY'S PRODUCTS AND SERVICES

The Company's products and services are targeted at the market for trusted and secure communications and commerce over IP networks, a market that is at an early stage of development and is rapidly evolving. Accordingly, demand for and market acceptance of digital certificate solutions are subject to a high level of uncertainty. There can be no assurance that digital certificates will gain market acceptance as a necessary element of trusted and secure communications and commerce over IP networks. In addition, there can be no assurance that the market for the Company's products and services will develop in a timely manner, or at all, or that demand for the Company's products and services will emerge or be sustainable. The factors that may affect the level of market acceptance of digital certificates and, consequently, the Company's products and services, include the following: market acceptance of products and services based upon authentication technologies other than those used by the Company; public perception of the security of digital certificates and of the inherent security levels of IP networks; the ability of the Internet infrastructure to accommodate increased levels of usage; and the enactment of government regulations affecting communications and commerce over IP networks. Even if digital certificates achieve market acceptance, there can be no assurance that the Company's products and services will adequately address the market's requirements. If digital certificates do not achieve market acceptance in a timely manner and sustain such acceptance, or if the Company's products and services in particular do not achieve or sustain market acceptance, the Company's business, operating results and financial condition would be materially adversely affected.

SYSTEM INTERRUPTION AND SECURITY BREACHES

The Company's success is largely dependent on the uninterrupted operation of its Digital ID Centers and its other computer and communications systems, which is dependent on the Company's ability to protect such systems from loss, damage or interruption caused by fire, earthquake, power loss, telecommunications failure or other events beyond the Company's control. Most of the Company's systems are located at, and most of its customer information is stored in, its facilities in Mountain View, California and Kawasaki, Japan, areas susceptible to earthquakes. Although the Company believes that its existing and planned precautions are adequate to prevent any significant loss of information or system outage, there can be no assurance that unanticipated problems will not cause such loss or failure. Any damage or failure that causes interruptions in the Company's Digital ID Centers and its other computer and communications systems could have a material adverse effect on the Company's business, operating results and financial condition. In addition, the ability of the Company to issue digital certificates is also dependent on the efficient operation of the Internet connections from customers to its Digital ID Centers. Such connections, in turn, are dependent upon efficient operation of Web browsers, Internet Service Providers and Internet backbone service providers, all of which have had periodic operational problems or experienced outages in the past. Any such problems or outages could adversely affect customer satisfaction with the Company's products and services, which could have a material adverse effect on the Company's business, operating results and financial condition. The Company's success also depends in large part upon the scaleability of its systems, which have not been tested at high volumes. As such, it is possible that a substantial increase in demand for the Company's products and services could cause interruptions in the Company's systems that could adversely affect the Company's ability to deliver its products and services. Any such interruptions could have a material adverse effect on the Company's business, operating results and financial condition.

The Company retains confidential customer information in its Digital ID Centers. It is critical to the Company's business strategy that the Company's facilities and infrastructure remain secure and that such facilities and infrastructure are perceived by the marketplace to be secure. Despite the implementation of security measures, the Company's infrastructure may be vulnerable to physical break-ins, computer viruses, attacks by hackers or similar disruptive problems, and it is possible that in the future the Company may have to expend additional financial and other resources to further address such problems. Any physical or electronic break-ins or other security breaches or compromises of the private root keys stored at the Company's Digital ID Centers may jeopardize the security of information stored on the Company's premises or stored in and transmitted through the computer systems and networks of the businesses and individuals utilizing the Company's products and services, which could result in significant liability to the Company and could deter existing and potential customers from using the Company's products and services. Such an occurrence could result in adverse publicity and therefore adversely affect the market's perception of the security of communications and commerce over IP networks as well as of the security or reliability of the Company's products and services, which would have a material adverse effect on the Company's business, operating results and financial condition.

COMPETITION

The Company's digital certificate solutions are targeted at the new and rapidly evolving market for trusted and secure communications and commerce over IP networks. Although the competitive environment in this market has yet to develop fully, the Company anticipates that it will be intensely competitive subject to rapid change and significantly affected by new product and service introductions and other market activities of industry participants.

The Company's primary competitors are Entrust Technologies, Inc., GTE CyberTrust Solutions Incorporated and International Business Machines Corporation. The Company also experiences competition from a number of smaller companies that provide digital certificate solutions. The Company expects that competition from established and emerging companies in the financial and telecommunications industries will increase in the near term, and that the Company's primary long-term competitors may not yet have entered the market. Netscape Communications Corporation has introduced software products that enable the issuance and management of digital certificates, and the Company believes that other companies could introduce such products. There can be no assurance that additional companies will not offer digital certificate solutions that are competitive with those of the Company. Increased competition could result in pricing pressures, reduced margins or the failure of the Company's products and services to achieve or maintain market acceptance, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

Several of the Company's current and potential competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than the Company and therefore may be able to respond more quickly than the Company to new or changing opportunities, technologies, standards and customer requirements. Many of these competitors also have broader and more established distribution channels that may be used to deliver competing products or services directly to customers through bundling or other means. If such competitors were to bundle with their products competing products or services for their customers, the demand for the Company's products and services might be substantially reduced and the ability of the Company to distribute its products successfully and the utilization of its services would be substantially diminished. In addition, browser companies that embed the Company's root keys or otherwise feature the Company as a provider of digital certificate solutions in their Web browsers or on their Web sites could also promote competitors of the Company or charge the Company substantial fees for such promotions in the future. New technologies and the expansion of existing technologies may increase the competitive pressures on the Company. There can be no assurance that competing technologies developed by others or the emergence of new industry standards will not adversely affect the Company's competitive position or render its products or technologies noncompetitive or obsolete. In addition, the market for digital certificates is nascent and is characterized by announcements of collaborative relationships involving competitors of the Company. The existence or announcement of such relationships could adversely affect the Company's ability to attract and retain customers. As a result of the foregoing and other factors, there can be no assurance that the Company will compete effectively with current or future competitors or that competitive pressures faced by the Company will not have a material adverse effect on the Company's business, operating results and financial condition.

In connection with the Company's first round of financing, RSA contributed certain technology to the Company and entered into a noncompetition agreement with the Company pursuant to which RSA agreed that it would not compete with the Company's certificate authority business for a period of five years. This noncompetition agreement will expire in April 2000. The Company believes that, because RSA (which is now a wholly-owned subsidiary of Security Dynamics Technologies, Inc.) has already developed expertise in the area of cryptography, its barriers to entry would be lower than those that would be encountered by other potential competitors of the Company should it choose to enter any of the Company's markets. If RSA were to enter into the digital certificate market, the Company's business, operating results and financial condition could be materially adversely affected.

MANAGEMENT OF GROWTH AND EXPANSION

The Company is currently experiencing a period of significant expansion. The Company's historical growth has placed, and such growth and any further growth is likely to continue to place, a significant strain on the Company's managerial, operational, financial and other resources. The Company has grown from 149 employees at June 30, 1997 to 230 employees at June 30, 1998. In addition, the Company has opened additional sales offices and has significantly expanded its operations during this time period. The Company's future success will depend, in part, upon the ability of its senior management to manage growth effectively, which will require the Company to implement additional management information systems, to develop further its operating, administrative, financial and accounting systems and controls and to maintain close coordination among its engineering, accounting, finance, marketing, sales and operations organizations. Any failure to implement or improve systems or controls or to manage any future growth and expansion effectively could have a material adverse effect on the Company's business, operating results and financial condition.

IMPACT OF THE YEAR 2000 ISSUE

Many computer programs have been written using two digits rather than four to determine the applicable year. The Company's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000 or may be otherwise be unable to distinguish 21st century dates. This failure could result in system failures or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company has initiated a comprehensive study of its computer systems to review and test for year 2000 issues. The Company is also assessing the capability of its products sold to customers to handle the year 2000 and has a plan in place to address product issues during 1998. Management believes that the likelihood of a material adverse impact due to problems with internal systems or products sold to customers is remote and expects that the cost of these projects over the next two years will not have a material effect on the Company's business, results of operations or financial condition. In addition, the Company will be contacting significant suppliers of products and services to determine whether the supplier's operations and their products and services are year 2000 compliant. There can be no assurance that another company's failure to ensure year 2000 capability would not have a material adverse effect on the Company's business, results of operations or financial condition.

LIQUIDITY AND CAPITAL RESOURCES

Prior to its initial public offering, the Company and its Japanese subsidiary financed their operations primarily through private sales of equity securities raising approximately $45.6 million. The Company's initial public offering, which closed in February 1998, yielded net proceeds of approximately $43.7 million. At June 30, 1998, the Company had approximately $45.9 million in cash, cash equivalents and short-term investments.

The Company also has an equipment loan agreement under which it may borrow up to $3.0 million for purchases of equipment. This equipment loan agreement expires on March 31, 1999. Any amounts borrowed under this equipment loan agreement would bear interest at the rate of 7.5 percent per annum and would be secured by the equipment purchased with the loan proceeds. In the event that the Company borrows under this loan agreement, it would be obligated to issue to the lender a warrant to purchase 17,500 shares of Common Stock. The Company currently has no plans to borrow any amounts under this loan agreement.

The Company has had significant negative cash flows from operating activities in each fiscal period to date. Net cash used in operating activities during the first half of 1998 was $7.7 million as compared to $8.3 million during the first half of 1997. The decrease was primarily the result of an increase in both deferred revenue and accrued liabilities, offset in part by increases in the Company's net loss and receivables.

Net cash used in investing activities in the first half of 1998 was $17.4 million as compared with $14.4 in the first half of 1997. Cash was used for capital expenditures for computer equipment, purchased software, office equipment, furniture, fixtures and leasehold improvements. The Company has planned capital expenditures for the remainder of 1998 of approximately $1.0 million to $2.0 for computer systems for development, sales and marketing, product support and administrative staff. Also during the first half of 1998, the Company purchased net short-term investments totaling $15.0 million. The Company's principal commitments as of June 30, 1998 consisted of obligations under noncancelable operating leases.

On July 6, 1998, the Company issued approximately 1,666,000 shares of its common stock in exchange for all of the outstanding common stock of SecureIT, Inc., a provider of Internet security products and services. The business combination will be accounted for as a pooling-of-interests combination, and the Company expects to incur approximately $5.0 million in additional costs related to the transaction.

Net cash provided by financing activities in the first half of 1998 was $44.1 million as compared to $616,000 in the first half of 1997. The increase was primarily attributable to the $43.8 million in net proceeds from the Company's initial public offering.

The Company believes that its existing cash, cash equivalents and short-term investments will be sufficient to meet its working capital and capital expenditure requirements for the next twelve months. After that time, the Company may need to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Company, or at all. Strategic relationships, if necessary to raise additional funds, may require the Company to relinquish rights to certain of its technologies or products. The failure of the Company to raise capital when needed could have a material adverse affect on the Company's business, operating results and financial condition. If additional funds are raised through the issuance of equity securities, the percentage ownership of the Company of its then-current stockholders would be reduced. Furthermore, such equity securities might have rights, preferences or privileges senior to those of the Company's Common Stock.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

PART II -- OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(d) Use of Proceeds.

On January 30, 1998, the Company completed an initial public offering of its Common Stock, $.001 par value (the "Offering"). The managing underwriters in the Offering were Morgan Stanley & Co. Incorporated, Hambrecht & Quist LLC and Wessels, Arnold & Henderson, L.L.C. (the "Underwriters"). The shares of Common Stock sold in the Offering were registered under the Securities Act of 1933, as amended, on a Registration Statement on Form S-1 (No. 333-40789) (the "Registration Statement"). The Registration Statement was declared effective by the Securities and Exchange Commission (the "SEC") on January 29, 1998.

On January 30, 1998, the Company commenced the Offering. The Offering terminated on January 30, 1998 after the Company had sold all of the 3,450,000 shares of Common Stock registered under the Registration Statement (including 450,000 shares sold pursuant to the exercise of the Underwriters' over-allotment option). The initial public offering price was $14 per share for an aggregate initial public offering of $48,300,000. After deducting the underwriting discounts and commissions and the Offering expenses, the net proceeds to the Company from the Offering were approximately $43,742,455.

During the six months ended June 30, 1998, the Company used approximately $7.7 million of the net proceeds from the Company's initial public offering to fund operating expenses and increase working capital and $2.1 million to purchase and install computers and peripheral equipment. The remaining $33.9 million has been invested in short-term, interest-bearing, investment grade securities.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Index to Exhibits

EXHIBIT NUMBER	EXHIBIT TITLE
27.01	Financial Data Schedule (available in EDGAR format only)

(b) Reports on Form 8-K

No reports on Form 8-K were filed in the three months ended June 30, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VERISIGN, INC.

Date: August 14, 1998

By: /s/ Stratton D. Sclavos

Stratton D. Sclavos
President
and
Chief Executive Officer

Date: August 14, 1998

By: /s/ Dana L. Evan

Dana L. Evan
Vice President of Finance
and Administration
and
Chief Financial Officer
(Principal Financial and
Accounting Officer)

SUMMARY OF TRADEMARKS

The following trademarks and service marks of VeriSign, Inc., which may be registered in certain jurisdictions, may be referenced in this Form 10-Q:

TRADEMARKS

VeriSign Logo
VeriSign is a registered trademark exclusively licensed to VeriSign, Inc.

SERVICE MARKS

Authentic Site/SM/
Digital ID/SM/
Digital ID Center/SM/
Electronic Credentials for the Internet/SM/
NetSure/SM/ Protection Plan
The Sign of Trust on the Internet/SM/
VeriSign OnSite/SM/
VeriSign Trust Network/SM/
VeriSign V-Commerce/SM/
WebPass/SM/ ID
WorldTrust/SM/ Services
WorldTrust/SM/ Architecture

All other brand or product names are trademarks or registered trademarks of their respective holders.

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This schedule contains summary financial information extracted from the Consolidated Balance Sheet at June 30, 1998, and the Consolidated Statement of Operations for the six months ended June 30, 1998, and is qualified in its entirety by reference to such financial statements.

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6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
22,883
22,994
4,630
302
0
51,272
14,119
4,888
61,383
13,313
0
0
0
21
46,516
61,383
9,303
9,303
5,771
21,121
(1,013)
0
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(10,092)
0
(10,092)
0
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0
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