



Investor Contact: Beverly V. Fuortes (214) 515-7357 invest@zixit.com  
Financial Media: Cindy Lawrence, MS&L, (212) 213-7484 cindy.lawrence@mslpr.com

## **ZixIt Announces Results for Second Quarter 2001**

DALLAS – July 31, 2001 – ZixIt Corporation (Nasdaq:ZIXI), a leading provider of products and services that bring privacy, security, and convenience to Internet communications, announced today results for the second quarter and six-month period ended June 30, 2001.

ZixIt reported a second quarter net loss of \$11,394,000, or \$0.67 per share, and a six-month period net loss of \$24,956,000, or \$1.46 per share, as compared to net losses of \$9,456,000, or \$0.58 per share, and \$20,592,000, or \$1.30 per share, respectively, for the corresponding periods in 2000. Included in these net losses are significant net non-cash charges, primarily for stock-based compensation and depreciation and amortization totaling \$10,131,000, or 41% of the net loss for the six-month period ended June 30, 2001, and \$10,623,000, or 52%, of the net loss for the six-month period ended June 30, 2000.

Jeff Papows, chairman of ZixIt Corp., said, "The list of companies that have become ZixMail<sup>TM</sup> customers has grown significantly since the end of the first quarter, now that we have had a trained sales force on the street for the first time. In all, we have added more than 50 new company names to the corporate customer roster since the end of the first quarter, with several of these signing multi-year contracts. This represents a very successful start to our sales efforts."

He continued, "We are making progress in our targeted vertical markets, where we have signed contracts with United Healthcare, U.S. Oncology, Inc., Radiology Associates of Tarrant County, P.A., and others in healthcare; with several well-known law firms, such as Akin, Gump, Strauss, Hauer & Feld, L.L.P., Steptoe & Johnson, LLP, Fulbright & Jaworski, L.L.P., Wiley, Rein & Fielding LLP, Haynes & Boone, LLP, Edwards & Angel, L.L.P., and others in the legal sector; and with Provident Bank in the financial sector. We also have new customers in a variety of other

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sectors, including The Timken Company, a leading international manufacturer of highly engineered bearings, alloy, and specialty steels and components; chemical manufacturer E. I. du Pont de Nemours and Company, where ZixMail has been chosen as the worldwide technology standard for secure email and where decisions about broader deployment are under consideration by their business units; Union Pacific Corp., one of North America's leading transportation, computer technology, and logistics companies, with operations in all 50 United States, Canada, and Mexico; Sykes Enterprises, Inc., a leading provider of end-to-end customer care management solutions; and some international companies, such as Minolta Denmark A/S, MTHS A/S of Denmark, T-Systems UK Limited, and Daimler Chrysler UK Limited.”

He further emphasized, “Many of these new corporate customers are in the initial deployment stages of implementation, where select sub-groups of employees are using ZixMail while the company considers a broader enterprise roll-out. As we are just completing our first 90-100 day sales cycle, many other companies are nearing decisions on the initial deployment stage. Our current base of approximately 8,000 users obviously represents only the tip of a much larger iceberg, as do the untapped markets centered around the ZixMail plug-in for Lotus®Notes®, which was released only recently, and the coming version of Entrust Express®, which features ZixMail’s send-to-anyone service. We are building momentum for dramatically increasing sales in the third and fourth quarters.”

The company’s net working capital position at June 30, 2001, is \$32,899,000, including cash and marketable securities of \$35,452,000. Net cash used by continuing operations during the second quarter of 2001 was \$7,168,000, while the level of capital expenditures decreased during the quarter to \$335,000, the lowest amount since 1998.

The company also said that it has ceased all operations at its independently operated subsidiary, Anacom Communications, Inc. (“Anacom”). In connection with the cessation of operations, the October 2001 final installment of the company’s common stock issuable to the former Anacom owners in connection with the purchase of Anacom, which totaled \$4,725,000, has been canceled. These events resulted in a non-recurring net reduction in operating costs of approximately \$3,000,000 during the second quarter of 2001. This favorable adjustment was

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primarily due to the reversal of previously recorded unvested stock-based compensation expense that related to the canceled installment totaling \$3,800,000, partially offset by severance costs and asset write-downs, including goodwill. Anacom, an on-line credit card processing service provider, was purchased by the company in 1999. Anacom's revenues for each of the last four quarters has averaged \$104,000, with corresponding operating losses averaging \$1,450,000, including non-cash charges of \$1,075,000 per quarter for amortization of goodwill and stock-based compensation.

### **Business Outlook**

The company reaffirmed all of its previous guidance (as stated in the company's press release of April 30, 2001), including its internal sales goal of obtaining 600,000 ZixMail subscribers by the end of 2001.

ZixIt Corporation provides products and services that enhance security, privacy, and convenience for users of the Internet. The company's ZixMail<sup>™</sup> product is a secure email application and service that enables Internet users worldwide to easily send encrypted and digitally signed communications using their existing email systems and addresses. For further information, visit [www.zixit.com](http://www.zixit.com) or contact investor relations at (214) 515-7357.

### **Safe Harbor Statement**

The following is a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. This release, including the "Business Outlook" section, contains forward-looking statements. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected in the forward-looking statements. These risks and uncertainties include, but are not limited to, the following: the limited operating history of the company in the Internet arena; the rapid development of competition in the Internet arena; the company's ability to successfully and timely develop its products and execute its business strategy; and the company's ability to achieve broad market acceptance for its products and services. Further details on such risks and uncertainties may be found in the company's Annual Report on Form 10-K and its public filings with the SEC.

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**ZIXIT CORPORATION**  
**(A Development Stage Company)**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Revenues	\$ 123	\$ 92	\$ 227	\$ 188
Research and development expenses	(2,591 )	(2,205 )	(4,796 )	(4,416)
Operating costs and general corporate expenses	( 9,394 )	(8,287 )	(21,577 )	(17,882)
Investment income	468	636	1,142	1,210
Loss from continuing operations	( 11,394 )	(9,764 )	(25,004 )	(20,900)
Discontinued operations	-	308	48	308
Net loss	<u>\$ (11,394 )</u>	<u>\$ (9,456 )</u>	<u>\$ (24,956 )</u>	<u>\$ (20,592)</u>
Basic and diluted income (loss) per common share:				
Continuing operations	\$ (0.67 )	\$ (0.60 )	\$ (1.46 )	\$ (1.32)
Discontinued operations	-	0.02	-	0.02
Net loss	<u>\$ (0.67 )</u>	<u>\$ (0.58 )</u>	<u>\$ (1.46 )</u>	<u>\$ (1.30)</u>
Weighted average shares outstanding	17,041	16,227	17,040	15,832

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands)  
(Unaudited)

	June 30, 2001	December 31, 2000
<b>ASSETS</b>		
Cash and marketable securities	\$ 35,452	\$ 50,290
Property and equipment, net	14,905	19,400
Other assets	7,469	8,987
	<u>\$ 57,826</u>	<u>\$ 78,677</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued expenses	\$ 3,783	\$ 3,547
Deferred revenues	189	--
Stockholders' equity	53,854	75,130
	<u>\$ 57,826</u>	<u>\$ 78,677</u>

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