

**Zix Corporation Announces Results for Fourth Quarter and Year End 2002****New End-User Orders of \$1.6 Million, a 100% Increase Over Third Quarter, as Healthcare Sector Selects ZixCorp Services**

**DALLAS** — Feb. 6, 2003 — Zix Corporation (ZixCorp™), (Nasdaq: ZIXI), a global provider of e-messaging management and protection services, today announced its fourth quarter and annual financial results for the period ended December 31, 2002. For the fourth quarter 2002, ZixCorp reported a net loss of \$6,957,000 or \$0.39 per share, on revenues of \$546,000, compared to a net loss of \$19,350,000, or \$1.13 per share, on revenues of \$54,000 recorded for the fourth quarter of 2001. For the year ended December 31, 2002, ZixCorp reported a net loss of \$33,437,000, or \$2.02 per share, on revenues of \$1,672,000, a 41% improvement over the net loss of \$56,746,000, or \$3.32 per share, on revenues of \$317,000 for the year ended December 31, 2001. Included in these annual net losses are significant non-cash charges, totaling \$14,741,000 or 44% of the net loss for 2002, and \$28,301,000 or 50% of the net loss for 2001.

"The fourth quarter end-user orders of \$1.6 million showed good progress against our strategy and is our third consecutive quarter of 100% or more growth in end-user order commitments," said John A. Ryan, chairman, president, and CEO of ZixCorp. "This quarter's success, the improvement in our revenues and net results year over year, and the acceptance we have had from such industry leaders as Humana Inc. and Cigna Corporation, are important signs of the positive strides we are making as a company. The key to our growing presence in the secure e-messaging marketplace is the suitability of our unique and differentiated suite of services to the needs of our targeted markets in healthcare and financial services, where legislated mandates are driving demand." Total end-user orders in the fourth quarter increased to \$1.6 million, doubling those of \$800,000 from the third quarter. End-user orders exclude orders from distributors and resellers that have not yet been identified for end-user customers.

Ryan continued, "Results also provide confirmation that our targeting strategy is working, as fourth quarter orders from the healthcare sector amounted to \$1.3 million, tripling third quarter orders from this sector of \$445,000." In healthcare, new enterprise-wide orders were received in the fourth quarter from nationally recognized customers, such as Humana Inc., ranked as the ninth largest company in the healthcare industry and one of the nation's largest publicly traded health benefits companies with approximately 6.6 million medical members; and Cigna Corporation, with approximately 13 million members and the third largest payor and employee benefits organization in the U.S. health insurance industry, according to Fortune Magazine.

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Regional healthcare leaders who found ZixCorp services a good fit for their organizations during the fourth quarter included MVP Health Care in New York, Freeman Health Systems in Missouri, and Texas Health Resources in Texas. In the international healthcare arena, the UK's National Health Service of West Surrey purchased ZixCorp's services. In all, the healthcare sector represented 85% of user seats licensed during the quarter.

During the fourth quarter, orders were placed by 83 unique customers, with 72 being new customers, an increase of 56% over the number of new customers added in the third quarter. The number of user licenses purchased in the fourth quarter totaled 79,000, an increase of 320% as compared to those of the third quarter, reflecting the increasing value of ZixCorp's growing portfolio of services. In the financial services sector, ZixCorp customers that placed new orders included FleetBoston Financial, CUNA Mutual Group, Pan-American Life Insurance Company, Provident Bank, Cape Cod Bank and Trust Financial Companies, and Savings Bank of Manchester. In the government sector, an international order was received from Blue Mountain City Council in Australia. In the fourth quarter alone, 35 law firms contracted or renewed ZixCorp services, including Kubicki Draper; Bryan Cave LLP; Skadden, Arps, Slate, Meagher & Flom LLP; Akin, Gump, Strauss, Hauer & Feld LLP; and Powell, Goldstein, Frazer & Murphy LLP.

Ryan commented further on the company's results, "We concluded 2002 with a total of \$2.8 million in customer end-user order commitments. These orders provide us with a good base of predictable revenue going forward. While it is too early to predict growth trends for ZixCorp or our markets, I believe that we are clearly seeing validation of our outsourcing model for the healthcare, financial services, and other industries, where it is not enough to simply have a product or technology solution. Avoiding the penalties and risks associated with privacy regulations in these industries requires the kind of frequent updates to policy definitions that we offer as part of the ZixCorp suite of services. Compliance is only as good as the most recent update to policy-driven compliance lexicons or to anti-virus and anti-spam definitions. Very few companies want to individually undertake the necessary research and development efforts to handle these tasks on their own, especially where evolving regulations are involved. With our new ZixResearch Center™ and our new Policy Subscription and Advisory Service™, ZixCorp now has the depth of resources to provide this service as part of our solution. As a comprehensive service provider, our offering is clearly differentiated from competing product-only solutions."

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At December 31, 2002, the cash and marketable securities position of the company was \$14,832,000. Net cash used by continuing operations during 2002 was \$19,759,000, as compared to \$27,015,000 for 2001, while the level of capital expenditures decreased from \$1,174,000 in 2001 to \$845,000 in 2002. Revenues in 2002 included quarterly revenues of \$234,000, resulting from the pro rata recognition of the future payments to be received in connection with ZixCorp's Marketing and Distribution Agreement with Entrust, Inc.

Steve York, senior vice president and CFO of ZixCorp, said, "The fourth quarter voluntary conversion of the company's \$8 million in convertible notes, issued in September 2002, into shares of the company's common stock greatly enhanced the company's working capital position. This conversion eliminated all debt on the balance sheet and removed the related restrictions and liens on the company's assets. Additionally, as a result of the vote at our January 2003 special meeting of shareholders, the company now has broader latitude to redeem its outstanding preferred shares for common stock rather than using its cash resources."

**About Zix Corporation** Zix Corporation (ZixCorp™) is a global provider of e-messaging management and protection services. ZixCorp offers a portfolio of managed on-site and hosted e-messaging solutions to protect organizations from viruses, spam, and electronic attack, while delivering the ability to enforce corporate policies and securely send to anyone. ZixCorp's advisory services and secure e-messaging solutions enable organizations of any size to streamline operations, avoid obsolescence, mitigate risks, and leverage the cost and time efficiencies of e-messaging. For more information, visit [www.zixcorp.com](http://www.zixcorp.com).

### **Safe Harbor Statement**

The following is a "Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained in this release are not guarantees of future performance and involve risks and uncertainties. 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 company's lack of significant revenues; the company's ability to achieve broad market acceptance for its products and services; the company's reliance on establishing and maintaining strategic relationships to gain customers and grow revenues; the expected increase in competition in the e-messaging management and protection business; and the company's ability to successfully and timely introduce new e-messaging management and protection products and related services and implement technological changes. Further details on such risks and uncertainties may be found in the company's public filings with the SEC.

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

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Three Months Ended		Year Ended	
	December 31, 2002	December 31, 2001	December 31, 2002	December 31, 2001
Revenues	\$ 546	\$ 54	\$ 1,672	\$ 317
Cost of revenues	(1,567)	(5,816)	(8,999)	(14,996)
Research and development expenses	(1,203)	(1,905)	(6,180)	(9,019)
Selling, general and administrative expenses	(4,572)	(8,498)	(19,335)	(29,892)
Investment and other income	77	706	319	2,187
Interest expense	(379)	--	(2,141)	--
Realized and unrealized gain (loss) on investments	96	(3,891)	96	(5,391)
Loss from continuing operations before income taxes	(7,002)	(19,350)	(34,568)	(56,794)
Income taxes	--	--	269	--
Loss from continuing operations	(7,002)	(19,350)	(34,299)	(56,794)
Discontinued operations	45	--	862	48
Net loss	<u>\$ (6,957)</u>	<u>\$ (19,350)</u>	<u>\$ (33,437)</u>	<u>\$ (56,746)</u>
Basic and diluted earnings (loss) per common share:				
Continuing operations	\$ (0.39)	\$ (1.13)	\$ (2.07)	\$ (3.32)
Discontinued operations	--	--	0.05	--
Net loss	<u>\$ (0.39)</u>	<u>\$ (1.13)</u>	<u>\$ (2.02)</u>	<u>\$ (3.32)</u>
Weighted average shares outstanding	19,124	17,182	18,129	17,083

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**ZIX CORPORATION**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands)  
(Unaudited)

	December 31, 2002	December 31, 2001
<b>ASSETS</b>		
Cash and marketable securities	\$ 14,832	\$ 20,065
Receivables	1,014	913
Other current assets	1,546	1,195
Property and equipment, net	<u>3,608</u>	<u>10,263</u>
	<u>\$ 21,000</u>	<u>\$ 32,436</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued expenses	\$ 2,976	\$ 4,562
Deferred revenues	826	345
Convertible preferred stock	5,653	--
Stockholders' equity	<u>11,545</u>	<u>27,529</u>
	<u>\$ 21,000</u>	<u>\$ 32,436</u>

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