



VERISIGN™



THE DOMAIN NAME INDUSTRY BRIEF

VOLUME 8 - ISSUE 3 - AUGUST 2011

THE VERISIGN DOMAIN REPORT

AS THE GLOBAL REGISTRY OPERATOR FOR .COM AND .NET, VERISIGN REVIEWS THE STATE OF THE DOMAIN NAME INDUSTRY THROUGH A VARIETY OF STATISTICAL AND ANALYTICAL RESEARCH. AS A LEADING PROVIDER OF DIGITAL INFRASTRUCTURE FOR THE INTERNET, VERISIGN PROVIDES THIS BRIEFING TO HIGHLIGHT TO INDUSTRY ANALYSTS, MEDIA AND BUSINESSES IMPORTANT TRENDS IN DOMAIN NAME REGISTRATION, INCLUDING KEY PERFORMANCE INDICATORS AND GROWTH OPPORTUNITIES.



EXECUTIVE SUMMARY

The second quarter of 2011 closed with a base of more than 215 million domain name registrations across all Top Level Domains (TLDs), an increase of 5.2 million domain names, or 2.5 percent over the first quarter. Registrations have grown by more than 16.9 million, or 8.6 percent, since the second quarter of 2010.

The base of Country Code Top Level Domains (ccTLDs) was 84.6 million domain names, a 3.6 percent increase quarter over quarter, and an 8.4 percent increase year over year in the base.¹

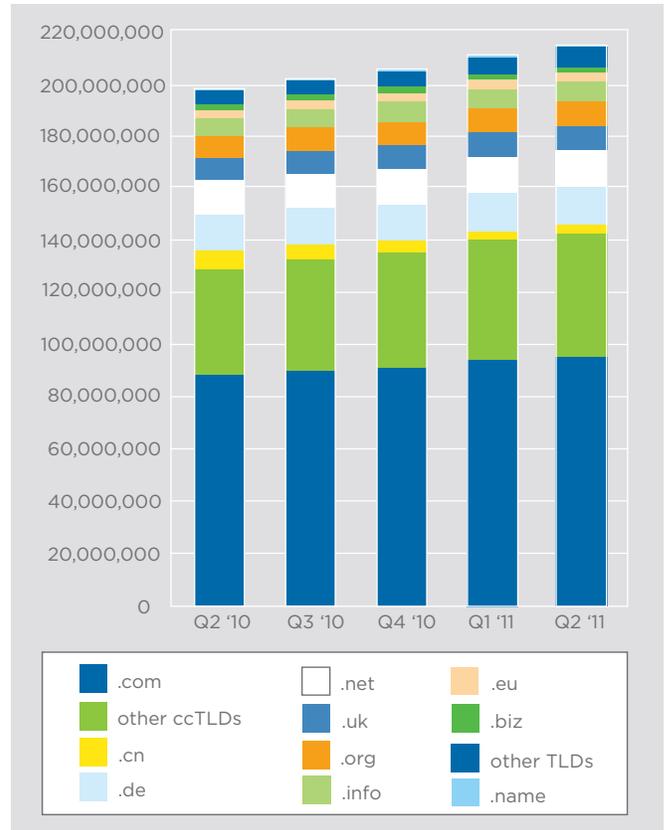
The .com and .net TLDs experienced aggregate growth, surpassing a combined total of 110 million names in the second quarter of 2011. This represents a 1.8 percent increase in the base over the first quarter of 2011 and an 8.3 percent increase over the same quarter in 2010. New .com and .net registrations totaled 8.1 million during the quarter. This reflects a 2.0 percent increase year over year in new registrations, and a 2.3 percent decrease in new registrations from the first quarter.

The order of the top TLDs in terms of zone size changed slightly compared to the first quarter, as .cn (China) moved from ninth to eighth largest TLD, dropping .eu (European Union) from eighth to ninth.

The largest TLDs in terms of base size were, in order, .com, .de (Germany), .net, .uk (United Kingdom), .org, .info, .nl (Netherlands), .cn, .eu and .ru (Russian Federation).

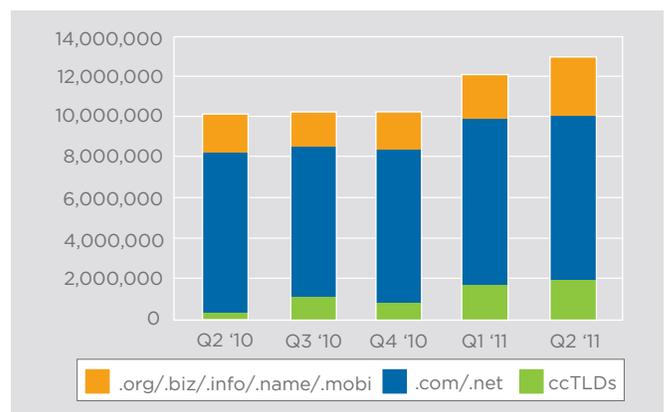
Total Domain Name Registrations

Source: Zooknic, July 2011; Verisign, July 2011



New Registration Growth

Source: Zooknic, July 2011; Verisign, July 2011; ICANN Monthly Reports





CCTLD BREAKDOWN OF ZONE SIZE

Total ccTLD registrations² were approximately 84.6 million in the second quarter of 2011 with the addition of 2.9 million domain names, or a 3.6 percent increase compared to the first quarter. This is an increase of approximately 6.6 million domain names, or 8.4 percent from a year ago.³

Among the 20 largest ccTLDs, Brazil, Australia and Spain each exceeded 4 percent quarter over quarter growth. Last quarter, seven of the top 20 exceeded the same threshold.

There are more than 240 ccTLD extensions globally, with the top 10 ccTLDs comprising 60 percent of all registrations.

Top ccTLD Registries by Domain Name Base, Second Quarter 2011

Source: Zooknic, July 2011

- | | |
|-------------------------|-----------------------------|
| 1. .de (Germany) | 6. .ru (Russian Federation) |
| 2. .uk (United Kingdom) | 7. .br (Brazil) |
| 3. .nl (Netherlands) | 8. .ar (Argentina) |
| 4. .cn (China) | 9. .it (Italy) |
| 5. .eu (European Union) | 10. .pl (Poland) |

.COM/.NET DYNAMICS

The .com/.net renewal rate for the second quarter of 2011 was 73.1 percent, down from 73.8 percent for the first quarter. Renewal rates vary quarter over quarter based on the composition of the expiring name base and the contribution of specific registrars.

Whether a domain name resolves to a website is a key factor in the renewal rates since domain names that resolve to websites are more likely to be renewed. Verisign estimates that 88 percent of .com and .net domain names resolve to a website, meaning that an end-user visiting that domain name would find a website. These websites can be further described as those having multiple pages or as one-page websites. One-page websites include under-construction, brochure-ware and parked pages in addition to online advertising revenue generating parked pages.

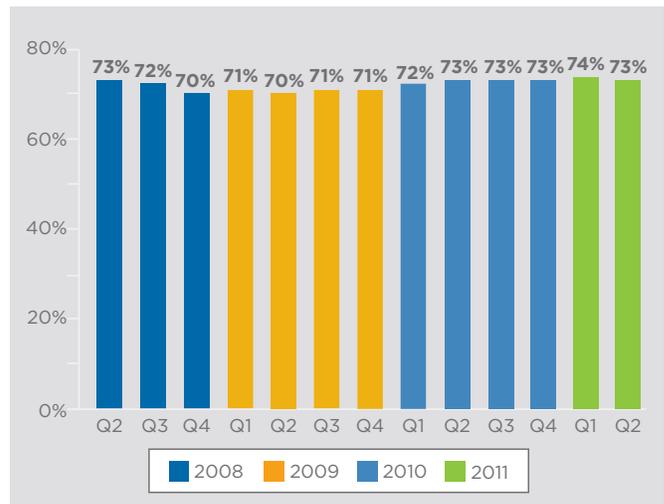
ccTLD Breakdown

Source: Zooknic, July 2011



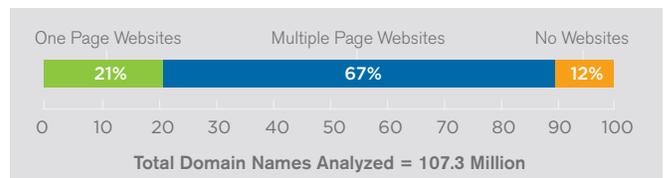
.com/.net Registry Renewal Rates

Source: Verisign, August 2011



.com/.net Websites

Source: Verisign, August 2011



² .tk is excluded from the Domain Name Industry Brief.
³ Some ccTLD registries ran promotional programs during the second quarter.



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Verisign's average daily Domain Name System (DNS) query load during the quarter was 56 billion, with a peak of 68 billion. Compared to the previous quarter, the daily average declined 1 percent and the peak grew 1 percent.

CYBER STAKES ARE HIGH FOR SMALL AND MID-SIZED BUSINESSES

Just as the Internet opens new markets and unique opportunities for small and mid-sized businesses (SMBs), it also exposes them to threats that were once the sole concern of much larger organizations. Effectively harnessing Internet opportunities, while mitigating cybersecurity risks, can mean the difference between success and failure for SMBs.

While the benefits of effective online marketing and branding for SMBs have been exhaustively discussed, the mounting Internet-related challenges and cyber threats often go unaddressed until it's too late.

In 2010, *The Wall Street Journal* reported on an international cybercrime ring that managed to steal about \$70 million from small businesses, municipalities and churches before law enforcers were able to stop it.⁴ The criminals specifically targeted small businesses because their electronic defenses were much weaker than larger organizations, allowing them to steal with virtual impunity.

Ironically, as larger enterprises improve their defenses and make cybersecurity a larger priority, SMBs become an even more attractive target to cyber-criminals looking for easy, and profitable, targets.

But despite growing threats, SMBs as a group have been slow to adopt effective security technologies and protocols. In its most recent annual survey of SMB leaders, the National Cyber Security Alliance (NCSA) (<http://www.staysafeonline.org>) found that less than half of SMB owners (43 percent) were confident that their businesses were adequately protected against data thieves.

Even more alarming was the fact that more than half of those polled (53 percent) said that the cost of securing their data and networks was not justified by the threat. That's despite the fact that more than 74 percent of small and mid-sized businesses have been impacted by cyber attacks over the past year, according to Symantec, which pegged the per-incident cost of such attacks at more than \$180,000.⁵

Effectively mitigating those threats requires a combination of common sense security procedures and smart – but not overwhelming – investments in security technology and services.

In May 2011, the Federal Communications Commission (FCC) hosted a Cybersecurity Roundtable focused on protecting SMBs. The FCC offered a 10-point cybersecurity checklist (<http://www.fcc.gov/events/cybersecurity-roundtable-protecting-small-businesses>) for companies that included simple-but-effective recommendations like installing firewalls, regularly updating software and training employees in basic information security practices.

The FCC guidelines represent an excellent starting point for any SMB with an Internet connection. But for SMBs with more extensive Internet operations – including those that base significant portions of their business on e-mail and online transactions – those steps may not be enough.

As a general rule, the more an SMB relies on the Internet, the more that SMB must devote to ensuring that its infrastructure, networks and customer-facing technologies are secure and stable. The entire host of technological threats that face large companies (from email and phishing scams to hacking and DDoS attacks) can be directed equally at SMBs, where they often have a much more serious impact.



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DDoS attacks can be particularly damaging to online-oriented SMBs, taking them offline for hours or even days by flooding their servers with illegitimate traffic. Cyber criminals know how damaging such an attack can be to small and mid-sized businesses and will often use the threat of a DDoS campaign to extort money from owners and network operators.

For SMBs with significant online investments and business offerings, it may make sense to invest in third-party DDoS mitigation services from a company that specializes in bridging the natural technology gap that occurs when smaller organizations face large-scale threats. The value of a DDoS mitigation service is that it allows even a relatively small SMB to take advantage of enormous bandwidth capacity when they come under attack. This allows networks to stay up, and businesses to continue operating, even when they are under direct attack.

Whether an SMB is an all-Internet operation, or a brick-and-mortar business that uses the Internet mainly for e-mail and administrative functions, it pays to have a clear view of the cyber threats that face all SMB owners. As is always the case in cybersecurity, an ounce of prevention is worth a pound of cure.

LEARN MORE

To subscribe or access the archives for the Domain Name Industry Briefs, please go to <http://www.verisigninc.com/DNIB>. Email your comments or questions to domainbrief@verisign.com.

ABOUT VERISIGN

VeriSign, Inc. (NASDAQ: VRSN) is the trusted provider of Internet infrastructure services for the networked world. Billions of times each day, VeriSign helps companies and consumers all over the world to connect online with confidence. Additional news and information about the company is available at www.VerisignInc.com.

**TO LEARN MORE ABOUT WHAT'S NEXT FOR NEW GTLDS, SEE THE ARTICLE ON PAGE 6
NEW GTLD UPDATE: WHAT'S NEXT FOR KEY STAKEHOLDERS?**

Zooknic Methodology

For gTLD data cited with Zooknic as a source, the analysis uses a comparison of domain name root zone file changes supplemented with WHOIS data on a statistical sample of domain names which lists the registrar responsible for a particular domain name and the location of the registrant. The data has a margin of error based on the sample size and market size. The ccTLD data is based on analysis of root zone files. For more information, see www.zooknic.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 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. 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, the uncertainty of future revenue and profitability and potential fluctuations in quarterly operating results due to such factors as increasing competition, pricing pressure from competing services offered at prices below our prices and changes in marketing practices including those of third-party registrars; the sluggish economic recovery; challenges to ongoing privatization of Internet administration; the outcome of legal or other challenges resulting from our activities or the activities of registrars or registrants; new or existing governmental laws and regulations; changes in customer behavior, Internet platforms and web-browsing patterns; the inability of Verisign to successfully develop and market new services; the uncertainty of whether our new services will achieve market acceptance or result in any revenues; system interruptions; security breaches; attacks on the Internet by hackers, viruses, or intentional acts of vandalism; the uncertainty of the expense and duration of transition services and requests for indemnification relating to completed divestitures; the uncertainty of whether Project Apollo will achieve its stated objectives; potential introduction of new gTLDs; and the uncertainty of whether the .com Registry Agreement renewal will occur by December 1, 2012, if at all. More information about potential factors that could affect the company's business and financial results is included in Verisign's filings with the Securities and Exchange Commission, including in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Verisign undertakes no obligation to update any of the forward-looking statements after the date of this announcement.



NEW GTLD UPDATE: WHAT'S NEXT FOR KEY STAKEHOLDERS?

AS A TRUSTED PROVIDER OF SECURE AND STABLE REGISTRY SERVICES FOR MORE THAN A DECADE, VERISIGN IS AVAILABLE TO HELP COMPANIES AND ORGANIZATIONS WITH QUESTIONS REGARDING THE NEW GTLD PROCESS. THOSE WHO ARE PLANNING TO PARTICIPATE IN THE NEW GTLD ROUND, OR JUST HAVE QUESTIONS ABOUT THE PROCESS CAN GET STARTED HERE (WWW.VERISIGNINC.COM/NEWGTLD).

In June 2011, the Internet Corporation for Assigned Names and Numbers (ICANN) approved the creation of potentially hundreds of new generic Top Level Domains at its meeting in Singapore.

The vote clears the way for one of the most significant changes in the history of the Internet's global addressing system, creating opportunities for everyone from the largest companies to everyday Internet users. Here's what key stakeholders can expect in the coming months.

- **New gTLD Applicants:** The group most immediately affected by ICANN's vote is made up of the hundreds of companies and organizations worldwide that have expressed interest in operating new gTLDs. Under the timeline published by ICANN, the application window is slated to open in January 2012 and close in April 2012. This means applicants have a few short months to finalize their business plans, outline their proposed policies and identify a backend technology provider that can operate their domain at the highest level of security and stability.
- **Domain Name Registrants:** Domain name registrants still have a little while to wait before they can begin registering names in new gTLDs. According to the ICANN timeline, the initial evaluation of new gTLD applications won't be completed until November 2012, meaning that the first new domains will not likely become available until sometime in 2013. That gives registrants time to review some of the proposals that are being offered, and even to consider whether they want to participate in the new gTLD round as applicants themselves.
- **Internet Users:** Of all the groups impacted by the new gTLD program, end users have the longest to wait before the program has a direct impact on their lives. But users can still play a role in the coming months. Users should look for new gTLD proposals targeting their interests (music, wine, health, etc.) and demographics (cities, countries, cultural groups). Because many new gTLD applicants will seek to represent specific "communities," members of those communities should be aware of those applications and how they may be able to participate.
- **"Fence-Sitters":** Perhaps those with the most pressing timeline under the proposed process are the organizations that are still on the fence about whether to participate in the new gTLD process. Now that a timeline has been set, the clock is ticking to make a decision whether to participate in the first new gTLD round. With no guarantees about when and if the second round will ever take place, this is a decision with far-reaching impact. Potential applicants need to weigh the costs and benefits of participating in the ICANN process and decide soon how and whether to move forward.