The Domain Name Industry Brief

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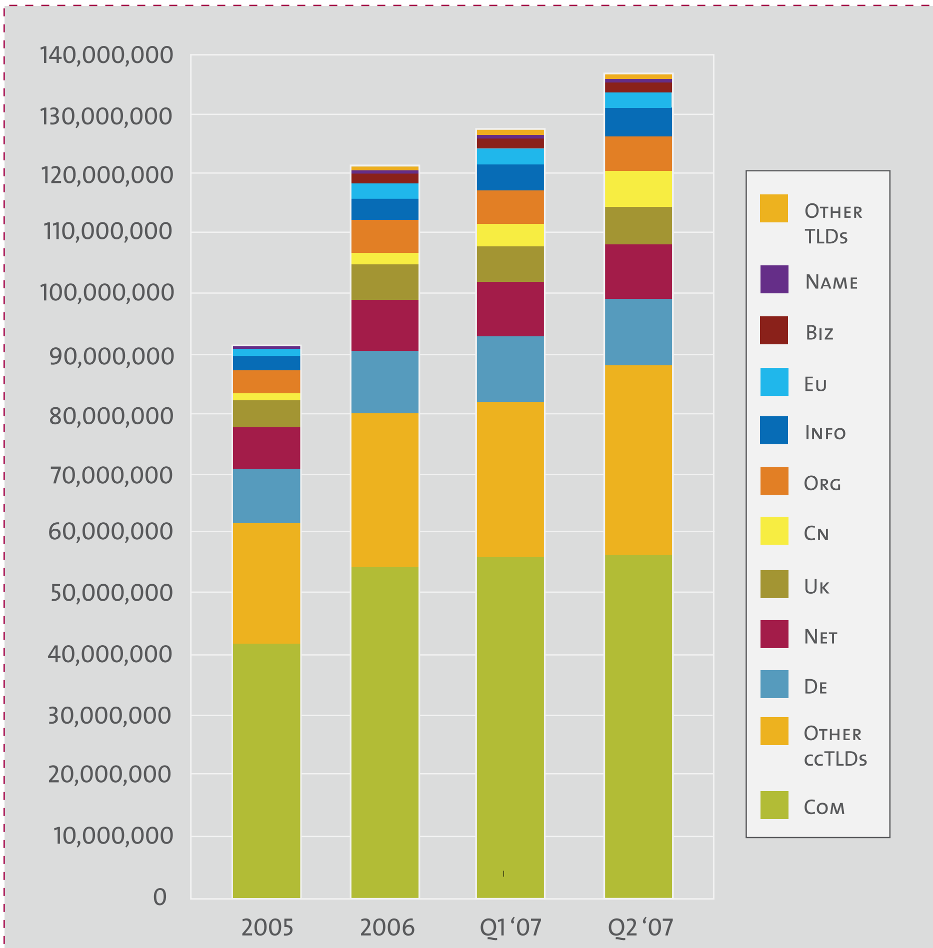
The VeriSign Domain Report

As the global registry operator for .com and .net, VeriSign closely monitors 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 these key trends to educate industry analysts, media, and businesses on important trends in domain name registrations. This brief details current trends in the industry, highlighting key performance indicators and growth opportunities.

+ Executive Summary

At the midpoint of 2007, the total base of domain name registrations worldwide was 138 million across all of the Top Level Domain Names (TLDs). This represents a 31 percent increase over the same quarter last year and an eight percent increase over the first quarter 2007. The Country Code Top Level Domain Names (ccTLDs) totaled 51.5 million domain name registrations, a 36 percent growth year over year and a 13 percent growth quarter over quarter. In terms of total registrations, .com remained the largest TLD in terms of its total base of registrations, with .de (Germany), and .net following. For the next largest TLDs, .uk (United Kingdom), .cn (China) and .org have about the same number of registrations with only 130,000 domain name registrations separating them.

Total Domain Name Registrations



Total Domain Name Registrations

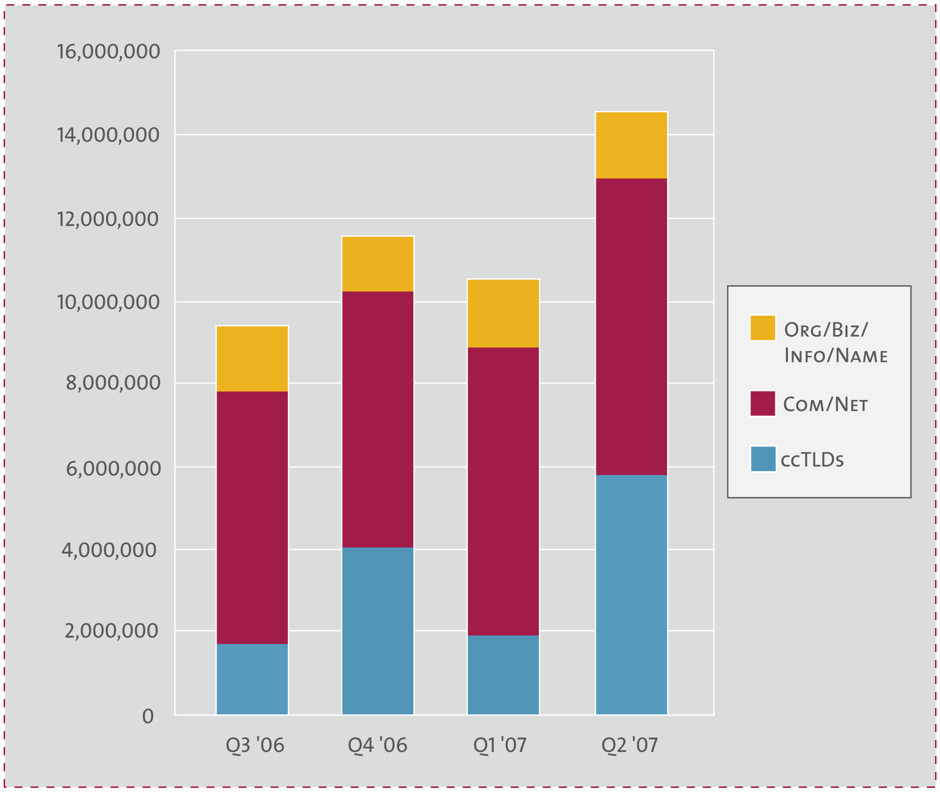
Source: Zooknic, July 2007; VeriSign, July 2007.

+ Industry Growth and Composition

Growth

The number of new registrations hit an all time high in the second quarter of 2007 with 14.5 million new domain name registrations, outpacing the previous high mark hit in the fourth quarter of 2006. New registrations in the second quarter grew by 37 percent over the first quarter and by 32 percent over the second quarter last year. ccTLDs were a major factor driving the continued growth in new registrations.

New Registration Growth



New Registration Growth

Source: Zooknic, July 2007; VeriSign, July 2007; ICANN Monthly Reports.

ccTLD Breakdown

Driven by the remarkable growth of .cn, ccTLDs grew to 51.5 million registrations by the end of the second quarter of 2007. This represents a 13 percent growth over the first quarter of 2007 and a 36 percent growth over the same quarter last year. Three of the top 20 ccTLDs grew at double-digit growth rates including .cn (China), .ru (Russian Federation) and .kr (South Korea).

In early March, CNNIC, the .cn registry, launched an aggressive price promotion for .cn in which the fee for the first year of each registration was RMB1.00 (about US$0.13). The .cn TLD ended the second quarter with a base of just under six million domain name registrations, a 61 percent quarter over quarter growth and 402 percent year over year growth. The promotion was scheduled to end at the end of May but has been extended through the end of 2007. This rapid growth has pushed .cn to be the third largest ccTLD, just behind .uk.

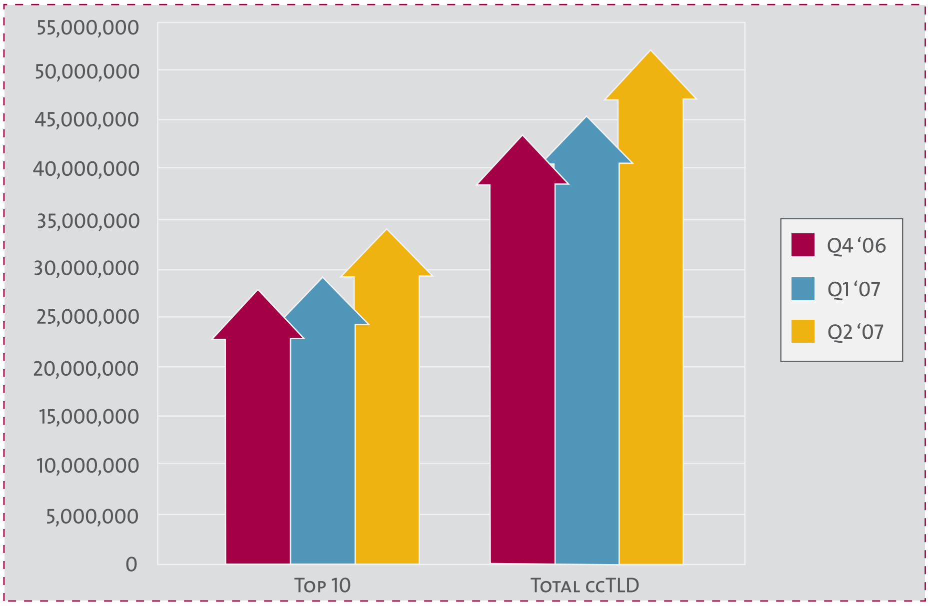
There are more than 240 ccTLD extensions globally but the top ten ccTLDs contribute 66 percent of the total. In addition to .cn, among the top ten largest ccTLDs, .ar (Argentina) and .br (Brazil) grew the fastest with a nine percent and six percent growth rate respectively quarter over quarter. The European Union ccTLD, .eu, experienced a five percent decline in its base of domain name registrations quarter over quarter. This decline is most likely due to low domain name renewals during .eu's first renewal cycle that began in late spring. There was no change in the list of ccTLDs that made up the top ten largest ccTLDs, just a shuffling in position as .eu dropped to fifth place and .cn climbed to third place.

The German ccTLD, .de, remained the largest ccTLD in terms of the total base of domain name registrations with .uk (United Kingdom) as the second largest. Both experienced slightly slower growth with .de growing two percent and .uk growing four percent quarter over quarter. Together, .de and .uk represent 33 percent of all ccTLDs. In terms of absolute volume growth, the top ccTLDs with the largest growth include .de, .uk, .cn, and .nl (Netherlands).

ccTLD Breakdown

Source: Zooknic, July 2007

ccTLD Breakdown



TOP CCTLD REGISTRIES BY DOMAIN NAME BASE, SECOND QUARTER 2007

1.	.de	(Germany)
2.	.uk	(United Kingdom)
3.	.cn	(China)
4.	.nl	(Netherlands)
5.	.eu	(European Union)
6.	.it	(Italy)
7.	.ar	(Argentina)
8.	.us	(United States)
9.	.br	(Brazil)
10.	.ch	(Switzerland)

Source: Zooknic (www.zooknic.com), July 2007.

+ .Com/.Net Dynamics

VeriSign processed a peak of 30 billion Domain Name System (DNS) queries per day in the second quarter of 2007 resulting in millions of Internet users accessing Web sites or sending email. The VeriSign DNS continued to maintain operational accuracy and stability for 100 percent of the time during the second quarter of 2007 as it has for the past nine years.

The .Com and .Net Base and New Registrations

The overall .com and .net domain name adjusted base increased by six percent quarter over quarter resulting in more than 73 million .com and .net domain name registrations at the end of the second quarter. This represented a 27 percent increase year over year.[1]

New .com and .net domain name registrations were added at an average of 2.3 million per month in second quarter 2007 for a total of seven million new registrations.

The underlying growth drivers continue to be the same as in previous quarters including traditional corporate and small business, international, as well as, registrations from the domain name monetization segment of domain name investors and large portfolio holders. In terms of the overall base of all .com and .net domain name registrations, VeriSign estimates that PPC-intent[2] domain name registrations represent about 10 percent of the .com and .net base, which is similar to rates observed in other gTLDs. VeriSign estimates that the number of new PPC-intent domain name registrations represented 11 percent of total new registrations in second quarter 2007.

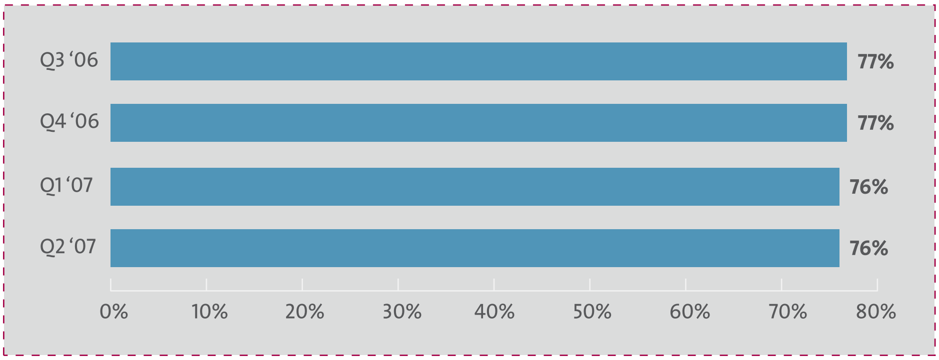
1 For .com and .net domain name registrations, due to registrations related to the online advertising industry, VeriSign reports an adjusted base of active domain name registrations, which reflects the active base number to include deletions that occur within the five-day Add Grace Period beyond the quarter end. This figure may differ from other publicly available sources.

2 PPC-intent domain names have been registered with the intention of developing a Web site with PPC advertising links to generate advertising revenue. These domain name registrations and their associated Web sites are typically part of a large portfolio of domain names.

Renewals

In the second quarter of 2007, the registry renewal rate for .com and .net was 76 percent. The renewal rate for domain names that have been previously renewed was 86 percent compared to a renewal rate of 63 percent for domain names going through their first renewal cycle.

.Com/.Net Registry Renewal Rates

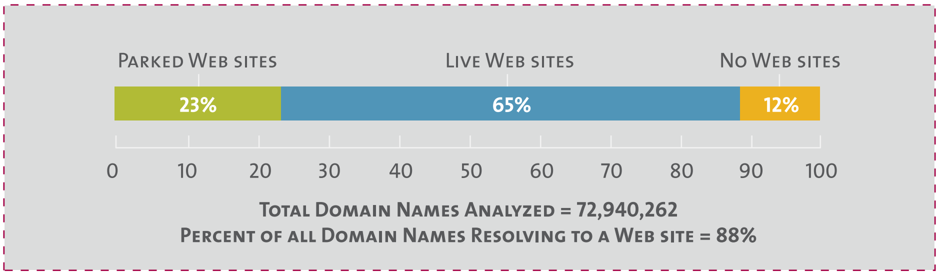


.Com/.Net Registry Renewal Rates

Source: VeriSign, August 2007

Whether a domain names resolves to a Web site is a key factor in the high renewal rates since domain names that resolve to Web sites are more likely to be renewed. VeriSign estimates that 88 percent of .com and .net domain names resolve to a Web site, meaning that an end-user visiting that domain name would find a Web site.[3] These sites can be further broken down to live sites (approximately 65 percent) and parked sites (approximately 23 percent). Live Web sites are multi-page Web sites being used by an organization or an individual. Parked Web sites are defined as one-page Web sites.[4]

.Com/.Net Web Sites



.Com/.Net Web Sites

Source: VeriSign, July 2007

+ Channel Outlook

There are more than 840 .com and .net domain name registrars spread around the world. These registrars, along with their resellers, comprise the "channel" through which domain names are registered by end users, also known as registrants. The channel is the direct face of the industry to the registrant.

VeriSign recently conducted a survey of its .com and .net registrars to better understand their attitudes, business behaviors and market expectations.[5] Overall, the registrars in the channel report that they continue to see the domain name industry as a growing industry that offers significant opportunities for their businesses. They are very optimistic about the domain name industry with 83 percent of respondents stating that they believe that the number of new registrations will increase over the next 12 months. Registrars are also optimistic about renewals with 52 percent believing that renewals will

3 Since second quarter 2006, VeriSign uses a new methodology to determine the extent to which .com and .net domain name registrations resolve to Web sites and therefore, it is not directly comparable to similar data released in this report in the past.

4 "Live" Web sites include sites that are categorized as having multiple pages. Parked Web sites include sites that are categorized as under construction, initially parked and Pay Per Click (PPC) sites. PPC sites are Web sites that contain PPC advertising links to generate advertising revenue for the domain name registrant.

5 All data in this section is from Registrar Profile Study, Windward Directives, June 2007.

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ABOUT VERISIGN

VeriSign, Inc. (Nasdaq: VRSN), operates digital infrastructure services that enable and protect billions of interactions every day across the world' s voice and data networks.

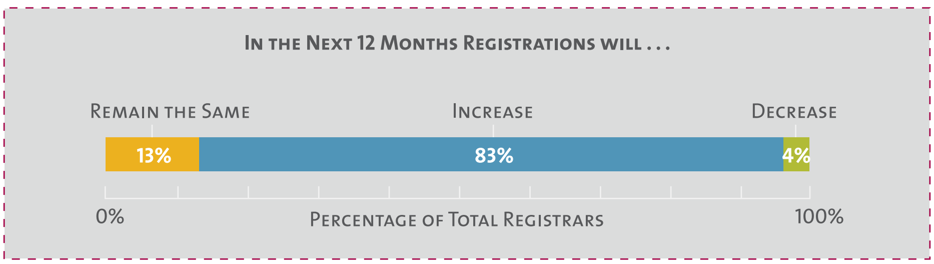
Registrar Outlook on Domain Name Registrations

Source: Registrar Profile Study, Windward Directives, June 2007

increase in the next year. This business is driven by both direct retail and via resellers with 43 percent of respondents describing their business as wholesale focused, and 57 percent described their business as retail focused. Resellers continue to be important to the channel with more than one-third of registrar business coming in via resellers. Registrars do find resellers to be effective for the most part with 40 percent stating that resellers were very or extremely effective and 48 percent stating that resellers were somewhat effective. These effectiveness ratings are trending upward over the past two years.

Most registrars conduct business globally with 52 percent drawing business from their home country, as well as, other countries worldwide. An additional 28 percent focus their business regionally, drawing business from countries in their region of the world. When looking at just the top 20 largest registrars, the percentage that conducts business globally jumps to 82 percent. Registrars view expansion to other countries as an attractive method for building their business with one-third indicating plans to expand geographically in the next 12 months. Europe/UK followed by Latin America and North America were most frequently cited as areas for potential expansion. Registrars plan to expand primarily using direct retail or a mix of retail and resellers.

Registrar Outlook on Domain Name Registrations



When asked to describe their business, 65 percent of respondents described themselves as business-focused domain name registrars while 35 percent described themselves as consumer-focused. On average consumers account for just under one-quarter of registrars' customer base over the past 12 months; U.S. registrars report a slightly higher proportion of business from consumers at 27%. Small businesses and SOHOs (small office/home office) account for somewhat larger shares of customer bases (24 percent) compared to larger businesses (12 percent), especially among non-U.S. registrars. Of those registrars with more than 30 percent of their base consisting of consumers, they report that the most frequent segments of consumers included college students, recent graduates, consumers 55 years+ and social network users. Registrars expect this composition of their base to remain about the same in the next year.

When looking at attributes for generating domain name registrations in the last 12 months, registrars almost universally, 98 percent, cite providing a high level of customer support as extremely or very important. The second area reported was improving operations and the logistics of the sales process. In addition, registrars also reported that dealing more effectively with competition from other registrars and including more features in their bundled products are important factors.

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.