



The Domain Name Industry Brief

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The VeriSign Domain Report

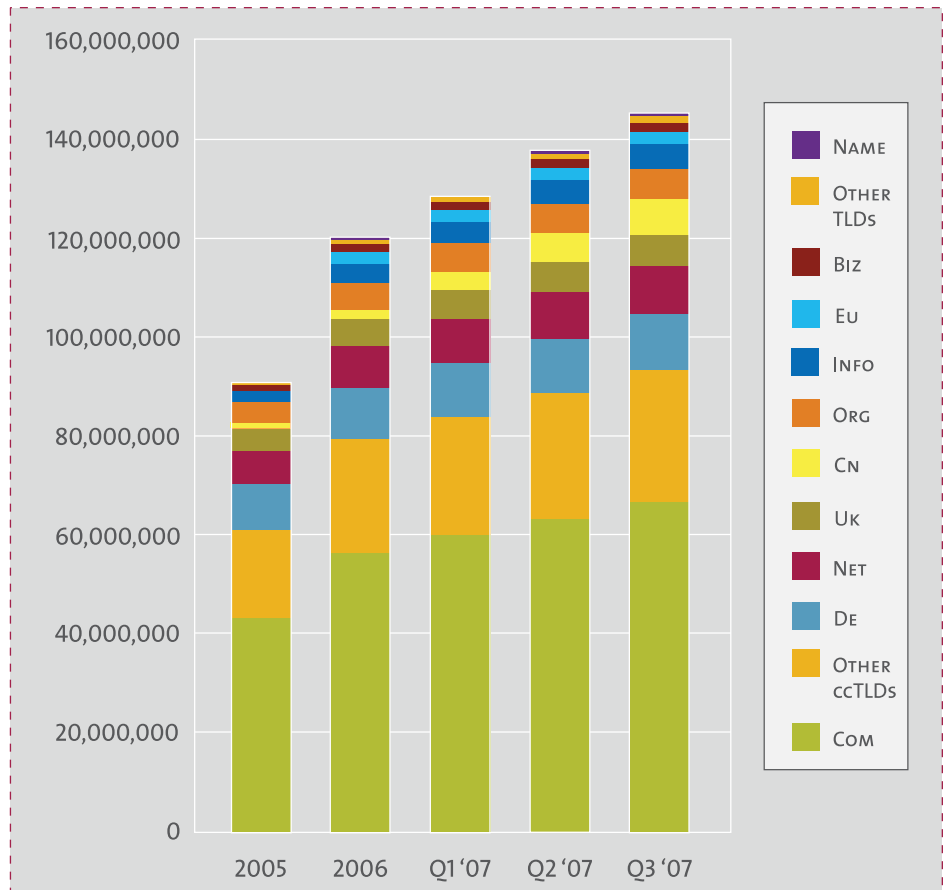
As the global registry operator for .com and .net, VeriSign reviews the state of the domain name industry through a variety of statistical and analytical research. As a leading provider of digital infrastructure for the Internet, VeriSign provides this briefing to highlight to industry analysts, media, and businesses important trends in domain name registration, key performance indicators, and growth opportunities.



+ Executive Summary

Growing at 31 percent over the same quarter last year, the third quarter of 2007 ended with a total base of 146 million domain name registrations worldwide across all of the Top Level Domain Names (TLDs). This represents a six percent growth over the second quarter which is slightly slower than the quarterly growth in the first two quarters but in line with the seasonality that traditionally impacts the third quarter. The total base of Country Code Top Level Domain Name (ccTLD) registrations was 54.6 million, a six percent increase quarter over quarter and a 38 percent increase year over year. Reviewing the total base of registrations in both global TLDs and ccTLDs, .com has the highest base with the next two spots remaining unchanged with .de (Germany) and .net rounding out the top three. This quarter, .cn (China) moved solidly to the fourth spot. This leaves the fifth spot to be shared by .uk (United Kingdom) and .org with approximately the same number of total domain name registrations.¹

Total Domain Name Registrations



Total Domain Name Registrations

Source: Zooknic, October 2007; VeriSign, October 2007

1 The gTLD and ccTLD data cited in this report are estimates to date and may change.
 2 Due to the timing of the release of domain name registration data from some of the ccTLD Registries, the number of new registrations reported in the August 2007 issue of this report was overstated by approximately 1.8 million. The revised number of new registrations in the second quarter was approximately 12.7 million, a three percent increase over the first quarter and 16 percent increase year over year.

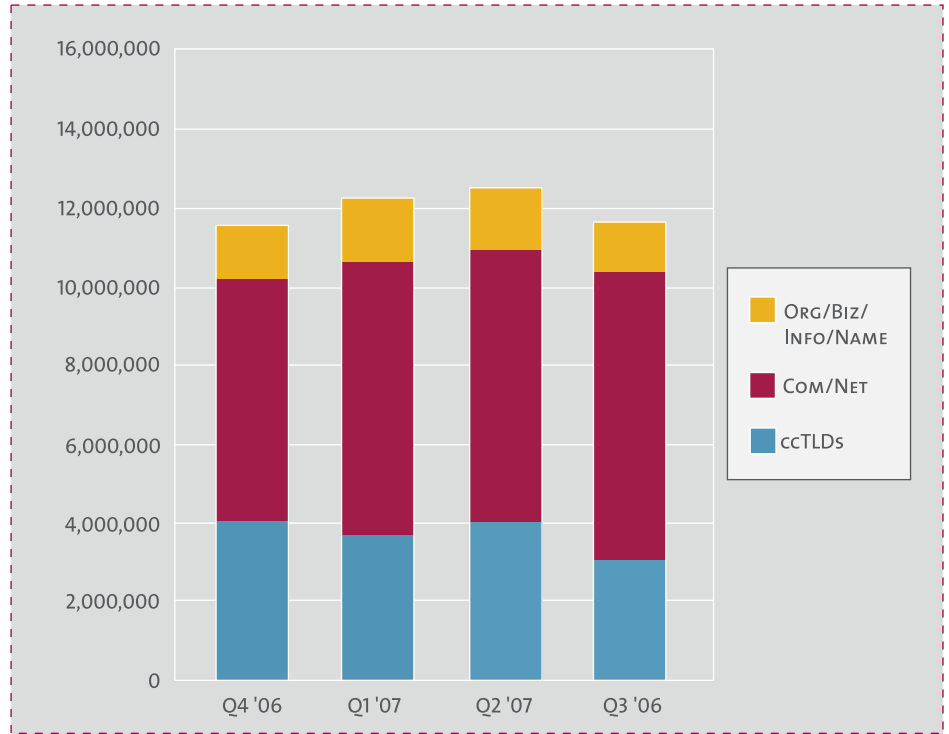
+ Industry Growth and Composition

Growth

During the third quarter, registrants registered approximately 12 million new domain names. New registrations declined slightly, seven percent, from the record pace set in the second quarter but grew 25 percent over the third quarter last year.² When looking at quarter over quarter changes, many of the TLDs experienced a slower rate of new domain name registration growth in the third quarter. The exceptions included .cn, .com, and .net. Together, new .com and .net registrations grew six percent in the third quarter over the second quarter.

Some growth was driven by consumers as domain name registrars targeted consumers with their marketing efforts and expanded product functionality aimed at making domain names more attractive to consumers including tools to enable consumers to publish their own podcasts, as well as, add custom calendars and personal portal pages.

New Registration Growth



New Registration Growth

Zooknic, October 2007; VeriSign, October 2007; ICANN Monthly Reports.

ccTLD Breakdown

The total base of ccTLD domain name registrations grew to 54.6 million by the end of the third quarter 2007. The overall ccTLD domain name base experienced six percent quarter over quarter growth and 38 percent year over year growth.

All of the largest ccTLDs saw growth in the third quarter with .cn driving the largest growth at 20 percent quarter over quarter and .ru (Russian Federation) driving the next largest growth at 12 percent quarter over quarter. The Russian TLD (.ru) growth was likely driven by the overall growth of the Russian economy and the increased number of Internet users. The Chinese TLD (.cn) continued its rapid growth in the third quarter with a 467 percent increase year over year.³ This growth resulted in China moving up to become the second largest ccTLD, surpassing .uk which has held that position for several years.

The largest ccTLD continues to be .de in terms of the total base of domain name registrations with .cn and .uk as the next largest ccTLDs. Together, .de, .cn and .uk represent 45 percent of the ccTLD base with the growth rates of three percent, 20 percent and four percent in the third quarter 2007 over the second quarter 2007, respectively. In terms of absolute volume growth, the top ccTLDs with the largest growth include .cn, .ru, .de, .uk, .nl (Netherlands) and .eu (European Union).

³ In early March 2007, CNNIC, the .cn registry, launched a promotion for .cn in which the fee for the first year of each registration was RMB1.00 (about US\$0.13). The promotion is scheduled to end at the end of 2007.

ccTLD Breakdown

Source: Zooknic, October 2007

TOP CCTLD REGISTRIES BY DOMAIN NAME BASE, THIRD QUARTER 2007

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

Source: Zooknic, October 2007.

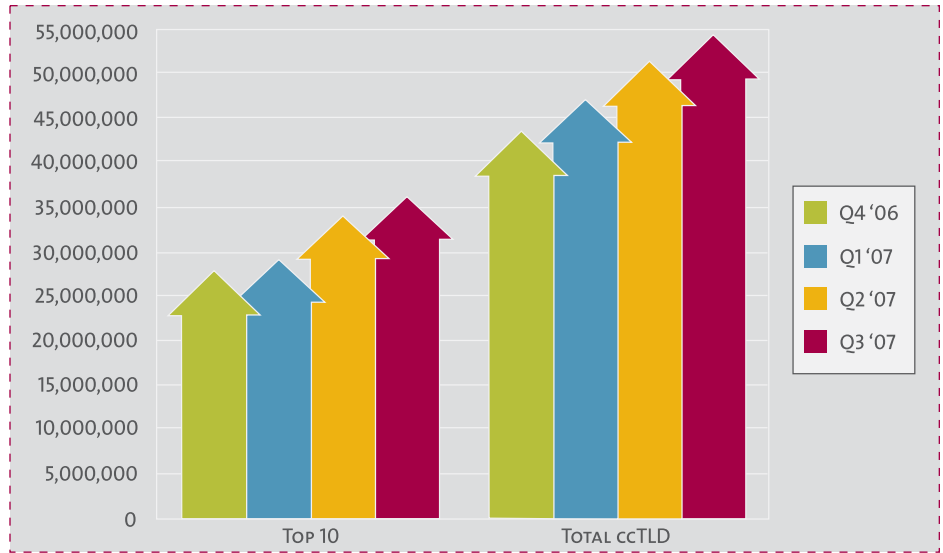
.Com/.Net Registry Renewal Rates

Source: VeriSign, November 2007

4 For .com and .net domain name registrations, 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 that do not adjust the base.

5 The registry renewal rate includes ASCII .com and .net domain names.

ccTLD Breakdown



+ .Com/.Net Dynamics

VeriSign processed a peak of nearly 32 billion Domain Name System (DNS) queries per day in the third quarter of 2007. The VeriSign DNS continued to maintain operational accuracy and stability for 100 percent of the time during the third quarter of 2007 as it has for the past nine years.

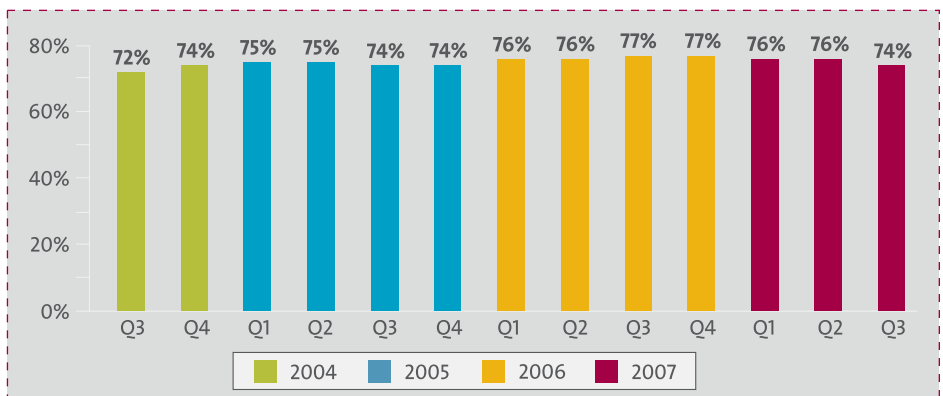
The .Com and .Net Base and New Registrations

The overall .com and .net domain name adjusted base increased by five percent quarter over quarter resulting in 77 million .com and .net domain name registrations at the end of the third quarter. This represented a 25 percent increase year over year.⁴ New .com and .net domain name registrations were added at an average of 2.5 million per month in third quarter 2007 for a total of 7.5 million new registrations.

Renewals

In the third quarter of 2007, the registry renewal rate for .com and .net was 74% percent.⁵ Renewal rates have been in the mid- to upper 70 percent range over the last few years. Quarterly renewal rates may deviate one to two percent in either direction each quarter based upon the composition of the expiring base and the contribution of specific registrars.

.Com/.Net Registry Renewal Rates

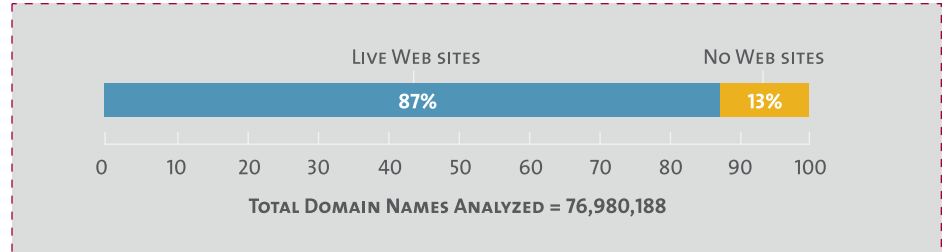


Whether a domain name resolves to a Web site is a key factor in the high renewal rates since domain names that resolve to Web sites are more likely to be renewed. VeriSign estimates that 87 percent of .com and .net domain names resolve to a Web site, meaning that an end-user visiting that domain name would find a Web site

.Com/.Net Web Sites

.Com/.Net Web Sites

Source: VeriSign, October 2007



+ Internationalization of Domain Names

Since 2000, the Internet community has worked towards providing non-English speakers a way to navigate the Internet in their own language through the use of Internationalized Domain Names (IDNs). IDNs are domain names represented by local language characters using scripts beyond ASCII characters.⁶ The domain name using local language characters is followed by an ASCII TLD like .com or .net. IDNs are primarily intended for use in places where English and other Latin-based languages are not the primary language. However, IDNs are available to be registered in all character sets or scripts including Extended Latin characters as identified in Unicode which means that registrants can register IDNs in scripts that represent more than 350 languages.⁷

Recently, there has been growing interest in the Internet community to “fully localize” IDNs such that the entire domain name, including the TLD, would be in local language characters, for example 北京大学.中国. For purposes of this brief, such IDNs shall be referred to as “Internationalized TLDs”. The domain name industry is developing the processes and policies for the introduction of new TLDs, including internationalized TLDs as well as sponsoring a test to ensure that internationalized TLDs will operate correctly in the DNS and the root zones. These internationalized TLDs will include scripts beyond the basic Latin characters (ASCII) familiar to most Internet users in Web addresses (i.e. 新浪.公司) – therefore the entire TLD is in a non-ASCII script.

Types of Domain Names

Types of Domain Names

CURRENT ▶	ASCII DOMAIN NAMES (A-Z, 0-9, -)	COMPANY.NET MYNAME.COM
	INTERNATIONALIZED DOMAIN NAMES (IDN)	승문.NET 中国首饰.COM
PROPOSED ▶	INTERNATIONALIZED TLDs	태영산업.회사 海尔.康姆

⁶ ASCII (American Standard Code for Information Interchange) characters include 0-9, A-Z and the hyphen.

⁷ Currently the standards are for Unicode 3.1, but future changes will accommodate additional versions of Unicode up to and including 5.0. The Extended Latin script includes characters beyond the ASCII range to include ü, ô, ñ, etc.

The potential for internationalized TLDs to truly internationalize the Internet is promising, but it must be done right or there is a high risk of failure over technical and business issues including:

- **End-User Experience:** The internationalized TLD framework must provide unambiguous access to Web sites using domain names regardless of geographic location. Businesses and consumers who desire a global Internet experience will expect Web addresses to function the same no matter what country you are in when using the Internet. Thus, it is important for domain names to be accessible globally, that is, by users both inside and outside the country. The current framework raises questions about interoperability and global access as well as a consistent end-user experience.
- **Security and Stability:** internationalized TLDs will require client-side applications to be updated to accommodate these new TLDs. In addition, the use of domain names including commingled scripts within domain name labels could cause user confusion or contribute to other nefarious activities.

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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.

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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