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THE DOMAIN NAME INDUSTRY BRIEF

VOLUME 9 - ISSUE 4 - DECEMBER 2012

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 THE TRUSTED PROVIDER OF INTERNET INFRASTRUCTURE SERVICES FOR THE NETWORKED WORLD, VERISIGN PROVIDES THIS BRIEFING TO HIGHLIGHT IMPORTANT TRENDS IN DOMAIN NAME REGISTRATION, INCLUDING KEY PERFORMANCE INDICATORS AND GROWTH OPPORTUNITIES, TO INDUSTRY ANALYSTS, MEDIA AND BUSINESSES.

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EXECUTIVE SUMMARY

The third quarter of 2012 closed with a base of more than 246 million domain name registrations across all Top-Level Domains (TLDs), an increase of 5.7 million domain names, or 2.4 percent over the second quarter of 2012. Registrations have grown by 26.4 million, or 12 percent, year over year.[1, 2]

The base of Country Code Top-Level Domains (ccTLDs) was 104.9 million domain names, a 4.6 percent increase quarter over quarter, and a 20.7 percent increase year over year in the base.[1, 2]

The .com and .net TLDs experienced aggregate growth, reaching a combined total of approximately 119.9 million domain names in the adjusted zone in the third quarter of 2012. This represents a 1 percent increase in the base over the second quarter of 2012 and a 7.1 percent increase over the third quarter of 2011. As of Sept. 30, 2012, the base of registered names in .com equaled 105 million names, while .net equaled 14.9 million names.

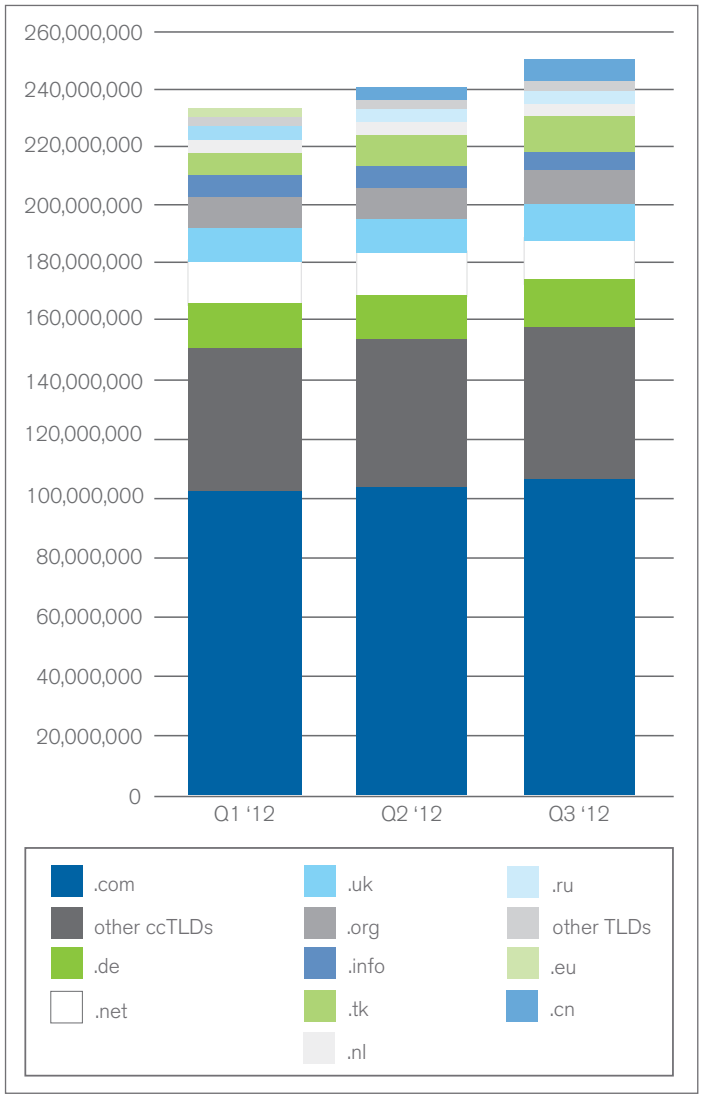
New .com and .net registrations totaled 7.8 million during the third quarter of 2012. This reflects a 1.1 percent year-over-year decrease in new registrations.

The order of the top TLDs in terms of zone size changed slightly when compared to the second quarter, as .cn (China) moved up two rankings from the tenth largest TLD to the eighth largest TLD, resulting in .nl (Netherlands) and .ru (Russian Federation) moving down one ranking each, respectively. All other TLDs in the top 10 maintained their rankings.

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

Top TLDs by Zone Size

Source: Zooknic, October 2012; Verisign, October 2012



1 The gTLD and ccTLD data cited in this report are estimates as of the time of this report and subject to change as more complete data is received.
2 Total includes additional tracking of ccTLD Internationalized Domain Names.

CCTLD BREAKDOWN OF ZONE SIZE

Total ccTLD registrations were approximately 104.9 million in the third quarter of 2012 with the addition of 4.6 million domain names, or a 4.6 percent increase compared to the second quarter. This is an increase of almost 18 million domain names, or 20.7 percent from a year ago.

Among the 20 largest ccTLDs, three exceeded 4 percent overall quarter-over-quarter growth: China, Tokelau and Colombia. This marks back-to-back quarters where China (43 percent) and Tokelau (14 percent) have exceeded 4 percent growth.

As of Sept. 30, 2012, there are 280 ccTLD extensions globally that are delegated in the root (including Internationalized Domain Names), with the top 10 ccTLDs comprising 62 percent of all ccTLD registrations.[3]

Top ccTLD Registries by Domain Name Base, Third Quarter 2012

Source: Zooknic, October 2012

1.	.de	(Germany)	6.	.ru	(Russian Federation)
2.	.tk	(Tokelau)	7.	.eu	(European Union)
3.	.uk	(United Kingdom)	8.	.br	(Brazil)
4.	.cn	(China)	9.	.au	(Australia)
5.	.nl	(Netherlands)	10.	.ar	(Argentina)

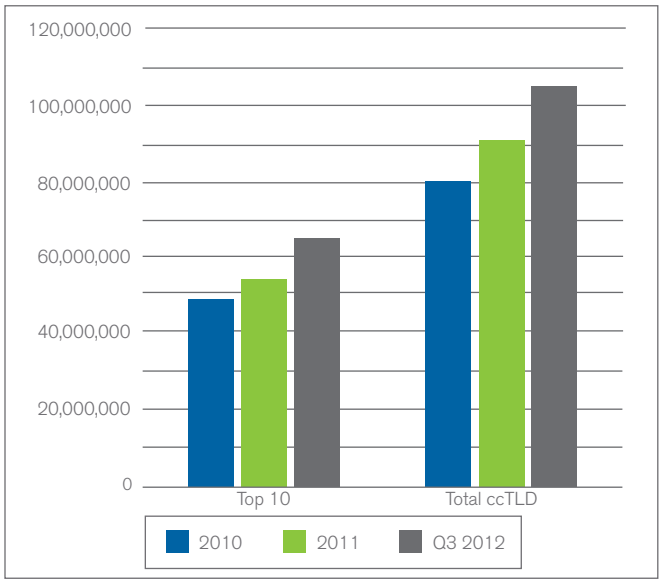
.COM/.NET DYNAMICS

The .com/.net renewal rate for the third quarter of 2012 was 72.5 percent, slightly down from 72.9 percent in the second quarter of 2012. 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 determining the renewal rate since domain names that resolve to websites are more likely to be renewed. Verisign estimates that 87 percent of .com and .net domain names in the active zone 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.

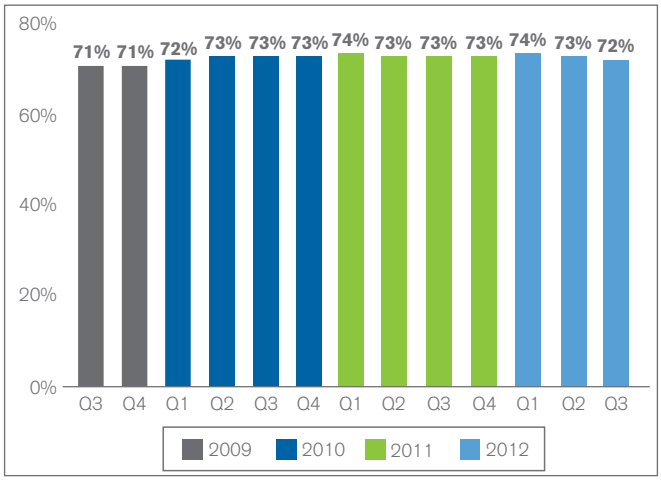
ccTLD Breakdown

Source: Zooknic, October 2012
For further information on the Domain Name Industry Brief methodology, please refer to page 5 of the report



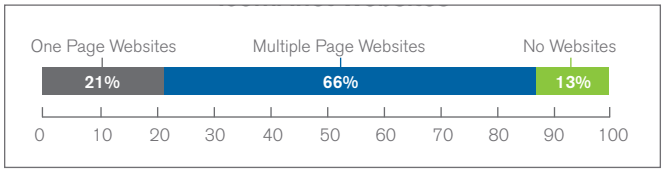
.com/.net Registry Renewal Rates

Source: Verisign, October 2012



.com/.net Websites

Source: Verisign, October 2012



3 The number of ccTLD extensions cited in this report is published by IANA.

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Verisign's average daily Domain Name System (DNS) query load during the third quarter of 2012 was 67 billion, with a peak of 102 billion. Compared to the previous quarter, the daily average decreased 1.3 percent and the peak increased 14.1 percent. Year over year, the daily average increased 12.8 percent and the peak increased 31.8 percent.

COMBATING DDOS ATTACKS IN THE CLOUD

Security professionals in the enterprise today face a new world order. The growth of the cloud in the enterprise has expanded the information technology ecosystem beyond on-premise technologies and compelled IT and security teams to reconsider established architectures and internal policies.[4] At the same time, the rise of larger and more complex Distributed Denial of Service (DDoS) attacks is contributing to an ever more sophisticated threat landscape.[5] Defending against DDoS in the cloud requires understanding the scope of the threat and the foundation for mitigation.

As more endpoints, systems and data converge on the cloud, security practitioners are left with a greater attack surface to defend. Additionally, the maturing malware-as-a-service industry has made it easier for motivated individuals to coordinate larger and ever-increasing attacks. The frequency and sophistication of attacks has caused the business world to take notice. For those keeping score, that's several macro-trends in favor of organizations launching these attacks. But an informed mitigation plan can even the score and tip the balance.

As an enterprise, the goal should be to block harmful traffic before it reaches the network or application. To do this, speed and scale for detecting then mitigating an incoming attack are vital. As traditional approaches of over-provisioning bandwidth and firewalls have proved costly and ineffective, enterprises are increasingly turning to two types of cloud-based services, managed DNS and DDoS protection services. Verisign believes both services enable rapid deployment and eliminate the need for significant investments in equipment, infrastructure and subject matter expertise. Taking the cloud approach allows businesses to trim operational costs while hardening their defenses to thwart even the largest of DDoS attacks.[6]

While there are several steps in the DDoS mitigation journey, below are some key elements to consider.

1. **Centralize Data Gathering and Understand Trends**: At the most basic level, successful DDoS protection involves knowing what to watch for. DDoS mitigation monitors for unusual traffic patterns and activities that may identify and validate potential/emerging attacks. Enterprises should complement these tactics with in-house and third-party cyber intelligence capabilities for a more complete view of the threat landscape.

2. **Define a Clear Escalation Path**: Systematic processes and methodology are essential for effective DDoS attack mitigation. This includes putting defined standard operating procedures and incident response teams in place. To prepare for downtime, identify critical systems and develop/test contingency plans for short-term (e.g., one hour), medium-term (e.g., 24 hours), and long-term (e.g., multiple-day) network or service outages.

3. **Use Layered Filtering**: The goal of DDoS mitigation is to exclude only unwanted traffic while allowing legitimate traffic to enter the network with minimal delay. The most effective means to accomplish this is to use a multi-layered verification process.

4. **Review and Optimize DNS Performance**: Recent and high profile DDoS-based DNS outages have shed light on the expanding attack surface of DDoS and about the importance of DNS as a critical yet complex IT function. As DNS continues to be a prime target for DDoS attacks, support for DNS availability and security becomes an important step in proactive protection.

5. **Address Application and Configuration Issues**: DDoS attacks have evolved from brute force attacks at the network layer to more sophisticated, difficult-to-detect attacks at the application layer. Attackers can learn the acceptable threshold of a strategic application or service and launch a larger scale attack to cripple the technology.

4 Are You Opportunistic or Strategic with Your Cloud Investments?, James Staten, Forrester Research blog, July 18, 2012
5 Gartner, Cool Vendors in Infrastructure Protection, Ray Wagner, Joseph Feiman, Lawrence Orans, John Pescatore, Neil MacDonald, Peter Firstbrook, and Greg Young, April 21, 2011
6 CIO: 5 Key Interop 2012 Takeaways for CIOs and Other IT Pros (May 14, 2012)

DDoS attacks traditionally targeted e-commerce websites but have now moved up to the application stack for maximum business disruption. The elevated dangers posed by this next generation of DDoS attacks are compelling companies of all sizes, across all industries, to protect their assets. Defending against these attacks will require covering the basics, some of which are above, and tailoring additional steps and precautions to the needs of each enterprise's unique infrastructure set-up.

LEARN MORE

To subscribe or access the archives for the Domain Name Industry Brief, please go to 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 connect between the dots. Additional news and information about the company is available at www.VerisignInc.com.

METHODOLOGY

The data presented in this report for ccTLDs, including quarter-over-quarter and year-over-year metrics, reflects the information available to Verisign at the time of this report and may incorporate changes and adjustments to previously reported periods based on additional information received since the date of such prior reports, so as to more accurately reflect the growth rate of the ccTLDs. In addition, the data available for this report may not include data for the 280 ccTLD extensions that are delegated to the root, and includes only the data available at the time of the preparation of this report.

For gTLD and ccTLD data cited with Zooknic as a source, the Zooknic 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. Information on or accessible through this website is not part of this report.

The Internet Corporation for Assigned Names and Numbers' IDN ccTLD Fast Track Process enables countries and territories that use languages based on scripts other than Latin to offer users domain names in non-Latin characters. The first quarter of 2012 was the first quarter that Verisign reported on these TLDs that have been delegated into the root zone, including Russian Federation, Thailand, Jordan, Palestinian Territories, Saudi Arabia, Serbia and Sri Lanka.

Recognizing that this growth did not all occur in the first quarter of 2012, the changes in domain name registrations for each new TLD were phased in beginning with the quarter that the IDN.IDN variants were initially launched, in order to more closely model the changes in the worldwide domain name growth. Following the initial launch, the quarterly growth rate for previous TLD launches was applied to determine the domain base. These adjustments resulted in a growth curve for each TLD that is typical of historic TLD introduction lifecycles.

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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 whether the Company will be able to exercise its right, under certain circumstances, to increase the price per domain name registration, whether the Department of Commerce will approve any exercise by the Company of the right and whether the Company will be able to demonstrate to the Department of Commerce that market conditions warrant removal of the pricing restrictions; the uncertainty of future revenue and profitability and potential fluctuations in quarterly operating results due to such factors as restrictions on increasing prices under the 2012 .com Registry Agreement, increasing competition, pricing pressure from competing services offered at prices below our prices and changes in marketing and advertising practices, including those of third-party registrars; changes in search engine algorithms and advertising payment practices; challenging global economic conditions; 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, or litigation generally; new or existing governmental laws and regulations; changes in customer behavior, Internet platforms and web-browsing patterns; the uncertainty of whether Verisign will 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; whether Verisign will be able to continue to expand its infrastructure to meet demand; the uncertainty of the expense and timing of requests for indemnification, if any, relating to completed divestitures; and the impact of the introduction of new gTLDs, any delays in their introduction and whether our gTLD applications or the applicants' gTLD applications for which we have contracted to provide back-end registry services will be successful. 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, 2011, 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 report.

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