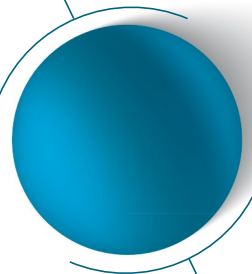


2010



Annual Report

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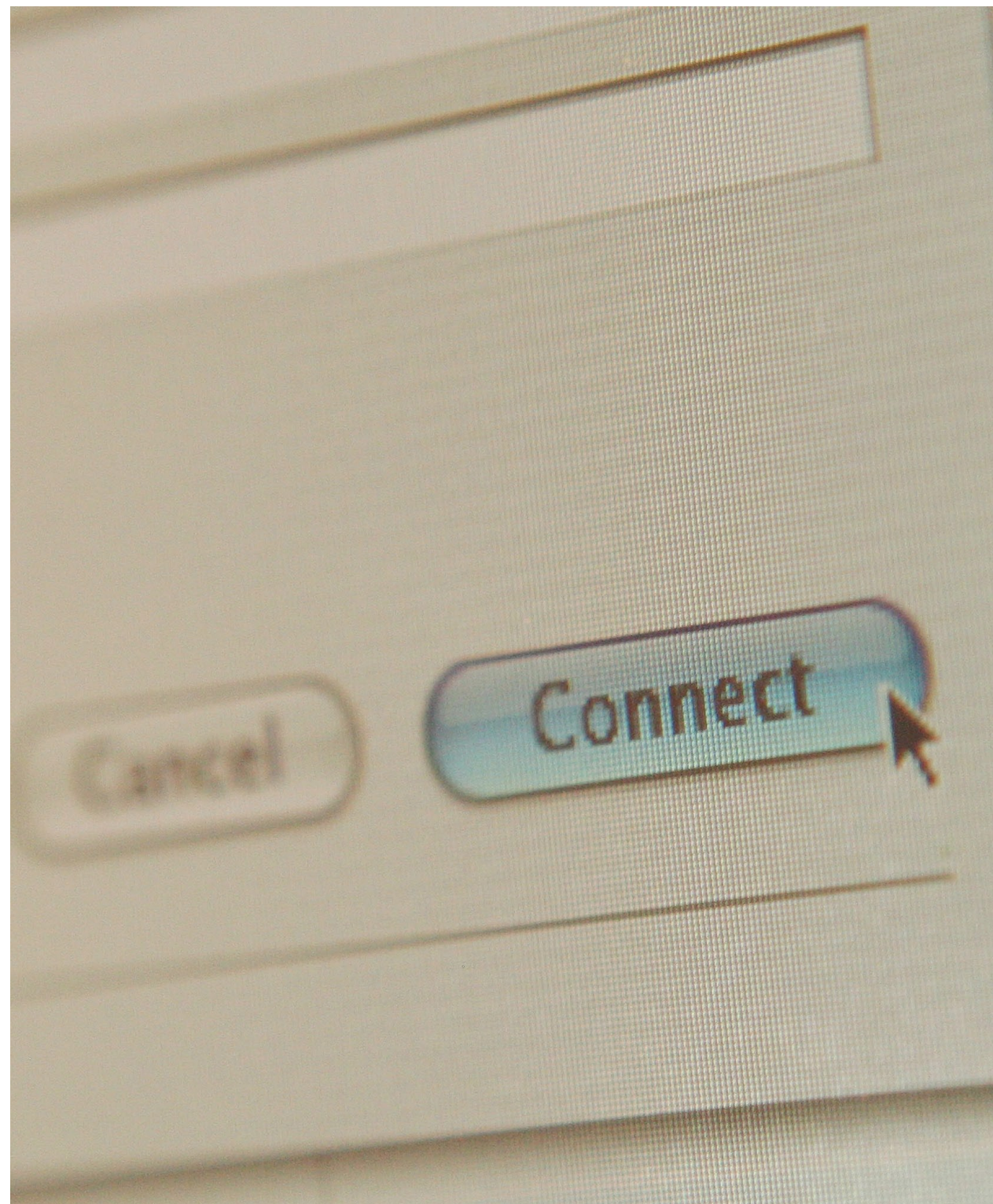
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01 . Profile of the Association

CZ.NIC, an interest association of legal entities, is an open non-profit organisation whose main activity is the administration of the .cz top-level national domain registry and of 0.2.4.e164.arpa (ENUM), securing the operation of the .cz top-level domain and public education in the field of domain names and internet technologies.

The CZ.NIC Association was established in May 1998 in order to respond to the growing importance of the internet and the corresponding number of users and people interested in registering domain names with the .cz ccTLD. Administration carried out until then by an individual was placed in the hands of a strong and stable entity, capable of securing the reliable operation of the .cz Czech national domain.

During its existence, the CZ.NIC Association has proven to be a reliable partner for domain holders, registrars, and other entities using the internet at work and in their free time. CZ.NIC not only secures the administration of domain names, but is also devoted to other activities and projects related to the internet as such and its further development, and to helping build safety and stability, which are becoming increasingly important issues with the growing number of users.



02 . Introduction of the Chairman of the Board



Ladies and Gentlemen,

2010 was another successful year for the Association. At the end of this year, we registered a positive economic result, better than expected, thanks to the positive development in domain growth and lower costs, reflected in further lowering of the domain price for registrars. In addition to the primary objective of the Association, administration of the .cz domain, we also successfully continued in our strategy, implementing projects intended to develop the domain administration system, provide education and introduce new internet technologies with a focus on security and stability. Let me also add that our budget reserve was used to provide help to municipalities and non-commercial entities who suffered damage in the floods.

Form the Association's activities in domain administration, I would stress the introduction of the NSEC3 technology, a further security enhancement of the DNSSEC technology which we have been among the first in the world to implement. The list of most important projects of the past year includes mojeID (a single user identity for the Czech internet), national CSIRT in collaboration with the Ministry of Interior (a security team coordinating the resolving of internet security incidents), research work of the Laboratory and education efforts of the Academy. We have organised several important conferences and for 2012, received the honour of co-organising a conference of ICANN, the top internet organisation today.

Let me thank the management and the employees for their excellent performance in 2010, as any organisation is always only as good as the people working in it.

Our association is often used abroad as a good example of what national domain administration should look like. That is of course a great success, and I believe that we will continue to set an example to our colleagues in the following years.

Thank you for your cooperation in 2010.



Karel Taft . Chairman of the Board of Directors

03 . A Word from the Executive Director of the Association



Ladies and Gentlemen,

It has become something of a tradition that each year, our Association comes with an interesting and more importantly, innovative project. 2010 was not different: its main theme was the launch of the mojID service. With this step, the Association continues its effort to develop the internet infrastructure of the Czech Republic; the enhancing of the domain register with an identity management functionality can also be seen as a very strong contribution to the discussion about the future of national domain administrators. It should be no surprise that the project received great attention both at home and abroad.

But I cannot forget the other important events related to projects started already in the previous years. One of the most important areas of the Association's activities naturally is the development of the registration system. In this respect, the most important news was the change of the DNSSEC signature algorithm from NSEC to NSEC3. CZ.NIC was the first register in the world to take this step.

Administration of the national domain is also directly linked to the changes to the Domain Name Registration Rules, providing wider powers to the CZ.NIC-CSIRT security team. Thanks to these new privileges, it was possible to efficiently respond to the large-scale phishing attack in March. Thanks in part to the team's activity, the Association was asked to maintain a security team on the national level, CSIRT.CZ. The memorandum was signed at the end of the year, and implementing its requirements will be one of the main tasks for the following year.

I would also like to mention the youngest department of the Association, the CZ.NIC Laboratories, which has shortly after its founding gained respect of the professional community. Our experts were invited to present the results of their work at many international forums, and received a distinction in the British LINX Awards for their BIRD routing daemon project.

Before I finish, I want to stress one more important event of 2010: hosting the important RIPE technical conference. In May, over eight hundred experts came to Prague to discuss the hottest issues of internet infrastructure.

I think my brief overview clearly shows that 2010 was another successful year in which the Association continued to fulfil its mission, and I can only wish that 2011 will follow in the same vein.



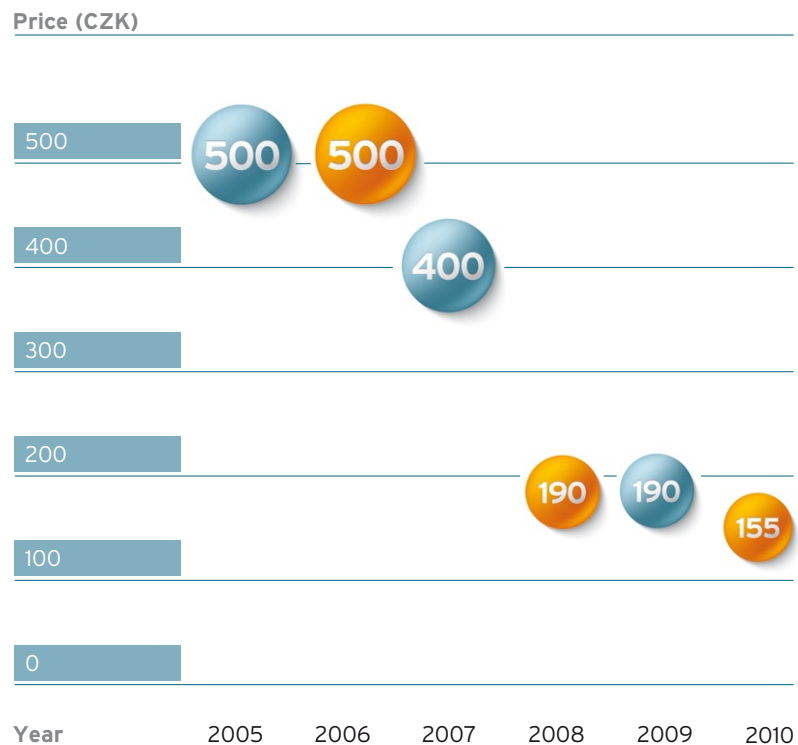
Ondřej Filip . Executive Director

04 . The .CZ Domain

04 . 01 . State and Development of Registration Numbers

On 1 January 2010, wholesale price of a .cz domain registration, or the price registrars pay for the domains of their clients, was lowered again, to CZK 155 without VAT (the original price was CZK 190).

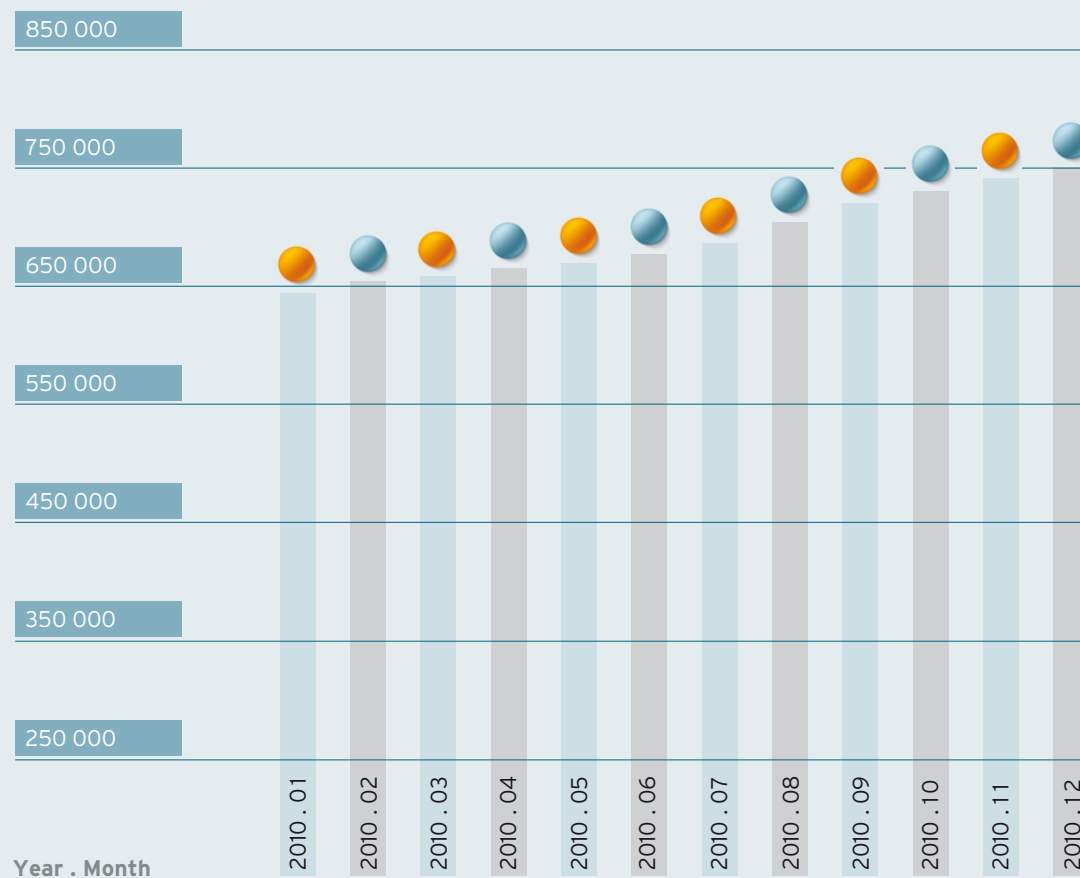
The development of domain registration prices in 2005-2010 can be seen in the following graph



In 2010, the total number of registered domain names increased further, by almost 19% compared to last year: from the 629,820 registered on 1 January 2010 to 748,779 domain names at the end of the year.

Development of the number of .cz domain names in 2010

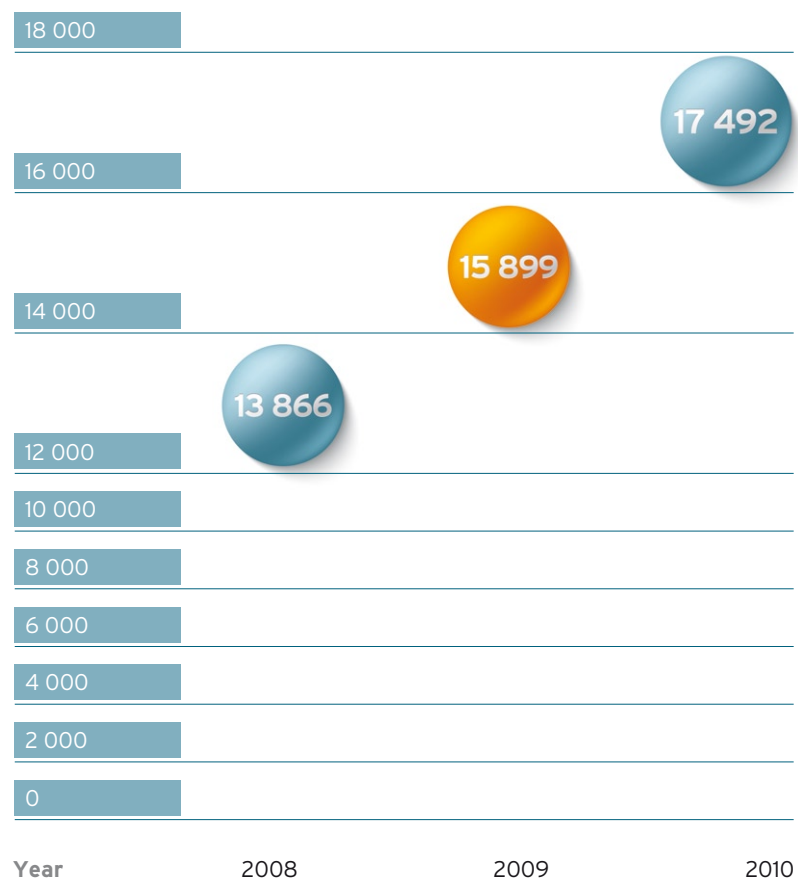
Number



As in previous years, the number of newly registered domains continued to grow. In 2010, there were on average 17,492 new registrations a month.

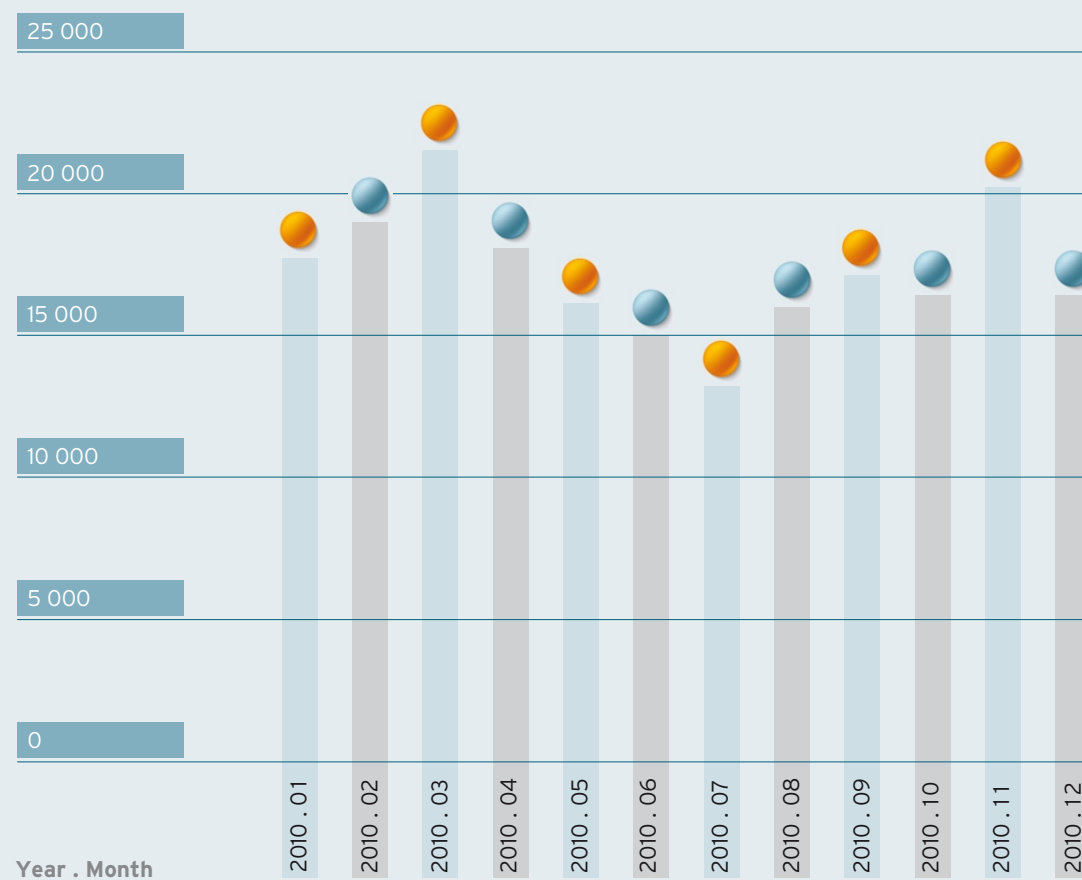
New registrations 2008 - 2010 number of new registrations

Number of new registrations



Number of new registrations of .cz domain names in 2010

Number



04 . 02. Registrars

04 . 02 . 01 . Number and Structure of .cz Domain Name Registrars

In 2010, registrars were consolidating - some of them have closed their business and their activities were taken up by other entities. In March, Instra Corporation took over the domain portfolio of its European subsidiary Instra Corporation (Europe) Ltd. In June, domain names of WinSoft Company, s.r.o. were transferred to ProfiHOSTING s. r. o., and in October, VOLNÝ, a. s. handed over its administered domains to Dial Telecom, a. s.

The brand new registrars who signed a cooperation agreement with the CZ.NIC Association in 2010 were CORE ASSOCIATION, WEDOS Internet, a. s. and AERO Trip PRO s. r. o. As of the last day of December, the total number of registrars was 44.

Registrars accredited in 2010

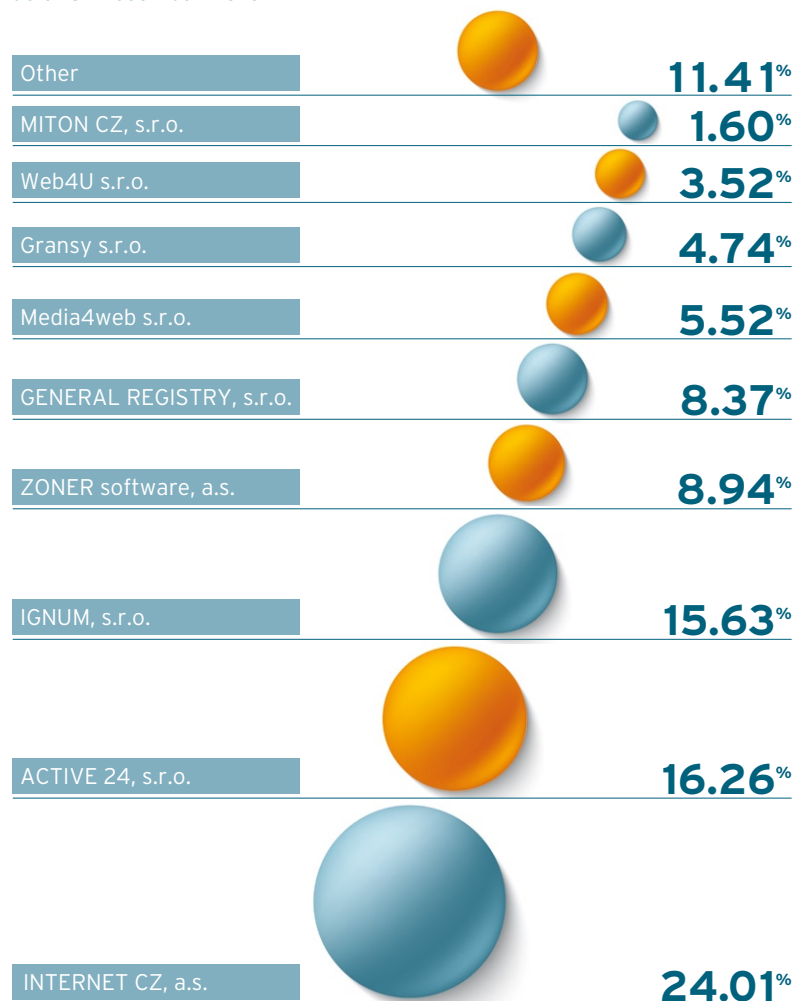
Registrar	Registrar since
Instra Corporation	1 March 2010
ProfiHOSTING s. r. o.	1 June 2010
CORE ASSOCIATION	1 August 2010
WEDOS Internet, a. s.	1 August 2010
AERO Trip PRO s. r. o.	1 September 2010
Dial Telecom, a. s.	1 October 2010

List of all accredited registrars as of 31 December 2010

Registrar	Registrar since	Registrar	Registrar since
1API GmbH	11 September 2009	IP Mirror Pte Ltd	7 September 2009
1X s.r.o.	1 April 2009	IPEX a. s.	5 November 2003
ACTIVE 24 s.r. o.	13 October 2003	Key-Systems GmbH	1 April 2008
Advio Network, s. r. o.	24 November 2009	KRAXNET s. r. o.	24 October 2003
AERO Trip PRO s. r. o.	1 September 2010	Marketer, s. r. o.	6 April 2009
AKREDIT, spol. s r. o.	6 April 2009	MarkMonitor Inc.	7 February 2008
Ascio Technologies inc.	1 October 2007	MASANTA.COM s. r. o.	6 April 2009
AXFONE s. r. o.	1 November 2008	Media4web s. r. o.	24 October 2003
banan s. r. o.	1 August 2010	MIRAMO spol. s r. o.	13 October 2003
CORE ASSOCIATION	1 August 2010	MITON CZ, s. r. o.	1 October 2007
Český server .cz s. r. o.	5 February 2008	NEW MEDIA GROUP s. r. o.	1 August 2009
Dial Telecom, a. s.	1 October 2010	ONE.CZ s. r. o.	24 October 2003
e-internet.cz s. r. o.	15 July 2008	OVH, Sas	1 November 2008
Explorer, a. s.	1 October 2007	ProfiHOSTING s. r. o.	1. June 2010
Gandi SAS	7 April 2008	Safenames Ltd.	18 February 2008
GENERAL REGISTRY, s. r. o.	13 October 2003	Seonet Multimedia s. r. o.	8 July 2009
Gransy s. r. o.	12 January 2009	TELE3 s. r. o.	14 November 2008
ha-vel internet s. r. o.	13 October 2003	Telefónica O2 Czech Republic, a. s.	24 October 2003
IGNUM, s. r. o.	13 October 2003	Variomedia AG	1 April 2009
Instra Corporation	1 March 2010	Web4U s. r. o.	24 October 2003
INTERNET CZ, a. s.	13 October 2003	WEDOS Internet, a. s.	1 August 2010
InterNetX GmbH	8 July 2008	ZONER software, a. s.	13 October 2003

The following chart shows the percentage of registrars who administer more than ten thousand domain names from the total number of registered domain names, as of 31 December 2010:

**Share of registrars with more than 10,000 domain names
as of 31 December 2010**



04 . 02 . 02 . Cooperation with Registrars – Co-marketing Programme

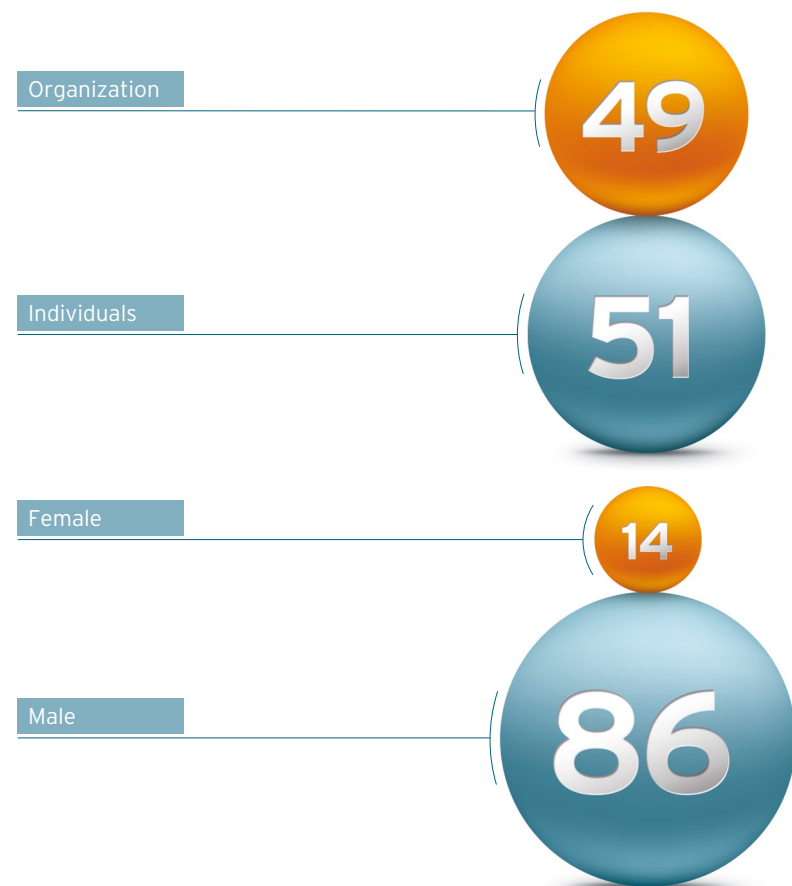
Due to the distributed management of the .cz domain, where registrars are in direct contact with domain name holders, the CZ.NIC Association does not have enough information to be able to contact holders. For this reason, a so-called co-marketing programme is applied, under which registrars prepare a communication campaign for the support of the registration of domain names under .cz ccTLD, and if the campaign meets the set conditions, CZ.NIC contributes financially towards up to 50% of the cost associated with the campaign.

2010 was the second year of the co-marketing programme, with 7 participating registrars; the total volume of the implemented campaigns was approx. 6.5 million CZK.

04 . 03 . Who Registers Czech Domains?

Domain names are almost evenly distributed between individual holders and corporate holders. Among individuals, however, men clearly dominate, owning 86% of domain names:

Rozdělení držitelů doménových jmen . (%)



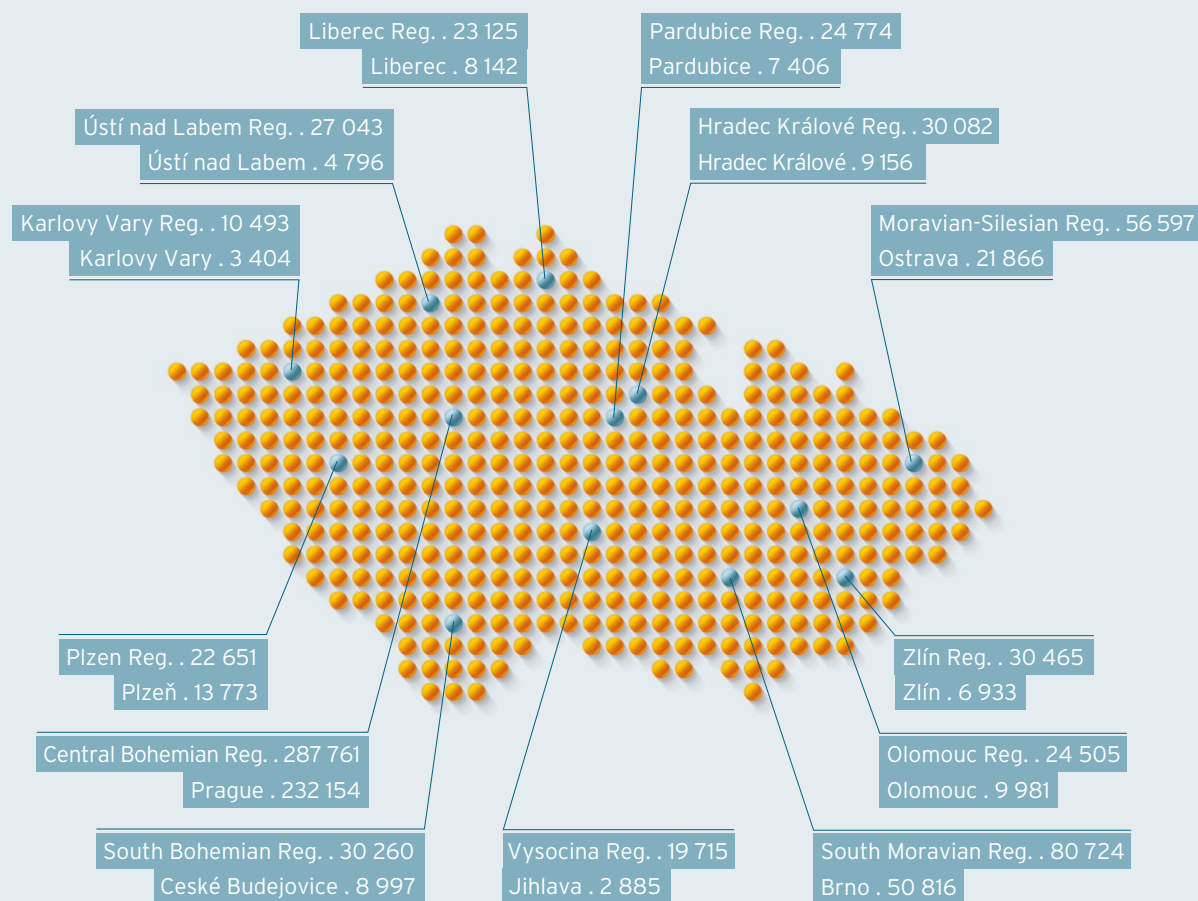
The figures regarding the number of domains held by the largest holders are also of interest - the first four entities have registered over 2% of the total number of domain names registered as of 31 December 2010:

	Number of domain
01.	2 752
02.	2 456
03.	2 287
04.	2 012
05.	1 405
06.	1 391
07.	1 203
08.	1 198
09.	1 112
10.	976
11.	914
12.	892
13.	865
14.	753
15.	651

Region . Capital	Number of domain
Central Bohemian Reg.	287 761
Prague	232 154
South Moravian Reg.	80 724
Brno	50 816
Moravian-Silesian Reg.	56 597
Ostrava	21 866
South Bohemian Reg.	30 260
Ceské Budejovice	8 997
Hradec Králové Reg.	30 082
Hradec Králové	9 156
Zlín Reg.	30 465
Zlín	6 933
Ústí nad Labem Reg.	27 043
Ústí nad Labem	4 796
Pardubice Reg.	24 774
Pardubice	7 406
Olomouc Reg.	24 505
Olomouc	9 981
Liberec Reg.	23 125
Liberec	8 142
Plzeň Reg.	22 651
Plzeň	13 773
Vysocina Reg.	19 715
Jihlava	2 885
Karlovy Vary Reg.	10 493
Karlovy Vary	3 404

It is probably no surprise that most holders have their places of residence or seats in Central Bohemia; of this over 200,000 domain names are registered in Prague. Similarly unsurprising is the position of the South Moravia Region (with about 50 thousand registrations in Brno); the Karlovarský Region continues to be the one with the least registered domain names.

These statistics monitor the number of domains in the registry according to the holder's address in individual regions of the Czech Republic or regional capitals . Region . Number of domain . Capital . Number of domain

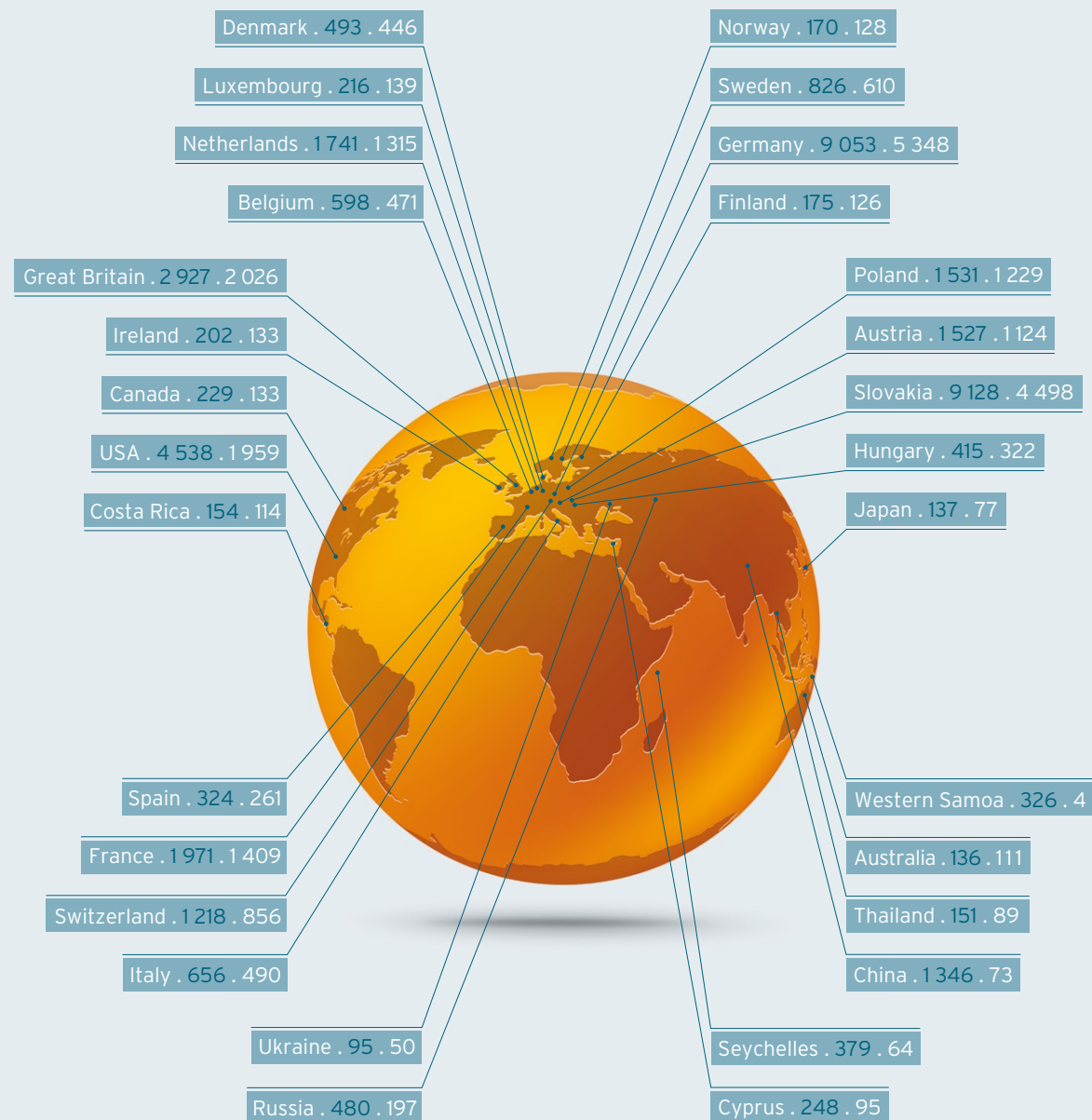


Country	Number of domain . Holders
Slovakia	9 128 . 4 498
Germany	9 053 . 5 348
USA	4 538 . 1 959
Great Britain	2 927 . 2 026
France	1 971 . 1 409
Netherlands	1 741 . 1 315
Poland	1 531 . 1 229
Austria	1 527 . 1 124
China	1 346 . 73
Switzerland	1 218 . 856
Sweden	826 . 610
Italy	656 . 490
Belgium	598 . 471
Denmark	493 . 446
Russia	480 . 197
Hungary	415 . 322
Seychelles	379 . 64
Western Samoa	326 . 4
Spain	324 . 261
Cyprus	248 . 95
Canada	229 . 133
Luxembourg	216 . 139
Ireland	202 . 133
Finland	175 . 126
Norway	170 . 128
Costa Rica	154 . 114
Thailand	151 . 89
Japan	137 . 77
Australia	136 . 111
Ukraine	95 . 50

Czech domains also remain popular among foreign entities, as shown in the next chart/map:

These statistics give the number of domain holders with an address outside of the Czech Republic

Country . Number of domain . Holders



04 . 04 . Háčkyčárky.cz – Diacritics in the Czech National Domain

04 . 04 . 01 . Internationalized Domain Names (IDN)

IDN is a system thanks to which domain names can include letters from national alphabets. Its introduction is not only a simple process meaning that domains can include diacritics, but also has negative effects, both in language use, security protection or legal interests of domain holders and other entities.

The CZ.NIC Association is technically prepared for the eventual implementation of IDN into the .cz national domain, but has not done so because of the lack of interest in the Czech internet user community. This community has already expressed in four surveys (in 2004, 2006, 2008 and 2010) a preference for not implementing the technology. In 2010, the figure was 87% of respondents among organisations, and 62% of regular internet users. In organisations, this means a 6% increase compared to the results of 2008, and a drop of 4% in the case of individuals. Results of these surveys remain for CZ.NIC an important factor in deciding about the introduction of IDN in the Czech national domain.

A summary of the results of individual surveys for both groups is shown in the following graphs:

Individuals . (%)



Companies . (%)



04 . 04 . 02 . E-mails in Czech

The survey did not only ask questions about domains with diacritics, but also many others, focusing on the use of diacritics by individual users as well as on other areas. One of the interesting results is a shift in the habits of using diacritics in e-mails. The survey shows that writing e-mails without diacritics is becoming increasingly rare:

Companies: "When I write an e-mail, I use diacritics in the message body." (%)



Full results of the survey are available at www.háčkyčárky.cz.

05 . Infrastructure

05 . 01 . Technical Solutions of Domain Management

The DSDng central registry system was designed to be fully redundant. All hardware and software is provided at two independent locations, both as far as internet connection and connection to electricity are concerned. Both locations, the SITEL Telehouse (Prague 10) and the GTS Telehouse (Prague 3), are connected to two different transformer stations and both of course also have independent UPS systems. Both locations also include diesel generators for the event of longer power blackouts.

The system is designed as heterogeneous – a failure of an individual hardware manufacturer cannot cause the central registry to fail. Each location contains servers provided by different suppliers and running on different architecture (Intel and AMD, 32-bit and 64-bit).

The central registry software itself is designed to enable the swapping of any part of the architecture with its copy running at the other server/location, at any time. A critical component is the PostgreSQL database which is always being replicated to the other location during standard operation, and when the primary location is down, traffic can be redirected to the replicated database without any limitation or impact on functionality. Backup systems run at all times and are designed to be able to take over and provide registry operation in a short time whenever any component fails.

The FRED (Free Registry for ENUM and Domains) central registry software was made available as open-source to support smaller registries. Smaller and starting registries can therefore operate their domain in a system designed for the Czech domain which, with its parameters and capacity, is capable of handling much higher volumes of domain names than currently registered in the ccTLD.

FRED's travels: In 2010, FRED was implemented in the national domain of Costa Rica (.cr), the Faroe Islands (.fo) and Estonia (.ee). With the introduction of FRED in Tanzania (.tz) and Angola (.ao) in the previous years, this system is already providing domain management in 6 countries of the world.

The servers which manage records for .cz domains are, with one exception, owned by the association and operated in several locations worldwide – for example Stockholm, Vienna, London, Frankfurt, California and of course Prague. New locations set up in 2010 were Tokyo and Culpeper, USA. And the latter location is the only exception, running on equipment of the ICANN organisation.

The central registry system is ready for IPv4 and IPv6 operation and its current implementation for the .cz domain, and all DNS servers, run on both these protocols.

Internet

Anycast DNS

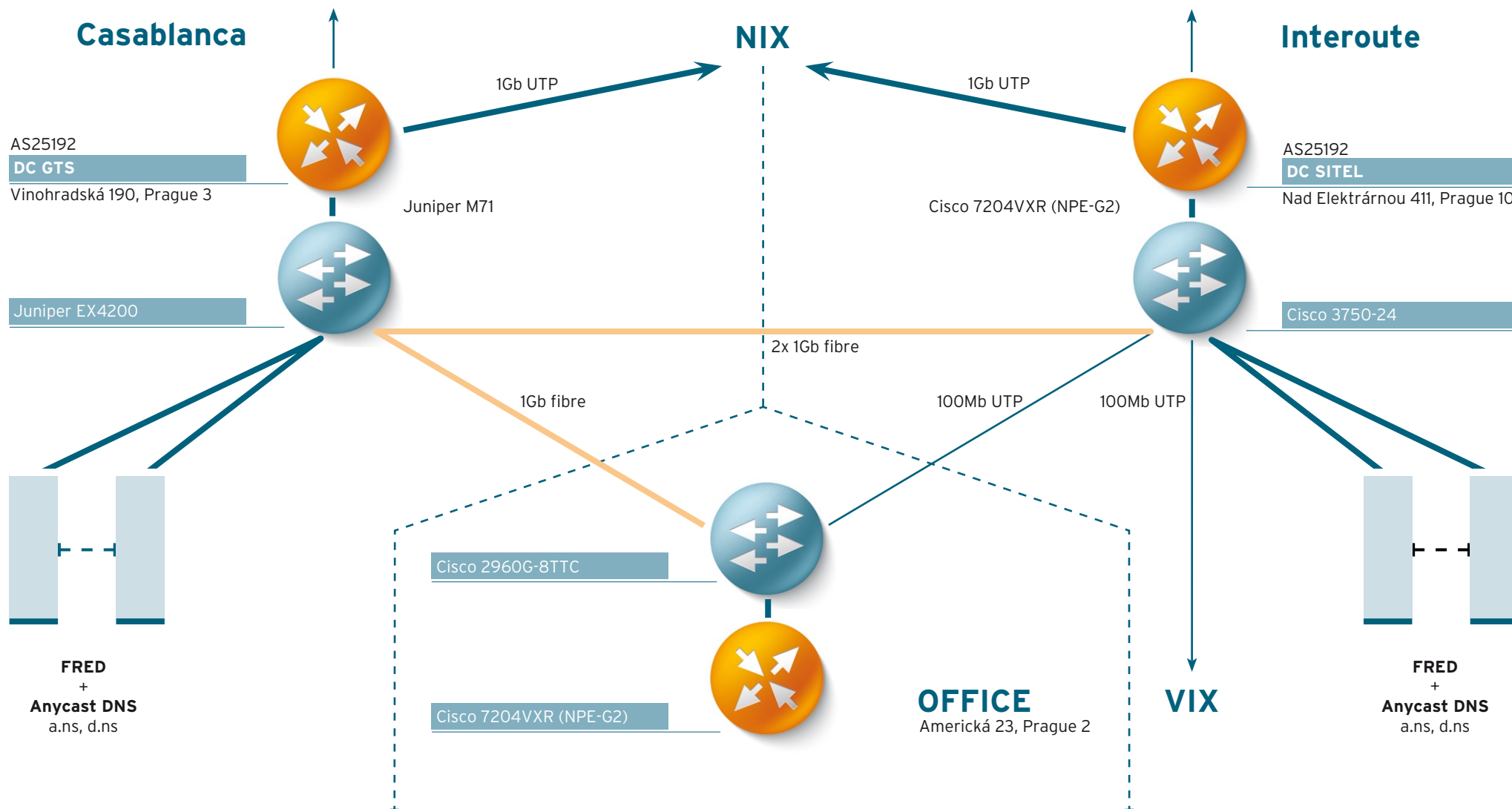
a.ns.nic.cz
Location: Chile, Santiago
Czech Republic, Prague

b.ns.nic.cz
Location: USA, Florida, Miami
Sweden, Stockholm (NETNOD)

c.ns.nic.cz
Location: UK, London (LINX)

d.ns.nic.cz
Location: USA, California, RedWood City
Germany, Frankfurt am Main (DE-CIX)
Czech Republic, Prague

f.ns.nic.cz (unicast)
Location: Austria, Vienna



05 . 02 . Internet Infrastructure Support

In 2010, the CZ.NIC Association continued to operate F and L root servers. These are two of the thirteen root name servers underpinning the internet domain name system (DNS). Their operation improves the security and stability of the root server system on a global scale, and especially in the European region.

In addition to the root servers, the Association's infrastructure is also used to support developing registries by operating secondary name servers for their ccTLD. This option for national domain management is used by Angola and Tanzania.

Another form of supporting local internet communities is also hosting the websites of some non-profit organisations, e.g. the popular Linux distribution Ubuntu.

06 . Security of the Czech Domain Space

06 . 01 . DNSSEC

06 . 01 . 01 . DNS SECurity Extension

The DNS protocol has been used for the internet since the mid 1980s. From the very start, it has lacked any kind of security elements, just as many other protocols of the then mainly academic network. The status of the DNS protocol is however relatively privileged, since the majority of other internet services count on it functioning correctly. In the past, a number of weaknesses were discovered in the DNS protocol. The aim of the DNS extension called DNSSEC (DNS SECurity extension) is to provide verified information from the DNS. DNSSEC is based on digital signatures and is designed in such a way that it can not only return a verified positive response, i.e. translate a name to an IP address, but can also return a secure negative response, i.e. that it is not possible to translate the given name. DNSSEC can prevent almost all known attacks which aim to fake DNS data.

06 . 01 . 02 . The Domain Administration System in the Czech Republic and DNSSEC

For more than two years, holders can protect their Czech domains with the DNSSEC technology. In 2010, the use of this technology developed massively in the Czech domain - also thanks to the support of two registrars, Web4U s. r. o and ACTIVE 24 s.r.o., at the end of December there were over 113 thousand domain names secured with DNSSEC, almost a hundred times more than in the previous year.

In August, the switch from NSEC to NSEC3 was completed. CZ.NIC thus became the first register in the world to finish the process of changing the signing method.

Individual users can check whether they are protected when accessing the internet or not using a test at www.dnssec.cz.

06 . 02 . CZ.NIC – CSIRT

With the constantly growing significance of the internet and the increasing number of its users, the number of security incidents has also risen (abuse of a PC, network element or network for illegal purposes – e.g. spam distribution, breach of copyright laws, phishing, eavesdropping on classified data) and so has their severity. For this reason, the need to create, formalise and improve the efficiency of protection against such attacks has arisen. For this purpose, CSIRTs (Computer Security Incident Response Teams) have been created.

The CZ.NIC Association, with its long experience in projects in the field of internet infrastructure, joined in the support of the activities of CSIRT Czech Republic.

On 1 January 2010, a new version of the Domain Name Registration Rules became effective, defining CZ.NIC powers in case of a security threat. The Association is entitled to cancel the delegation of a domain name for up to one month if the domain name is used in a manner endangering national or international computer security, in particular in that the domain name or services available through it are used to distribute malicious content (particularly viruses or malware) or disguise as a different service (phishing) or in that the hardware available through the domain name is a command centre of a botnet.

2010 also was the year when the integration of the CZ.NIC – CSIRT team into the international security team structure was finished. Since September 2010, CZ.NIC – CSIRT is accredited by the Trusted Introducer association, working within the European TERENA organisation. Trusted Introducer links together security teams which exist both on the level of domain registry administrators and also for example banks, internet access providers, hardware manufacturers and universities. By reaching the status of 'accredited', the CZ.NIC – CSIRT team has gained access to a large amount of information and means to contact experts from other European countries. This will enable a more efficient approach to potential attacks that will be resolved by the CZ.NIC – CSIRT team.

In November, members of the CZ.NIC – CSIRT team also actively participated in the Cyber Europe 2010 training, during which the members of individual security teams tried to react to simulated hacker attempts to compromise the most important on-line services in several EU member states.

06 . 03 . CSIRT.CZ

In 2010, representatives of the CZ.NIC Association were actively involved in the activities of the national CSIRT team (CSIRT.CZ). As the project that defined the scope of operation of the CSIRT.CZ team was ending on 31 December 2010, there were negotiations during the year between the CZ.NIC Association and representatives of the Ministry of Interior of the Czech Republic. The result was the signature of a joint memorandum, as a consequence of which on 1 January 2011 the Association assumed control of CSIRT.CZ. This step was important in maintaining the continuity of the work team.

As a national team, CSIRT.CZ helps in resolving incidents related to cybernetic security in networks operated in the Czech Republic. It especially provides coordination help, collects and evaluates data about reported incidents and passes those incidents to people responsible for the operation of the network or service where the incident occurred.

The CSIRT.CZ office will also take over the role of the national PoC (Point of Contact) in the field of information technology and will be the centre for education and the promotion of cybernetic safety. The security department will enable cooperation on the national and international level and will help in establishing similar security teams in networks operated in the Czech Republic, providing support in establishing cooperation partnerships with international security entities.

07 . mojID – a single identity

07 . 01 . mojID Launch

One of the key projects of 2010 was the preparation and launch of the mojID service. MojID is a service that allows Czech internet users to use one set of identification data (username and password) to log in to different websites and web services – with mojID, it is not necessary to always create a new account and go through the registration process.

The testing alpha version of the service was launched on 1 July 2010, full operation started on 26 October 2010. MojID is free of charge to internet users.

The launch included a communication campaign, featuring once again the virtual employee Aleš Mokřý. To support this service among web service providers, modules with mojID support were prepared for the most common open-source systems with the help of their developer communities. In the support of this service among electronic shops, the CZ.NIC Association also cooperated with the Association for Electronic Commerce – and by the end of 2010, mojID was supported at over three thousand e-shops.

07 . 02 . What is a “mojID”? Secure and simple login to web services

The new service is based on the OpenID technology, but includes unique features other OpenID services do not have, such as sharing user identity data with each user login and verifying users with different methods for different levels (e-mail, SMS, letter, ID card).

The allocation of identities, as well as management of mojID users' accounts, is in the responsibility of the CZ.NIC Association. As an experienced non-profit organisation that has been administering the .cz domain register for over ten years, and with representatives both from the commercial sector and the state, through the Ministry of Industry and Trade or the Czech Telecommunications Office, the Association can guarantee the stability of the service and correct handling of data from service providers and users.

In the development, great emphasis was placed on the security and trustworthiness of the entire system. The registry of user details is protected on the same level as the domain registry, and users can define which details from their profiles can be hidden from the given provider each time they log in.

08 . CZ.NIC Laboratories – Research and Development

08 . 01 . Introduction

The CZ.NIC Laboratories are a separate organisation focusing on research and development, specialising in research of the internet, internet protocols, analyses of network operations, active and passive monitoring and designs of prototypes for further development within the association.

The work of the Laboratories primarily focuses on benefits for the local internet community, but it also has implications for communities abroad.

08 . 02 . Activities in 2010

In 2010, not only did the main office in Prague expand, but so did the entire Laboratories: to Brno, based on a previous successful cooperation with local universities. Some of the new employees were recruited from the successful participants of the Develop Innovate Program contest.

During the entire year, the Laboratories team continued to work on projects that had been launched in the previous period and also introduced some new ones. The most important projects of 2010 are the **DNSSEC Validator**, an add-on for the Mozilla Firefox browser showing the state of domain security using DNSSEC, a fast and efficient **BIRD routing daemon** and a family of projects focused on **Data boxes: the DSGUI application** for Windows/Mac OSX/Linux, the **ZFO Editor** application for working with ZFO forms, the **iDatovka** application for the iPhone and the libnicds multiplatform library.

Laboratories employees also make significant contributions to education in the CZ.NIC Academy, leading courses focusing on DNS and DNSSEC, the IPv6 protocol, the BGP routing protocol and SIP protocol internet telephony.

08 . 03 . First Successes

Despite its relatively brief existence, the Laboratories can already celebrate their first successes – the BIRD project received one of the important international LINX Awards 2010 in May. The list of important recognitions of the work of the Laboratories team includes being awarded the role of the holder of part of the backup key for signing the DNSSEC root zone, participation in the RIPE NCC arbitration panel and the founding of a DANE WG working group in the international IETF association.

09 . Educational and Informational Activities

09 . 01 . Vision

The association concentrates not only on the support of projects and services which directly contribute to increasing user comfort while using the internet, whether as a work tool or during free time, and increasing the efficiency and stability of the internet, but also on awareness-raising and educational activities, focused on both the professional and lay public.

09 . 02 . Activities in 2010

09 . 02 . 01 . Education Activities at Schools

For already the third year, the Association has been giving lectures at secondary schools in the Czech Republic on how the internet works, including a discussion of domains and DNSSEC, ENUM or IDN.

There are two types of these lectures: a technical one, intended primarily of students of higher years of specialised secondary schools and schools with a general focus, which informs about DNS and the latest technologies related to domain names, and a non-technical lecture, focusing on internet security. This lecture informs students and teachers about the advantages of having one's own internet domain, copyright issues regarding data from the internet or the possibilities and pitfalls of internet media. There also is a discussion of the benefits and downsides of social networks. The non-technical presentation, titled "A Handbook for Using the Internet" is intended not only for the students of secondary schools, but also for pupils in the final years of primary schools.

09 . 02 . 02 . The Good Domain Campaign

In 2010, in cooperation with the National Library of the Czech Republic, the Good Domain educational campaign continued, with an aim to explain in simple terms the advantages of registering a domain to regular internet users. The main character of the campaign, a virtual employee of a technical support department named Aleš Mokrý who guides visitors through the www.dobradomena.cz campaign website, has become quite popular.

09 . 02 . 03 . Communication with the Public – Blog, Facebook, Twitter

The communication strategy of the Association is actively providing information and comments in which the organisation and its employees share their views about what is currently being worked on in CZ.NIC, what is being planned, and about various events related to the internet.

Since 2008, CZ.NIC has been writing a very popular internet blog, which was even selected as a quality source of information by the National Library of the Czech Republic and is archived several times a year in the “WebArchive – Czech Web archive” project.

In addition to the blog, CZ.NIC also joined several social networks and started communicating with domain holders as well as the general public on Facebook and Twitter. The communication channels spectrum of course also includes the .news quarterly bulletin.

09 . 02 . 04 . The Internet and Technology 10 Conference

The third year of the Internet and Technology 10 conference, taking place quite fittingly in the new building of the National Technical Library in Prague – Dejvice, focused on current internet trends and technologies. The presented papers and discussions focused on current topics of the internet world, particularly DNS (root zone signature, the DNSSEC technology), domain security or open source. The main emphasis, however, was placed on topics related to the IPv6 protocol. The conference was also very successfully streamed on the internet, and in addition to the audience in the main hall, the online stream of the two-day conference was watched by over 900 unique users.

09 . 02 . 05 . Develop, Innovate, Program – Competition for Programmers and Developers

In 2010, the competition for young programmers and developers called “Develop, Innovate, Program” (or V.I.P. in Czech) continued, where applicants could submit projects focusing on the development of new open source software or innovations in software used in the field of internet technologies, services or infrastructure.

Students from secondary schools and universities entered the competition with a total of 21 projects.

09 . 02 . 06 . The CZ.NIC Edition

The “CZ.NIC Edition” represents another direction of the awareness-raising and educational activities of the CZ.NIC Association, publishing professional literature or translated foreign resources of high quality. Information about the CZ.NIC Edition and the published books is available on <http://knihy.nic.cz>.

09 . 02 . 07 . The CZ.NIC Academy Educational Centre

There are not many places where you can get the latest relevant information from the world of internet technologies and infrastructure in the Czech Republic, and also test them out. One of them is the CZ.NIC Academy founded two years ago, located in specially designed premises at the main seat of CZ.NIC.

In 2010, the Academy organised 22 courses, with 260 participants total. If the success of a course is measured by the number of participating students, then the most successful was “Implementing IPv6”, with 17 participants per course on average, and “The BGP Routing Protocol” with 15 participants on average.

List of all courses provided by the CZ.NIC Academy in 2010

Course	Number of courses	Number of students
Implementing IPv6	4	69
The BGP Routing Protocol	2	40
The Principles and Administration of DNS	3	34
The Public Key Infrastructure (PKI)	3	32
IP Telephony - the SIP Protocol	2	28
DNSSEC - securing DNS	3	22
Optimising PostgreSQL	3	17
SQL Injection - principles and prevention	2	15

In addition to these public courses, there also was the second year of a summer programme for teachers, as successful as last year.

09 . 02 . 08 . Seminar for Law Professionals

At the end of March 2010, the Association organised already the third traditional seminar intended for law professionals. In a discussion, participants discussed and learned more about the appropriate satisfaction in domain name disputes.

09 . 02 . 09 . Support of Other Educational Activities

In 2010, the Association initiated the creation of two thematic series of articles that have been since published in professional media, one focusing on the support of the IPv6 technology and the other on IPv6 as such. Association employees have also written many texts published not only in professional e-zines, but also respected printed magazines.

The Association was a partner or sponsor of several professional conferences, and was for its activities nominated to the Czech Open Source and The Crystal Magnifying Glass awards.

10 . Cooperation and Partnership

In a sense, the internet is a separate, special world, a fluctuating world of new opportunities and constant changes and innovations. CZ.NIC realises that it is necessary to constantly monitor both Czech and international trends in the field of the internet and internet technologies, so that it is able to react to them promptly, continue in further development and with it, maintain optimum conditions for the activity of domain name registrars and the comfort of domain holders, but also to be of use to the general public through its projects.

Due to the significant technological and knowledge development that the Association has gone through in the past years, representatives of the Association, both management members and employees, are welcome guests at Czech and international professional forums.

10 . 01 . CZ.NIC Membership in Industry and Interest Organisations

10 . 01 . 01 . Czech Republic

The Association of Public Telecommunications Network Operators (APVTS) - CZ.NIC is one of the associate members of the Association, which seeks to create optimum conditions for the development of activities by public telecommunications network operators in the Czech Republic and aims to protect and support an equal and open telecommunications market.

ICT UNIE - Association for Information Technologies and Telecommunications - a professional association of companies working in information and telecommunication technologies, partially representing the ICT industry of the Czech Republic and promoting efficient use of ICT in all areas of life. It co-authors reform, legislature and key decision proposals focusing on the development of ICT in the Czech Republic and is a partner of state regulatory bodies.

NIX.CZ - the largest neutral Internet Exchange Point in the Czech Republic, or the umbrella association for Czech and foreign ISPS for the purpose of interconnecting their networks. The CZ.NIC Association is a member and takes an active part in seminars, workshops and other meetings organised by NIX.CZ.

Tuesday Business Network - an independent association, of which CZ.NIC is a member, providing a platform for meeting and sharing experience among technology companies, investors and IT professionals.

In its work, the association works closely with, in particular, the **Ministry of Industry and Trade of the Czech Republic, the Ministry of Interior of the Czech Republic, the Czech Telecommunications Office and the Office for Personal Data Protection.**

Due to the existence of disputes about domain names, cooperation between CZ.NIC and the **Arbitration Court attached to the Economic Chamber of the Czech Republic and the Agricultural Chamber of the Czech Republic** is also very important.

10 . 01 . 02 . Abroad

CENTR (The Council of European National Top Level Domain Registries) - a non-profit organisation associating top level national and generic domain name administrators. It focuses mainly on European registries, but there are also representatives of other, more distant regions - e.g. Canada and Japan. Representatives of CZ.NIC, a member since 2001, regularly participate in Admin groups meetings (focusing on administrative and technical procedures in the registries), Legal & Regulatory (focusing mainly on issues connected with alternative dispute resolution, protection of personal data and other topics) and of course technical workshops.

Membership in the DNSSEC Industry Coalition - an organization that strives to promote DNSSEC security technology worldwide. The goal of this organization is to adopt a unified approach in promoting and implementing DNSSEC for all potential users, including the domain registers of national and generic TLDs.

EURid (The European Registry of Internet Domain Names) - an association which based on an authorisation by the European Commission administers the top-level .eu domain; CZ.NIC is an associate member and has a representative on its Board of Directors.

EuroISPA - the CZ.NIC Association has been a member of this European association of ISPs since 2008. EuroISPA is the largest ISP organisation in the world with around 1500 members. Its objective is to represent ISPs within the legislative processes of the European Union and facilitate the exchange of experiences between individual ISPs.

ICANN/ccNSO (Internet Corporation for Assigned Names and Numbers) - an international non-profit organisation founded in 1998, whose main objective is not only the administration and issuing of generic and national top-level domain names, but also the assignment of IP addresses. The CZ.NIC Association, as the administrator of the .cz national domain, delegates its representatives to regular meetings and its specialists participate actively in working groups.

IETF (Internet Engineering Task Force) - an organisation founded as early as 1986, directly linked to the birth of the internet. It is made up of an international community of leading specialists, network architects and representatives from the commercial sector. IETF approves and promotes internet standards, RFC documents, which govern the majority of internet operations. A range of leading Czech specialists from the academic, corporate and private sectors have also taken part in its meetings.

RIPE NCC (RIPE Network Coordination Centre) - an independent non-profit organisation supporting internet infrastructure. Among its key activities is the operation of RIR (Regional Internet Registry), which allocates internet resources and connected services (e.g. IP addresses) to its members. CZ.NIC, one of the members, takes part in regular meetings and also participates in other topical meetings and trainings held by the organisation.

Trusted Introducer - one of the activities of the TERENA organisation, which joins CSIRTs in Europe and represents a trustworthy centre for the exchange of sensitive information and know-how for individual CSIRTs. CZ.NIC is a member and is listed as a registered CSIRT - alongside the Czech CSIRT of the CESNET Association and the emerging national CSIRT.CZ.

BIND Forum - an association supporting software development for DNS - BIND.

ISC (Internet System Consortium) - an organisation supporting internet infrastructure and the operator of the F-ROOT server.

10 . 02 . 60th RIPE Meeting in Prague

A meeting of representatives of European domain registries, internet specialists and employees of major internet companies was hosted by the CZ.NIC Association in the first week of May. But it wasn't only about hosting: employees of the Association were also among the speakers. One of the central topics of the conference was the signature of the root zone using DNSSEC technology - and thanks to CZ.NIC, the Czech Republic is one of the first countries using DNSSEC to protect its domains. The other topics included the increasingly current issue of IPv6.

10 . 03 . Help and Support

In August 2010, in particular the north of the Czech Republic experienced the third largest flood in the history of the Czech Republic, causing extensive damages. The CZ.NIC Association provided direct financial support to primary schools and municipalities amounting to CZK 2.5 million total.

Several years ago, the company found its "animal mascot" - the cassowary. For this reason, the Association supports Southern Cassowaries in the ZOOs in Prague and Zlín.

11. Association Structure and Organisation

11.01. Members

The membership of the association is composed of a whole range of companies which make a significant contribution to the functioning of the Czech internet; among its members are representatives of internet and telecommunications service providers, domain name registrars, publishers of internet and print media, e-commerce businesses and companies for whom the internet and domain names are an important communication tool.

The CZ.NIC Association is one of the meeting places for representatives of various activities and services that can be found on the internet. The broad spectrum of business activities by members and their taking part in the association's activities, whether in the form of participation at general assembly meetings, working groups and workshops, e-mail conferences, or direct work within the association bodies, enriches and expands the knowledge portfolio of the Association and allows it to continually improve the efficiency of its management and react to the constant development typical for the internet.

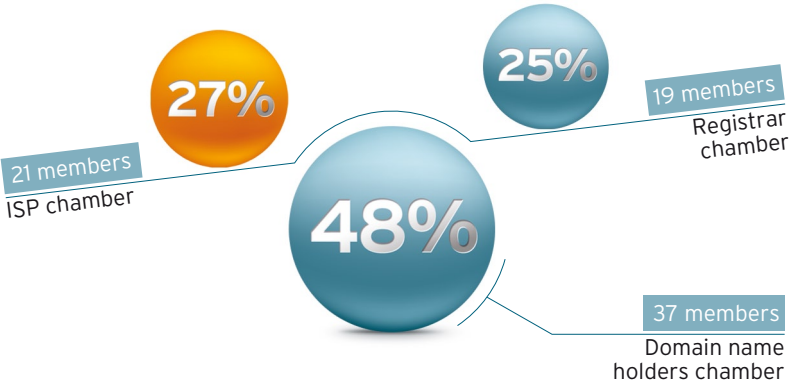
11.02. Membership Conditions

A member of the Association may be any legal entity fulfilling general membership conditions, including having seats in an EU member state or an organisational unit in an EU member state, having possession of at least one domain name with the .cz ccTLD and payment of an entry membership fee. Association members are split into three chambers - the chamber of domain name holders, the ISP chamber and the registrar chamber. Special conditions for membership in individual chambers are set in the Statutes. The chamber arrangement benefits the association members, who can therefore, together with other similarly focused entities, better define and defend their opinions, suggestions and interests. The chamber arrangement has also made the course and negotiations of the association bodies more efficient, especially the Collegium and General Assembly.

List of Members

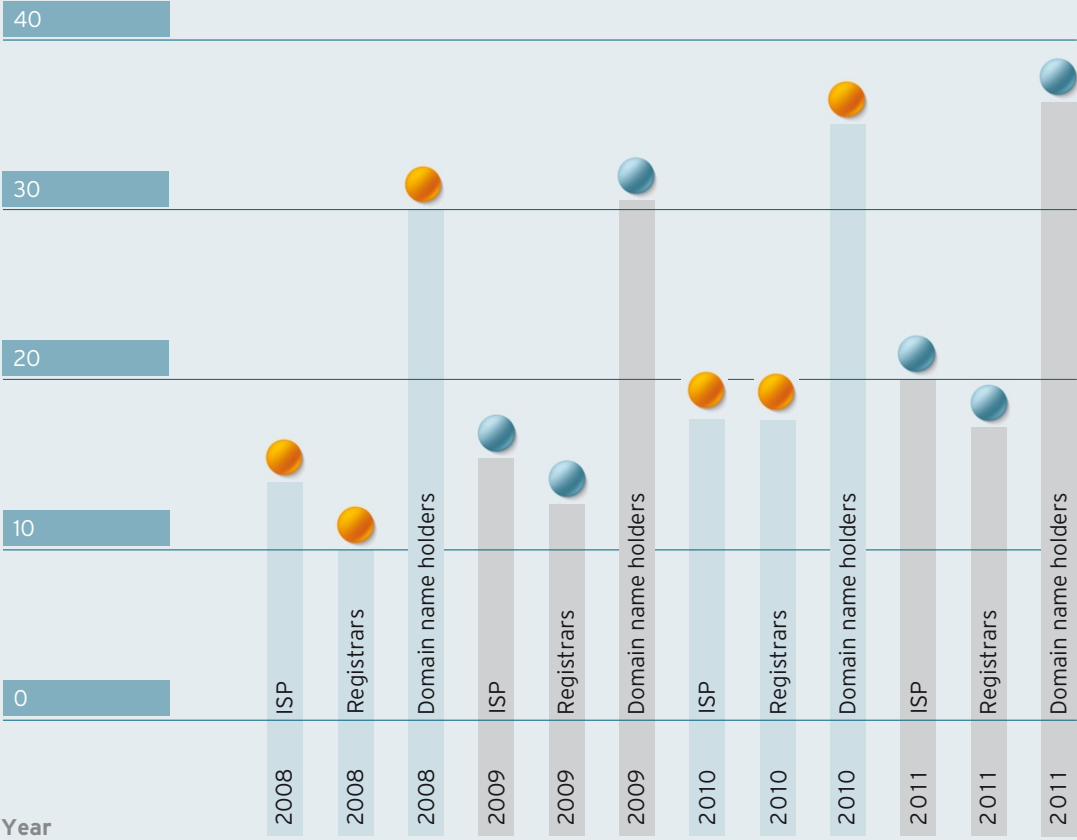
As of 31 December 2010, the CZ.NIC Association had a total of 77 members.

Number of members of the Association and their division in chambers of the General Assembly (as of 31 December 2010)



Development of the number of members in the chambers of the General Assembly (as of 31 December 2010)

Number of members



Chamber of domain name holders

	Name	ID
01.	AliaWeb, spol. s r. o.	26117363
02.	Asociace pro elektronickou komerci	68684797
03.	AUDITEL, s. r. o.	26775034
04.	Com-Sys TRADE spol. s r. o.	16188781
05.	Datahost s. r. o.	26390973
06.	ekolo.cz s. r. o.	27141659
07.	Greenlux s. r. o.	28608747
08.	i - registry s. r. o.	28451082
09.	IBM Česká republika, spol. s r. o.	14890992
10.	ICZ a. s.	25145444
11.	INBES, spol. s r. o.	14502593
12.	Intell.Net s. r. o.	27971546
13.	Internet Info, s. r. o.	25648071
14.	Internet Mall, a. s.	26204967
15.	Kanlux s. r. o.	25830163
16.	Laurián s. r. o.	29018919
17.	MARIAS s. r. o.	26136139
18.	MEDIA FACTORY Czech Republic a. s.	26288311
19.	Michal Krsek & partneři s. r. o.	27418570

	Name	ID
20.	MITE Infonet s. r. o.	25660292
21.	Moonlake, a. s.	28924355
22.	NextiraOne Czech s. r. o.	26175738
23.	NFX, z. s. p. o.	75093201
24.	Nux s. r. o.	27234631
25.	Orange Business Czech Republic s. r. o.	49620037
26.	Pražský Účetní Servis s. r. o.	26740575
27.	Q3, s. r. o.	26226073
28.	Skymia s. r. o.	28238613
29.	Software602 a. s.	63078236
30.	Socha, spol. s r. o.	48291153
31.	SuperNetwork s. r. o.	25492063
32.	TIKWI s. r. o.	28917651
33.	Trustica s. r. o.	26514362
34.	Unie vydavatelů	15887081
35.	Unisys s. r. o.	48109291
36.	VIZUS.CZ s. r. o.	27155315
37.	Webarium s. r. o.	26089602

ISP chamber

	Name	ID
01.	BT Limited, organizační složka	70802025
02.	CASABLANCA INT s. r. o.	25079832
03.	CentroNet, a. s.	26165473
04.	CESNET, z. s. p. o.	63839172
05.	COOLHOUSING s. r. o.	14893983
06.	ČD - Telematika a. s.	61459445
07.	České Radiokomunikace, a. s.	27444902
08.	Dragon Internet a. s.	27237800
09.	Faster CZ spol. s r. o.	60722266
10.	GTS Czech s. r. o.	28492170
11.	Informační a bezpečnostní agentura s. r. o.	64051641
12.	INTERNEXT 2000, s. r. o.	25352288
13.	LAM plus s. r. o.	25129619
14.	MAFRA, a. s.	45313351
15.	Qnet CZ s. r. o.	25518097
16.	SkyNet a. s.	25346687
17.	STARNET, s. r. o.	26041561
18.	TRETEL CZ, a. s.	26177129
19.	T-Systems Czech Republic a. s.	61059382
20.	VOLNÝ, a. s.	63080150
21.	VSHosting s. r. o.	61505455

Registrar chamber

	Name	ID
01.	1X s. r. o.	44632142
02.	ACTIVE 24, s. r. o.	25115804
03.	Advio Network, s. r. o.	28565673
04.	AKREDIT, spol. s r. o.	25797387
05.	banan s. r. o.	26867257
06.	Dial Telecom, a. s.	28175492
07.	EXPLORER a. s.	26726653
08.	GENERAL REGISTRY, s. r. o.	26027267
09.	IGNUM s. r. o.	26159708
10.	Internet CZ, a. s.	26043319
11.	IPEX a. s.	45021295
12.	KRAXNET s. r. o.	26460335
13.	MASANTA.COM s. r. o.	25730533
14.	Media4web, s. r. o.	26735903
15.	NEW MEDIA GROUP s. r. o.	26124611
16.	TELE3 s. r. o.	26096960
17.	Telefónica O2 Czech Republic, a. s.	60193336
18.	Web4U s. r. o.	26058774
19.	ZONER software, a. s.	49437381

11.03. Association Bodies

11.03.01. General Assembly

General Assembly is the supreme body of the Association, where all members of the Association meet, split into three chambers - the registrars, ISPs and domain name holders chamber. Every Association member has the right to participate in a meeting of the General Assembly, and present their ideas, opinions and comments.

11.03.02. Collegium

The Collegium has a total of 21 members, of which 18 members are elected by the individual chambers of the General Assembly and 3 members are nominated by state authorities. Members of the Collegium are elected to serve three-year terms.

Collegium members elected by the General Assembly from 1 January 2010 to 13 December 2010

Collegium members representing the chamber of domain name holders
Marek Antoš
Jan Hřebíček
Tomáš Maršálek
Jan Pochman
Jan Redl
Markéta Švecová

Collegium members representing the ISP chamber

Ondřej Filip

Tomáš Košnar

Petr Kuneš

Jiří Kysela

Karel Taft

Zbyněk Pospíchal

Collegium members representing the registrar chamber

Zdeněk Brůna

Marek Erneker

Petr Komárek

Jiří Kubíček

Martin Kukačka

Erich Syrovatka

At the General Assembly on 30 November 2010, the following persons were elected into the Association Collegium (effective as of 14 December 2010):

Chamber of domain name holders: **Tomáš Maršálek**, **Jan Hřebíček** (replacing Jiří Pochman and Markéta Švecová).

ISP Chamber: re-elected **Tomáš Košnar** and **Zbyněk Pospíchal**.

Registrar Chamber: re-elected **Petr Komárek** and newly elected **Ilona Filípková** (replacing Jiří Kubíček).

Collegium members nominated by state authorities

Marek Ebert, The Czech Telecommunications Office

Monika Pochylá, The Ministry of Industry and Trade of the Czech Republic

Marie Moravcová, The Economic Chamber of the Czech Republic

11.03.03. Board of Directors

The Board is a statutory body, governing Association activities and acting in its name.

Board members from 1 January 2010 to 10 December 2010

Tomáš Maršálek (*1970), chairman of the Board

Karel Taft (*1971), vice-chairman of the Board

Marek Antoš (*1979), member

Martin Kukačka (*1980), member

Jiří Kysela (*1955), member

Board members from 11 December 2010 to 31 December 2010

Karel Taft (*1971), chairman of the Board

(until 21 December 2010 vice-chairman of the Board)

Marek Antoš (*1979), vice-chairman of the Board (since 21 December 2010)

Tomáš Košňar (*1965), member

Martin Kukačka (*1980), member

Jiří Kysela (*1955), member

11.03.04. Supervisory Board

Association control body, which supervises the performance of the Board and the implementation of Association activities.

Members of the Supervisory Board from 1 January 2010 to 31 December 2010

Jan Redl, chairman of the Supervisory Board

Ondřej Fryc, member

Jiří Peterka, member

12. Human Resources

12 . 01 . Personnel History

In addition to the major activities, i.e. operating the registry of the .cz national domain and the 0.2.4.e164.arpa (ENUM) domain, the CZ.NIC Association also focuses on research, education and awareness-raising projects. At the beginning of 2010, 40 employees worked at the CZ.NIC Association. By 31 December 2010, there were 52 employees. During the year, 1 employee left the Association and 13 new members of staff joined the team. The increase in the number of employees was mainly a result of the further development of the CZ.NIC Laboratory research centre, a branch of which was established in Brno (5 employees, with 10 employees in total joining in 2010); in addition, new employees were added to the Marketing / PR department in connection with an increased emphasis on the promotion of the .CZ domain and the expansion of educational and awareness-raising activities.

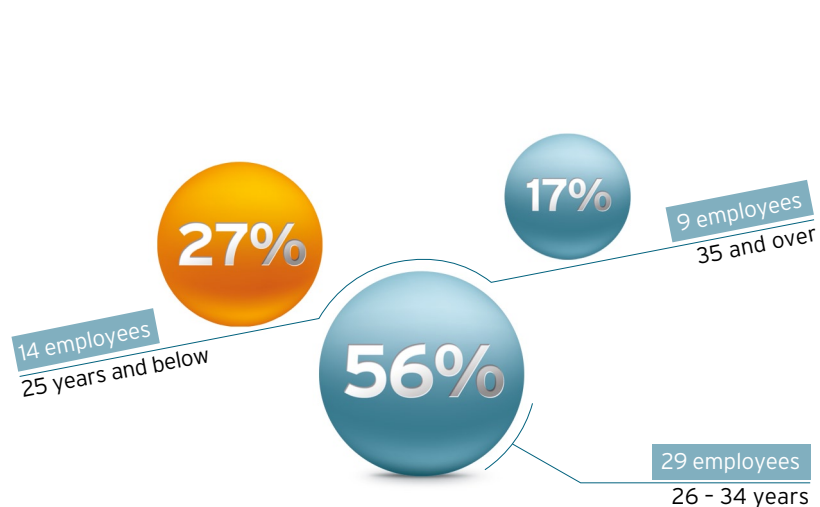
The table below shows the number of employees in comparison with 2009

	As of 1 January 2010		As of 31 December 2010	
Department	Number of employees	Full-time equivalent*	Number of employees	Full-time equivalent*
Management	5	5	6	6
CZ.NIC Academy	1	0,5	1	0,5
Marketing/PR	4	4	5	5
Development	10	12,5	9	8,1
Network management	4	4	4	4
CZ.NIC Laboratories	8	5,7	18	12,2
Legal/Secretariat	1	1	1	1
Customer support	7	7	8	7
Total	40	39,7	52	43,8

*) 40-hour business week

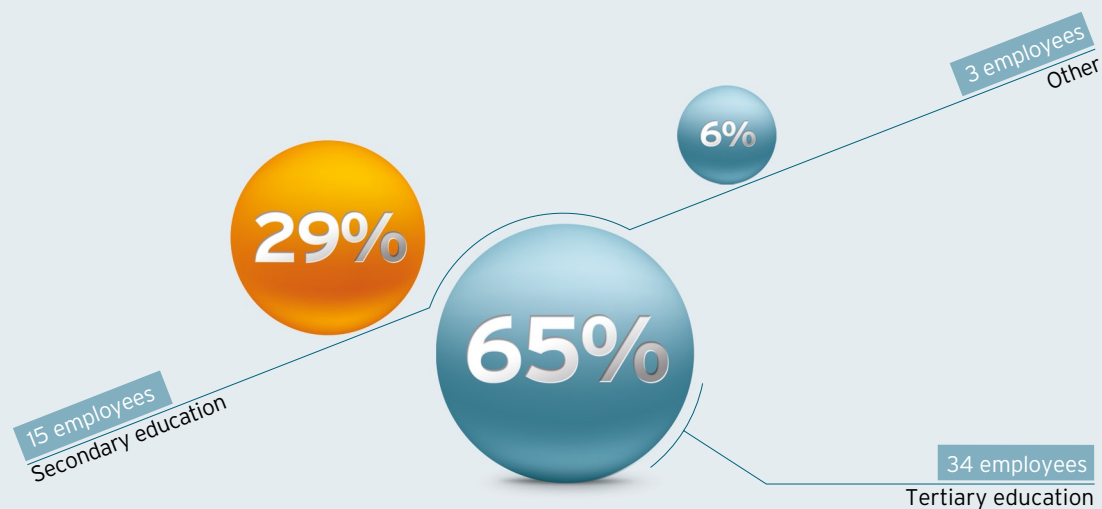
The average employee age as of 31 December 2010 was 30.72 years. This means a decrease compared to last year.

Employee age structure (as of 31 December 2010)



The strength of the Association lies in qualified and proficient employees who are necessary for fulfilling Association objectives and its further development. All employees undergo further education, with an emphasis on achieving maximum professional and personal qualities and development. This personnel policy, combined with an attractive field, work with modern leading technologies, and the chance to take an active part in the forming of the Czech internet leads to a dominance of staff with a university background.

Employee qualification structure (as of 31 December 2010)

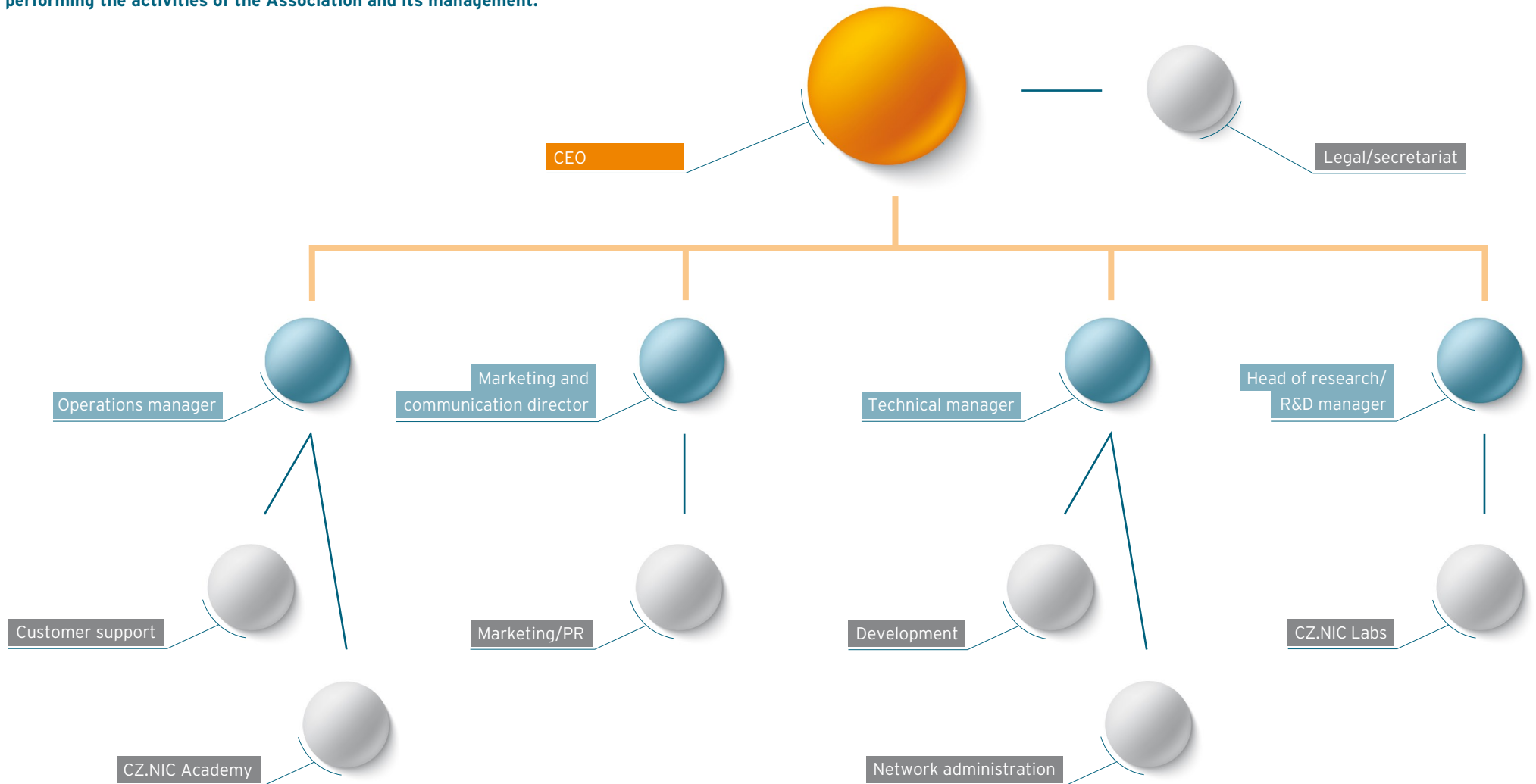


The CZ.NIC Association gives the opportunity to gain professional experience even to new graduates of universities and secondary schools, who can get their first job here.

The development of salaries in 2010 reflected the needs of the association and its employees. Salary is formed by a fixed tariff and variable benefits, reflecting the actual performance of each employee. Setting the amount of salaries, incentive components and any other benefits is governed by a principle of fairness pursuant to valid legislation, as well as by conditions and developments in the telecommunications environment and the IT market.

12 . 02 . Organisational Structure

The association's clear and simple organisational structure corresponds to the number of employees and brings maximum efficiency in performing the activities of the Association and its management.



13 . Selected Financial Indicators

In thousands of CZK	2004	2005	2006	2007	2008	2009	2010
Revenues	137 632	139 167	133 050	155 848	119 376	140 994	137 751
Costs	139 669	106 557	117 618	132 369	65 909	97 799	100 781
Profit or loss after tax	-2 037	32 610	15 432	23 479	53 467	43 195	36 970

14 . Balance Sheet

In thousands of CZK	2004	2005	2006	2007	2008	2009	2010
Total assets	100 982	147 926	168 026	171 222	221 670	275 087	312 202
Fixed assets	6 347	3 044	10 156	8 381	8 135	8 268	12 258
Intangible assets	1 841	1 179	3 210	3 806	1 522	0	0
Tangible assets	4 506	1 865	6 946	4 575	6 613	8 268	
Financial investment							
Securities							
Current assets	94 251	144 882	156 678	161 456	212 092	265 160	292 563
Inventories				55	103	48	184
Long-term receivables			106		715	1 196	1 351
Short-term receivables	880	852	2 872	1 018	1 051	1 851	4 338
Financial assets	93 371	144 030	153 680	160 383	210 223	262 065	286 690
Other assets	384	0	1 192	1 385	1 443	1 659	7 381

	2004	2005	2006	2007	2008	2009	2010
Total liabilities	100 982	147 926	168 026	171 222	221 670	275 087	312 202
Equity	6 014	38 624	54 056	77 535	131 002	174 197	211 167
Capital stock							
Capital funds							
Funds from profit	7 627	7 627	7 627	7 627	7 627	7 627	7 627
Profit or loss of previous years	424	-1 613	30 997	46 429	69 908	123 375	166 570
Profit or loss for accounting period	-2 037	32 610	15 432	23 479	53 467	43 195	36 970
Liabilities	16 786	26 831	18 753	13 706	16 835	13 851	14 877
Reserves							
Long-term payables					193		
Short-term payables	16 786	26 831	18 753	13 706	16 642	13 851	14 877
Bank loans							
Other liabilities	78 182	82 471	95 217	79 981	73 833	87 039	86 158

15 . Profit and loss account

In thousands of CZK	2004	2005	2006	2007	2008	2009	2010
Output and sales	136 250	139 020	131 864	147 564	108 671	109 764	120 980
Of which revenue and sales	136 250	139 020	128 952	144 740	108 671	109 764	120 980
Capitalisation			2 912	2 824	0	0	0
Production consumption and costs	124 497	82 074	94 067	88 668	19 509	27 572	37 451
Added value	11 753	56 946	37 797	58 896	89 162	82 192	83 529
Personnel costs	5 923	6 053	11 930	20 193	20 567	27 113	31 520
Depreciation of assets	4 294	4 944	4 900	6 042	5 851	5 069	6 980
Settlement of reserves							
Other operating income	421	-475	244	246	682	1 156	1 496
Other operating costs	598	321	516	435	393	433	3 034
Operating profit or loss	1 359	45 135	20 695	32 448	62 925	50 566	43 491
Other financial income	961	622	942	7 885	10 054	30 041	15 075
Other financial costs	2 719	115	81	7 077	4 129	25 342	11 208
Profit or loss from financial activities	-1 758	507	861	808	5 925	4 699	3 867
Profit or loss from standard activities	-399	45 642	21 556	33 256	68 850	55 265	47 358
Extraordinary revenues							
Extraordinary expenses	1 638		6 124	9 777	15 383	12 070	10 388
Extraordinary profit or loss	-1 638		-6 124	-9 777	-15 383	-12 070	-10 388
Profit or loss after tax	-2 037	32 610	15 432	23 479	53 467	43 195	36 970

16 . Development of Revenue

In thousands of CZK	2004	2005	2006	2007	2008	2009	2010
	136 250	139 020	128 952	144 741	108 523	109 576	120 701

17 . Data on Facts between the Date of Final Accounts and General Assembly

No events occurred in the given time which would have had an impact on the data presented in the financial statements for 2010.

18 . Auditor's Report



Independent auditor report for the members of the interest association of legal entities CZ.NIC

We have audited the enclosed financial statements of CZ.NIC, an interest association of legal entities, i.e. a balance sheet as of 31 December 2010, a profit and loss statement for the period between 1 January 2010 and 31 December 2010 and the appendix of this statement, including a description of used significant accounting methods.

Responsibility of the statutory body of the accounting unit for the financial statements

In accordance with Czech accounting standards, the responsible party for the creation and faithful reproduction of financial statements is the statutory body of the association. This responsibility includes proposing, implementing and ensuring the application of internal control measures governing the creation and faithful reproduction of financial statements to guarantee they do not include any significant errors caused by fraud or mistake, select and apply suitable accounting methods and perform accounting estimates that are adequate to the given situation.

Responsibility of the auditor

Our task is to issue, based on the audit carried out, a report about these financial statements. We have performed the audit in accordance with the Auditor Code, the International Standards on Auditing and relevant application standards of the Auditor Chamber of the Czech Republic. In accordance with these rules, we are required to comply with ethical norms and plan and carry out an audit in such a manner to be adequately certain that the financial statements do not include any significant error.

The audit includes carrying out auditing procedures the aim of which is to obtain proof of the financial amounts and facts listed in the statements. Selection of auditing procedures follows the judgement of the auditor, including the assessment of the risk that the financial statements include significant errors caused by fraud or mistake. When assessing these risks, the auditor takes into account internal controlling procedures that are relevant to the creation and faithful reproduction of financial statements. The aim of the assessment of internal controlling procedures is to propose suitable auditing methods, not to make a statement about the efficiency of the internal controlling procedures. The audit also includes an assessment of the appropriateness of the accounting methods used, adequacy of accounting estimates made by management and an assessment of the overall presentation of financial statements.

We believe that the information and proof gathered serve as an adequate basis for our statement.

The auditor's statement

In our opinion, the financial statements represent a faithful and honest overview of assets, liabilities and the financial situation of CZ.NIC, an interest association of legal entities, as of 31 December 2010 and the costs, revenues and results of its economic performance in 2010 in accordance with Czech accounting standards.

In Malenice on 31 May 2011



Ing.
SIMONA
PACÁKOVÁ

Digitally signed by Ing.
SIMONA PACÁKOVÁ
DN: c=CZ, cn=Ing. SIMONA
PACÁKOVÁ, st=jihocesky,
l=Malenice, Záměstí 68, 38706,
serialNumber=ICA - 10202475
Datum: 2011.05.31 07:05:17
+02'00'

ADU.CZ s.r.o.

Záměstí 68, 387 06 Malenice

Czech Auditor Chamber licence no. 368

on behalf of ADU.CZ s.r.o., this report was created by Ing. Simona Pacáková, auditor,
Czech Auditor Chamber decree no. 1825

19. Seat and Contact Details

CZ.NIC, z. s. p. o.

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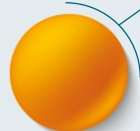
The association is entered in the registry of interest associations of legal entities at the Prague Municipal Authority, registration number ZS 30/3/98.

CZ.NIC – 24-hour customer support

Phone: +420 222 745 111

or

podpora@nic.cz



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