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CZ.NIC

"ANNUAL REPORT

2009"

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&lt;01&gt;

## THE ASSOCIATION PROFILE



### 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. A strong and stable subject thus replaced administration carried out until then by an individual.

During its existence, the CZ.NIC Association has come a long way and shown that it is a reliable partner for domain holders, registrars, and other partners using the Internet at work and in their free time. The CZ.NIC not only secures the administration of domain names, but is also devoted to other activities and projects related to the Internet and its further development, and to helping build safety and stability, which have become increasingly important issues with the growing number of users.



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<02>

# INTRODUCTORY WORD FROM THE CHAIRMAN OF THE BOARD

## Ing. TOMÁŠ MARŠÁLEK

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### Ladies and Gentlemen,

In 2009 we saw a continuing global economic crisis that affected the economic situation of both individuals and corporations. The crisis generally did not significantly affect domain registries, and CZ.NIC, acting as the administrator of the .CZ national domain, was not an exception.

In 2009, the Association posted a profit after tax in the amount of CZK 43,195,000, up 57% against the planned budget. Owing to the fact that the Association has been generating profits for a long period of time, a decision was made to reduce wholesale domain prices from CZK 190 to CZK 155, with effect as of 1 January 2010.

The trend of a growing number of domains reported in 2008 continued, and the 600,000th domain was registered in October. DNSSEC technology was also a success - before the year end, this technology was used to protect more than a thousand of domain names.

The Association also expanded its activities: the “Academy” training centre was opened and research Laboratories were established, both in the form of approved projects to support the development of the Internet, for the benefit of both Czech users and the global Internet community, where CZ.NIC has built a good reputation.

There were small changes made in the organizational structure to reflect expansion, and the number of employees increased accordingly. At the same time, the number of registrars and Association members increased slightly.

To conclude, I would like to state that the CZ.NIC Association has gotten over the “growing pains” associated with its establishment and start-up, and continues to exist as a healthy and functioning entity, with a transparent supervision system and a positive reputation both in and outside the Czech Republic. I am firmly convinced that this trend will also continue in the future.

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<03>

## A WORD FROM THE EXECUTIVE DIRECTOR OF THE ASSOCIATION

Mgr. ONDŘEJ FILIP, MBA

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### Ladies and Gentlemen,

The year 2009 was different from previous years, which we characterised as years of change. We did not go through any groundbreaking events, such as the transition to a new registration system, and we did not launch any technological innovations comparable to the start of DNSSEC. In 2009, we started a series of smaller activities, projects, and services for both the local and global internet communities.

We are able to build on the right experience gained during the previous years, when we were working on a fundamental change in the registration system, network infrastructure, and domain management, and our technical team has gained a considerable reputation, both in and outside the Czech Republic. In order to be able to share our know-how with the local community, a modern CZ.NIC Academy, a training centre, has been set up, offering all the necessary equipment and technologies. At first, the training programmes only included topics directly relating to our activities, including ENUM, DNS, or DNSSEC; however, we also plan to focus on other issues and engage external lecturers.

As a logical step towards the improvement of our knowledge base and position, we set up a relatively independent research and development department - CZ.NIC Labs. Our colleagues in this department take care of the development of innovative services and technologies. Once again, the first projects relate closely to the DNSSEC technologies and routing, while in the future we will also look at some specifically Czech issues such as data boxes. The operations of CZ.NIC Labs developed very quickly and successfully, so that during the course of the year we were able to present some specific results of our efforts at technically-oriented conferences.

In addition to the participation of the representatives of CZ.NIC in conferences, the Association also organises or hosts meetings of professionals in this sector, such as the traditional “home” events of Internet and Technology 09 and additionally, the ENUM Day, the Euro-IX international conference of peering centre associations, was organised in 2009 in cooperation with NIX.CZ.

We also continued in our activities associated with the development of the infrastructure of the Internet. We are in charge of the operation of a local mirror for the F root server of ISC. This node is local, and serves especially Czech users. This year we added another one, identified by the letter L and operated by ICANN. This was designed to be a global node and also a major distribution node for Europe. The decision of ICANN to open the first mirror of its server outside the US in our country is proof of our excellent relationships with this organisation and an appreciation of the association’s professional qualities.

In conclusion, please let me mention a project which was initiated in 2009, but the fruits of which will only be harvested during the next year. We started working on the expansion of our activities by means of a system of identity management using the OpenID technology. We expect that this project will help improve the level of comfort, safety, and reliability for Internet users and service providers in the Czech Republic.

I am convinced that the successful implementation of OpenID during the next year will be especially appreciated by users.

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<04>

## THE .CZ DOMAIN

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### <04.01> DEVELOPMENT IN REGISTRATION NUMBERS

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In 2009, the number of domain names registered in the .cz ccTLD continued to grow. Year-on-year growth was over 25%, from 501,458 registered as of 1 January 2009 to 629,821 domains at the end of the year.

DEVELOPMENT OF THE NUMBER OF .CZ DOMAIN NAMES IN 2009

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2009 / 01	.....	512 366
2009 / 02	.....	525 599
2009 / 03	.....	538 467
2009 / 04	.....	551 113
2009 / 05	.....	560 525
2009 / 06	.....	570 783
2009 / 07	.....	579 595
2009 / 08	.....	589 368
2009 / 09	.....	600 021
2009 / 10	.....	611 088
2009 / 11	.....	620 885
2009 / 12	.....	629 327

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In addition, the number of new registrations increased against 2008, too. While 13,866 domains were registered on a monthly basis on average last year, this number increased by approximately two thousand in 2009, i.e. to 15,899.

#### NUMBER OF NEW .CZ DOMAIN NAMES REGISTERED IN 2009

2009/01	15 310
2009/02	16 487
2009/03	18 131
2009/04	18 115
2009/05	15 241
2009/06	15 496
2009/07	14 230
2009/08	14 574
2009/09	15 468
2009/10	16 532
2009/11	16 187
2009/12	15 018

## <04.02> REGISTRARS

### <04.02.01> NUMBER AND STRUCTURE OF .CZ DOMAIN NAME REGISTRARS

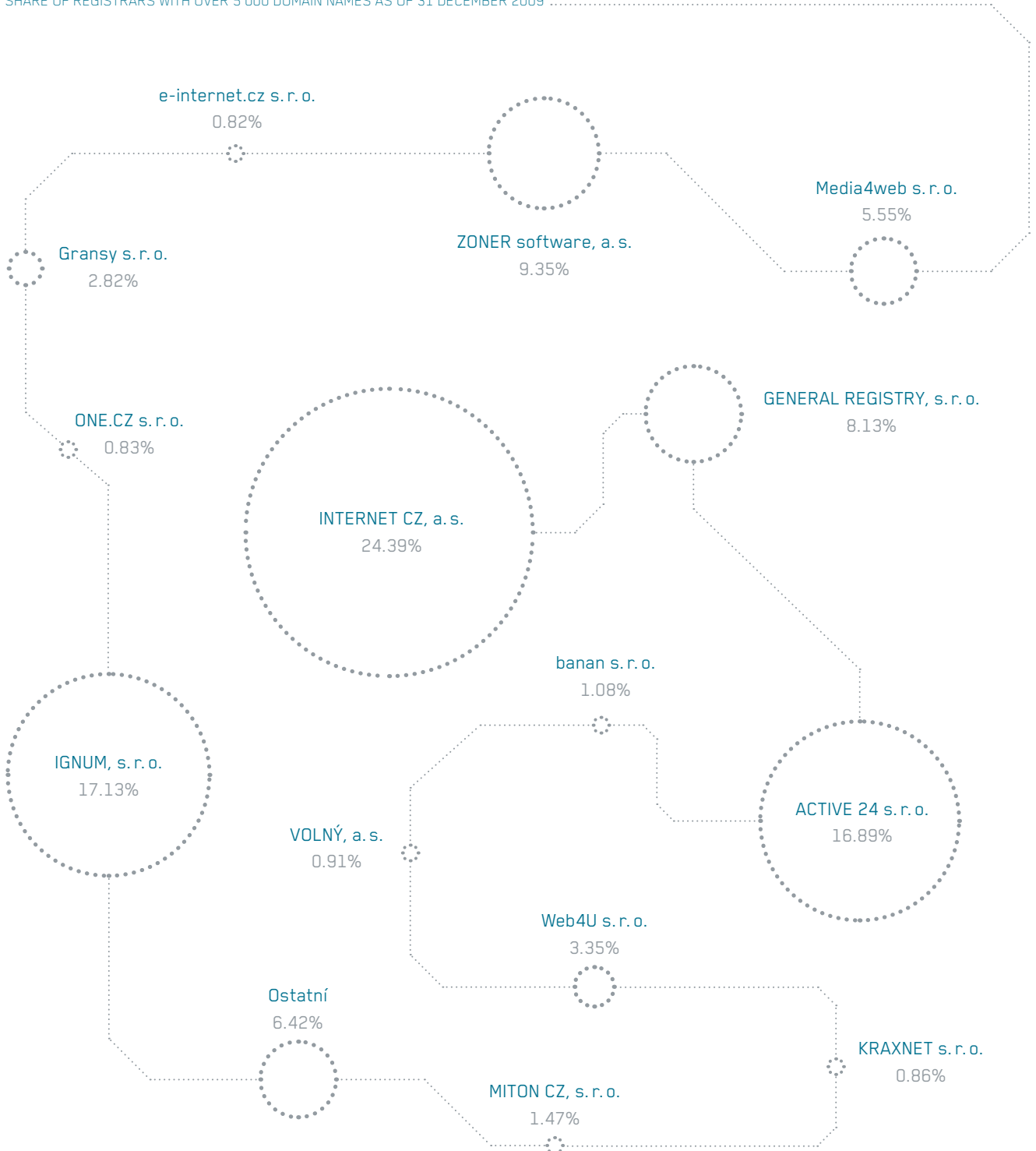
In 2009, the number of entities who signed a cooperation agreement with the CZ.NIC Association to become accredited registrars continued to grow. In 2009, this was 11 companies, while only one registrar closed down. As of 31 December 2009, the total number of registrars was 41.

REGISTRARS ACCREDITED IN 2009	REGISTRAR / REGISTRAR SINCE		
Gransy s. r. o.	12/01/2009	Seonet Multimedia s. r. o.	08/07/2009
Variomedia AG	01/04/2009	NEW MEDIA GROUP s. r. o.	01/08/2009
1X s. r. o.	01/04/2009	IP Mirror Pte Ltd	07/09/2009
MASANTA.COM s. r. o.	06/04/2009	1API GmbH	11/09/2009
AKREDIT, spol. s r. o.	06/04/2009	Advio Network, s. r. o.	24/11/2009
Marketer, s. r. o.	06/04/2009		



The following chart shows the percentage of registrars who have administered more than five thousand domain names from the total number of registered domain names, as of 31 December 2009:

SHARE OF REGISTRARS WITH OVER 5 000 DOMAIN NAMES AS OF 31 DECEMBER 2009



In 2009, there was also a significant increase in the number of domain names where the designated registrar was a foreign entity. While at the beginning of 2009 there were 3,555 documents, this number almost tripled by year end, reaching 10,362. From the perspective of the total number of domain names, the ratio of such domains increased from one to two per-cent.

#### <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 was set up, under which registrars will prepare a communication campaign for the registration of domain names under .cz ccTLD, and if the campaign meets the set conditions,

CZ.NIC will contribute financially towards up to 50% of the cost associated with the campaign.

The first round of the programme was attended by twelve registrars, and their campaigns to support the registration of domains in .cz ccTLD related not only to the registration itself, but also to the package related to domain registration, the possibility of wholesale registration or security using DNSSEC.

#### <04.03> WHO ARE THE HOLDERS OF THE CZECH DOMAIN NAMES?

Domain names are almost evenly divided between individual holders and corporate holders:

##### DOMAIN HOLDERS / ORGANIZATIONS VS. INDIVIDUALS



The figures regarding the number of domains held by the largest holders are also interesting – the first five holders have registered 2% of the total number of domain names registered as of 31 December 2009:

#### NUMBER OF DOMAINS HELD BY BIGGEST HOLDERS

01	.....	2 498
02	.....	2 459
03	.....	2 223
04	.....	2 100
05	.....	1 268

It is not a surprise that most holders have their places of residence or seats in Central Bohemia; of these, almost 200,000 domain names are registered in Prague, followed by Southern Moravia, while the Karlovy Vary Region has reported the lowest number of domain names:

CENTRAL BOHEMIAN REGION	241 347	PARDUBICE REGION	20 472
PRAGUE	197 456	PARDUBICE	6 428
SOUTH MORAVIAN REGION	68 782	OLOMOUC REGION	19 378
BRNO	43 335	OLOMOUC	7 948
MORAVIAN-SILESIA REGION	46 610	LIBEREC REGION	19 479
OSTRAVA	18 044	LIBEREC	6 950
SOUTH BOHEMIAN REGION	26 015	PLZEŇ REGION	18 386
ČESKÉ BUDĚJOVICE	7 818	PLZEŇ	11 734
HRADEC KRÁLOVÉ REGION	25 216	VYSOČINA REGION	16 341
HRADEC KRÁLOVÉ	7 878	JIHLAVA	2 529
ZLÍN REGION	25 528	KARLOVY VARY REGION	8 718
ZLÍN	6 185	KARLOVY VARY	2 949
ÚSTÍ NAD LABEM REGION	23 191		
ÚSTÍ NAD LABEM	4 146		

Probably the high number of foreign registrars is the reason for the relatively high number of foreign domain name holders:

#### STATE / DOMAINS

DE	8 128	FR	1 499
SK	6 013	NL	1 477
US	4 910	AT	1 309
GB	2 580	PL	1 080
CN	1 954	CH	1 051

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<05>

## ENUM – WE MANAGE NUMBERS...

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### <05.01> TWO YEARS OF COMMERCIAL OPERATION

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In January 2009, two years had passed since the launch of ENUM technology, allowing telephony via the Internet without minute-by-minute charges. By the end of the year, over 575,000 telephone numbers were registered. The number of registered domains and phone numbers make the Czech registry one of the largest in the world.

The price for administration of one record for one year in the 0.2.4.e164.arpa zone remained unchanged, at CZK 1 excl. VAT. Potential customers were able to use the services of 21 Czech and foreign registrars to register ENUM domain names for their telephone numbers. They could also get an ENUM domain directly via four telecommunications operators within their telephone services.

#### LIST OF REGISTRARS AS OF 31 DECEMBER 2009

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ACTIVE 24, s. r. o.

CL - NET s. r. o.

Český server .cz s. r. o.

EuroDNS S.A.

GENERAL REGISTRY, s. r. o.

Gransy s. r. o.

ha-vel internet s. r. o.

IGNUM, s. r. o.

Instra Corporation (Europe) Ltd

INTERNET CZ, a. s.

IPEX a. s.

KRAXNET s. r. o.

MATTES AD, s. r. o.

Media4web s. r. o.

MIRAMO spol. s r. o.

NETWAY.CZ s. r. o.

ONE.CZ s. r. o.

Safenames Ltd.

SW Systems s. r. o.

Web4U s. r. o.

ZONER software, a. s.

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#### LIST OF OPERATORS AS OF 31 DECEMBER 2009

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CL - NET s. r. o.

GYRUSS TELECOM

IPEX a. s.

NETWAY.CZ s. r. o.

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## <05.02> ENUM PROMOTION

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ENUM found its users during the first year of operation, but all the same, as with every technological innovation, it is necessary for end users to show interest, not just professionals. In October, the third ENUM Day annual conference was held, presenting the latest updates on VoIP and ENUM,

not only through traditional presentations, but also with the use of case studies relating to practical implementation and the use of ENUM. Potential customers were also able to learn to set mobile phones of the most common platforms for Internet calling.

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## <05.03> ENUM FEDERATION

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Initiated by five European countries, ENUM Federation, an interest group of legal entities, was established in the Czech Republic in March 2009. Representatives of the largest ENUM registries of the old continent (Austria, Germany, the Netherlands, United Kingdom, and the Czech Republic), established an organization in Prague whose major objective will be to jointly promote and support the development of the ENUM system.

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<06>

## INFRASTRUCTURE

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### <06.01> TECHNICAL SOLUTIONS OF DOMAIN MANAGEMENT

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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 have independent UPS systems. Both locations also include diesel generators in the event of longer power blackouts.

The system is designed as heterogeneous - the 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 vs. AMD, 32-bit vs. 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. The PostgreSQL database is the critical element. It is always being replicated to the other location and when the primary location is down, traffic is redirected to the replicated database without any limitation or impact on functionality. The redundancy 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 within the support for smaller registries. Smaller and starting registries can therefore operate their domain in a system designed for the Czech domain which, thanks to its parameters and capacity, is capable of handling much higher volumes of domain names than currently registered in the ccTLD. In 2009 the FRED system was deployed to operate the Tanzanian national domain (.tz). Following the launch of FRED in Angola in 2008, this system now runs domain administration in two African countries.

The servers which manage records for .cz domains are owned by the association and operated in several locations worldwide - for example Stockholm, Vienna, London, Frankfurt, California and of course, Prague. Santiago de Chile was another location set up in 2009.

The central registry system is ready for IPv4 and IPv6 operation and its current implementation for the .cz domain runs on both these protocols. All of the above DNS servers are also (with the exception of the one in Stockholm) run on IPv4 and IPv6.

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## <06.02> L-ROOT - ROOT SERVER MIRROR

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Together with ICANN, the CZ.NIC Association installed a mirror of the L root server in Prague. The L root server is one of thirteen root name servers underpinning the Internet domain name system (DNS). Mirrors of the root server are also installed in Miami and Los Angeles. The launch of the L-ROOT mirror helped improve the safety and stability of the root server on a global scale, and especially in the European region.

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<07>

## CZECH SECURITY DOMAIN SPACE

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### <07.01> DNSSEC

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#### <07.01.01> WHEN YOU SAY DNSSEC, I.E. DNS SECURITY EXTENSION

The DNS protocol has been used for the Internet since the mid 1980s. From the very start, just as for many other protocols of the then mainly academic network, it has lacked any kind of security elements. 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 extending DNS, called DNSSEC

(DNS SECURITY extension), is to provide verified information from the DNS. DNSSEC works on the principal of 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. one in which it is not possible to translate the given name. DNSSEC can prevent just about all known attacks which aim to fake DNS data.

#### <07.01.02> INTRODUCING DNSSEC INTO THE DOMAIN ADMINISTRATION SYSTEM IN THE CZECH REPUBLIC

Implementation of DNSSEC technology was decided upon in 2004 and work on its development was begun after launching our own .cz domain administration system in the autumn of 2007. The first specifications for the implementation of DNSSEC for .cz were published at the end of February 2008 and left to be commented on by the general public. The full operation of DNSSEC technology for the .cz domain started on 30 September 2008. On this day, the registration system was opened and some users

commenced signing their zones immediately; since then, the number of domains protected by the DNSSEC technologies has constantly increased, reaching 1,447 domain names as of 31 December 2009. The domain names secured using DNSSEC technology also include the domain of the Czech Presidency of the Council of the European Union, "eu2009.cz". Whether or not users are protected when accessing the Internet can be established by means of a test at [www.dnssec.cz](http://www.dnssec.cz).

#### <07.01.03> MEMBERSHIP IN DNSSEC INDUSTRY COALITION

In May 2009, CZ.NIC became a member of 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.

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## <07.02> CSIRT.CZ/CZ.NIC – CSIRT

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With the constantly growing significance of the Internet and the increasing number of Internet 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, tapping of classified data) and so has their severity. For this reason, the need to create, formalise and make effective protection against these attacks has arisen. For this purpose, CSIRTs (Computer Security Incident Response Teams) have been created.

The CZ.NIC Association, with its long experience of projects in the field of Internet infrastructure, joined in the support of the activities of CSIRT Czech Republic. In 2009, representatives of the association were actively involved in the activities of the national CSIRT working group (CSIRT.CZ).

The CZ.NIC Association also operates its own CSIRT, whose activities were officially begun in June 2008. Three months later, data about CZ.NIC - CSIRT were published on the list of the Trusted Introducer

organisation, which is a trustworthy centre for exchanging sensitive information and know-how of individual CSIRTs. The goal of CZ.NIC - CSIRT is coordination and organisational support in solving security incidents within AS25192 and incidents concerning name servers for the .cz domain and 0.2.4.e164.arpa. The main idea of the work is raising awareness among the general public regarding the issue of safety, and the coordination and organisational assistance when solving incidents.

In 2009, the CZ.NIC - CSIRT team continued in the routine solution of addressing incidents that fall within its competences. In October, a massive assault phishing attack was reported, conducted via .cz domains, and CZ.NIC - CSIRT was involved in the solution of this incident. Cooperation was also established with the Department of Information Criminality at the Czech Police Presidium.

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<08>

## EDUCATIONAL AND AWARENESS-RAISING ACTIVITIES

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WWW.DOBRADOMENA.CZ

### <08.01> VISION

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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. In 2009, CZ.NIC also for the first time strongly promoted the .cz domain.

### <08.02> ACTIVITIES IN 2009

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#### <08.02.01> GOOD DOMAIN CAMPAIGN

The Good Domain campaign was unquestionably one of the major awareness-raising projects in 2009. The aim of this campaign was to raise awareness among users about why to register your own .cz domain, to keep users informed about why it is reasonable to secure domains using DNSSEC, and also to give instructions on how to actually register a domain. Aleš Mokřý was the main character of the campaign, a virtual employee of a technical support department,

guiding visitors through the [www.dobradomena.cz](http://www.dobradomena.cz) website. A combination of online and print media, supplemented with billboards, was used for campaign communication purposes. Thanks to its unique format, the campaign got intensive media coverage, and ranked second in the Louskáček (Nutcracker) contest for the most creative advertising campaign in the Czech Republic in 2009.

#### <08.02.02> BLOG CZ.NIC

In January 2008, the CZ.NIC Association launched its own blog. At the address [blog.nic.cz](http://blog.nic.cz), CZ.NIC employees share their views about what is currently being worked on in the association, what is being planned, and about various Internet-related events. This is a very popular means of communication between the association and the local Internet

community. The National Library of the Czech Republic chose the blog as a quality source of information under the “WebArchive - Czech Web archive” project; it is therefore archived several times a year, and its entries are included in the Czech National Bibliography and the National Library catalogue.

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#### <08.02.03> THE 2009 INTERNET AND TECHNOLOGY CONFERENCE

The second one-day conference entitled 2009 Internet and Technology focused on current Internet trends and technologies. Visitors were presented data about the vulnerability of the BGP protocol, the operation of the CERT and CSIRT security teams, the status

and perspectives of electronic signatures, and were able to learn in a practical way about the possibility of connectivity through IPv6 tunnel brokers. The conference was attended by more than 153 visitors, while more than 400 visitors watched the webcast.

#### <08.02.04> CURRENT LEGAL ISSUES OF DOMAIN NAMES - SEMINAR FOR LAW PROFESSIONALS

In early February 2009, the CZ.NIC Association, in collaboration with the Working Group on Law and the ICT Law Faculty of Masaryk University in Brno, organized another round of traditional workshops for law professionals, dealing with domain, their legal aspects and issues related to them. Participants were allowed not only to attend lectures dealing

with the processes and practices of dispute-resolving bodies, but there were also presentations focusing on law theory, including the legal characteristics of a domain name and also confusing and controversial domain aspects, whether relating to the position of domain authorities or the decision-making process regarding domain disputes.

#### <08.02.05> DEVELOP, INNOVATE, PROGRAM - COMPETITION FOR PROGRAMMERS AND DEVELOPERS

For the second time, the CZ.NIC Association announced a competition for young programmers and developers - D.I.P. - Develop, Innovate, Program (V.I.P. in Czech), 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.

Grammar school, secondary school and college students joined in the competition with a total of 32 projects, from which the five-member jury selected 12 and awarded prizes between CZK 10 and 55 thousand, depending on the degree of complexity and importance. Thanks to its success, another round of the competition was announced in the autumn of 2009.

#### <08.02.06> CZ.NIC EDITION - SYSTEM FOR THE MANAGEMENT OF GIT VERSIONS

“CZ.NIC Edition” represents another direction of the awareness raising and educational activities by the CZ.NIC Association, including the publishing of professional literature or translated quality foreign resources. After the release of IPv6 by Pavel Satrapa, another book was published in 2009 which had not been available in Czech before - ProGit by Scott

Chacon, presenting the Git version distributed management system to software developers. The book was released as an electronic publication and is available for free download; in addition, a printed version can be ordered. Information about the CZ.NIC Edition and the published books is available on [knihy.nic.cz](http://knihy.nic.cz).

#### <08.02.07> CZ.NIC ACADEMY

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. The CZ.NIC Academy became one of them in 2008, located in a specially reconstructed space for this purpose, in the same building as the CZ.NIC seat.

In 2009, the CZ.NIC Academy launched full operations, including special websites and an automated login and administration system

for users. The offer was then extended with a series of new courses relating to the DNS and other Internet technologies: IPv6, digital certificates, VoIP, ENUM, and more. A special course for teachers at primary and secondary schools was also a great success, dealing with the principles of Internet operations and administration and presenting current events in the area of domain names. Preparations were also launched for the startup of e-learning courses within the training centre.

## COOPERATION AND PARTNERSHIP

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The Internet is a very peculiar and individual organism that is permanently evolving, undergoing constant changes and offering new opportunities. 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 and maintain optimum conditions for the activity of domain name registrars and the comfort of domain holders.

The CZ.NIC Association is further developing its system of domain administration in cooperation with the local Internet community and other entities active in the Internet environment and influencing it. The Association

also seeks to offer supplementary services, helping these entities to use the Internet better and more effectively. In its activities, the Association works closely with its most significant partners, i.e. domain name registrars, as well as industry and other specialist organisations, both Czech and international, and also domain name registries in Europe and elsewhere, and last but not least, public authorities.

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.

### <09.01> CZ.NIC MEMBERSHIP IN INDUSTRY AND INTEREST ORGANIZATIONS

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#### <09.01.01> 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.

**NIX.CZ** - the biggest 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 their work, and also in connection with the extending environments of electronic communication in public administration, 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 and the Czech Bar Association** is indispensable.

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<09.01.02> ABROAD

**CENTR (The Council of European National Top Level Domain Registries)** - this is 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, obviously, technical workshops.

**EURid (The European Registry of Internet Domain Names)** - an association which is based on authorisation by the European Commission that 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 for ISPs since 2008, it being the biggest ISP organisation in the world with around 1,500 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 which is 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 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** - this is 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.

**DNSSEC Industry Coalition** - an organization promoting a unified approach to the introduction of DNSSEC. The CZ.NIC Association has been a member since 2009 and has also been actively participating in two working groups set up within this organization.

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<09.02> EURO-IX FORUM IN PRAGUE

CZ.NIC Association participated in the meeting of the representatives of the leading interconnection (peering) centres worldwide which took place at the end of April 2009. This fourteenth two-day Euro-IX Forum was mainly devoted to the security of data flows between states and their networks.

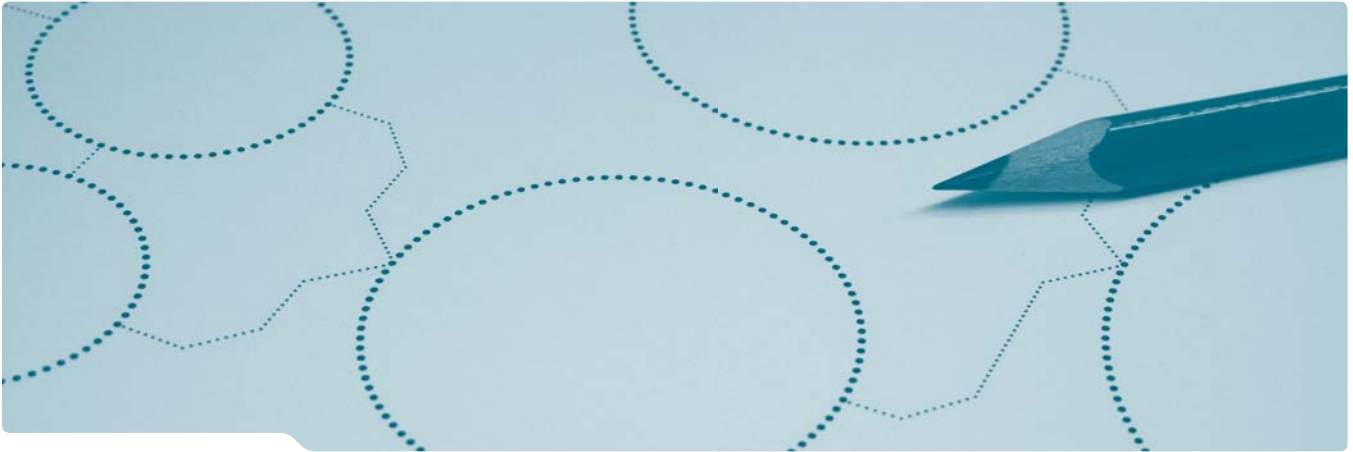
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<10>

## ASSOCIATION STRUCTURE AND ORGANIZATION

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### <10.01> MEMBERS

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The members of the CZ.NIC Association include a series of leading players in Internet and telecommunication services, i.e. ISPs, domain name registrars, Internet content providers and publishers of printed periodicals, or e-commerce providers.

This is a common platform for the meeting of the representatives of different Internet sectors. A broad spectrum of business activities by members and their

participation in the association's activities, whether in the form of meeting 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.

### <10.02> MEMBERSHIP CONDITIONS

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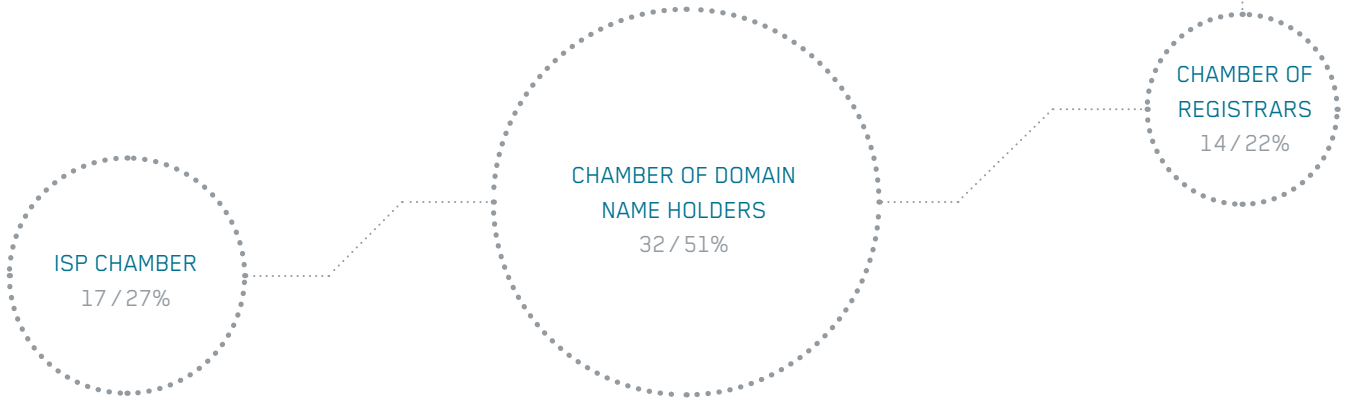
A legal entity fulfilling general membership conditions, including having seats in an EU Member State or an organisational unit in an EU Member State; having possession of at least one domain name with the .cz ccTLD; and payment of an entry membership fee, can become a member of the Association. Association 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.

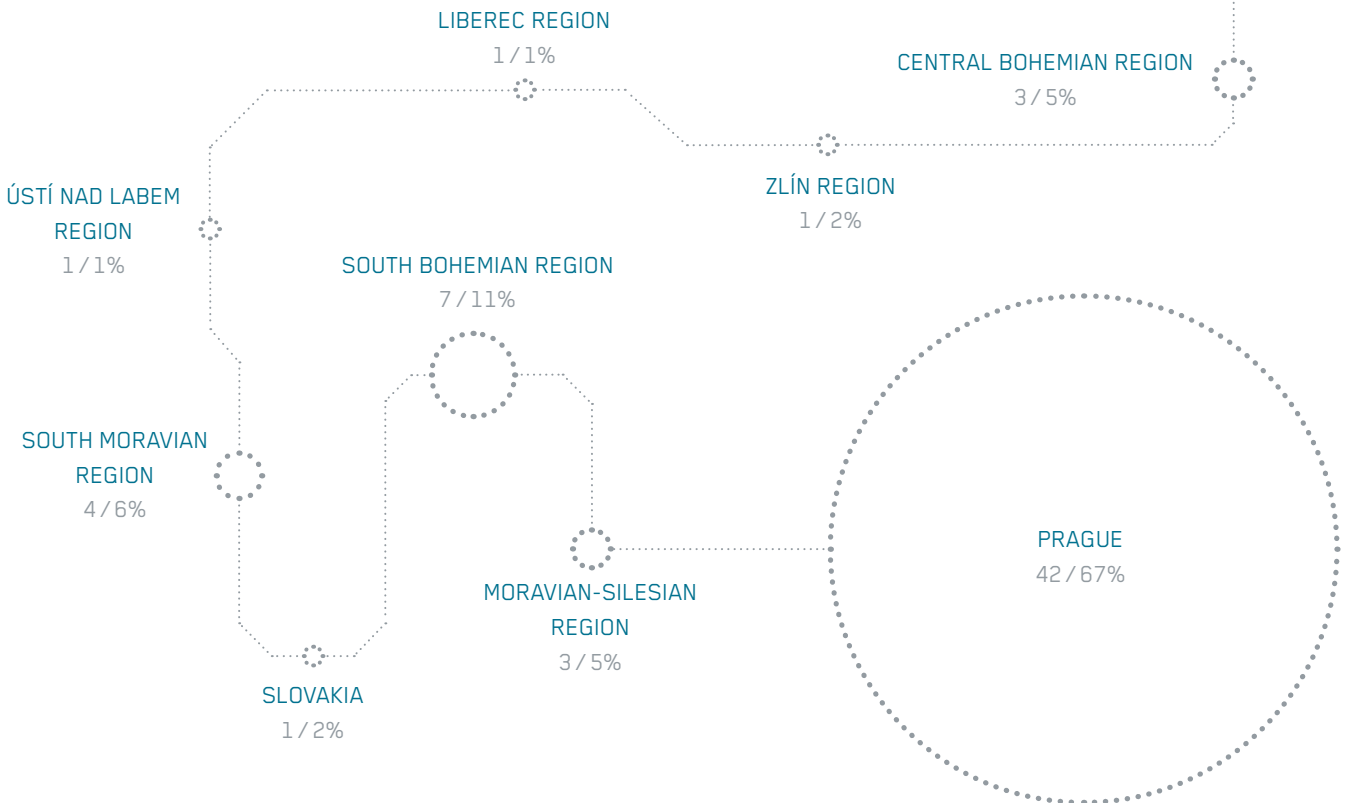
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LIST OF MEMBERS / AS OF 31 DECEMBER 2009, THE CZ.NIC ASSOCIATION HAD A TOTAL OF 63 MEMBERS.

NUMBER OF ASSOCIATION MEMBERS AND THEIR SPLITTING INTO GENERAL ASSEMBLY / AS OF 31 DECEMBER 2009 / .....



ASSOCIATION MEMBERS, SORTED BY SEAT / AS OF 31 DECEMBER 2009 / .....



## CHAMBER OF DOMAIN NAME HOLDERS

## NAME / ID

AliaWeb, spol. s r. o.	26117363	MARIAS s. r. o.	26136139
Asociace pro elektronickou komerci	68684797	MEDIA FACTORY Czech Republic a. s.	26288311
AUDITEL, s. r. o.	26775034	Michal Krsek & partneři s. r. o.	27418570
Com-Sys TRADE spol. s r. o.	16188781	MITE Infonet s. r. o.	25660292
Datahost s. r. o.	26390973	Moonlake, a. s.	28924355
ekolo.cz s. r. o.	27141659	NextiraOne Czech s. r. o.	26175738
Orange Business Czech Republic, s. r. o.	49620037	Nux s. r. o.	27234631
i – registry s. r. o.	28451082	Pražský Účetní Servis s. r. o.	26740575
IBM Česká republika, spol. s r. o.	14890992	Q3, s. r. o.	26226073
ICZ a. s.	25145444	Software602 a. s.	63078236
INBES, spol. s r. o.	14502593	SuperNetwork s. r. o.	25492063
Internet Info, s. r. o.	25648071	Trustica s. r. o.	26514362
Internet Mall, a. s.	26204967	Unie vydavatelů	15887081
Kanlux s. r. o.	25830163	Unisys s. r. o.	48109291
LAM plus s. r. o.	25129619	VIZUS.CZ s. r. o.	27155315
MAFRA, a. s.	45313351	Webarium, s. r. o.	26089602

## ISP CHAMBER

## NAME / ID

BT Limited, organizační složka	70802025	GTS NOVERA s. r. o.	28492170
CASABLANCA INT s. r. o.	25079832	Informační a bezpečnostní agentura s. r. o.	64051641
CentroNet, a. s.	26165473	INTERNEXT 2000, s. r. o.	25352288
CESNET, z. s. p. o.	63839172	Qnet CZ s. r. o.	25518097
COOLHOUSING s. r. o.	14893983	SkyNet, a. s.	25346687
ČD – Telematika a. s.	61459445	STARNET, s. r. o.	26041561
České Radiokomunikace a. s.	27444902	T-Systems Czech Republic a. s.	61059382
Dial Telecom, a. s.	28175492	VSHosting s. r. o.	61505455
Dragon Internet a. s.	27237800		

## REGISTRAR CHAMBER

## NAME / ID

IX s. r. o.	44632142	IPEX a. s.	45021295
ACTIVE 24, s. r. o.	25115804	KRAXNET s. r. o.	26460335
banan s. r. o.	26867257	TELE3 s. r. o.	26096960
EXPLORER a. s.	26726653	Telefónica O2 Czech Republic, a. s.	60193336
GENERAL REGISTRY, s. r. o.	26027267	VOLNÝ, a. s.	63080150
IGNUM s. r. o.	26159708	Web4U s. r. o.	26058774
INTERNET CZ, a. s.	26043319	ZONER software, a. s.	49437381

## <10.03> ASSOCIATION BODIES

### <10.03.01> GENERAL ASSEMBLY

The 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. Every Association member has the right to participate in a meeting of the General Assembly, and present their ideas, opinions and comments.

### <10.03.02> 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 2009 TO 18 DECEMBER 2009:

#### COLLEGIUM MEMBERS REPRESENTING THE CHAMBER OF DOMAIN NAME HOLDERS

JUDr. PhDr. MAREK ANTOŠ, Ph. D.	Ing. TOMÁŠ MARŠÁLEK
Mgr. JAN REDL	PhDr. JAN POCHMAN
JAN HŘEBÍČEK	Mgr. MARKÉTA ŠVECOVÁ

#### COLLEGIUM MEMBERS REPRESENTING THE ISP CHAMBER

Mgr. ONDŘEJ FILIP, MBA	Ing. JIŘÍ KYSELA
Ing. TOMÁŠ KOŠNAR	Ing. MICHAEL MACEK
Ing. PETR KUNEŠ	ZBYNĚK POSPÍCHAL

#### COLLEGIUM MEMBERS REPRESENTING THE REGISTRAR CHAMBER

Ing. PETR KOMÁREK	Ing. ZDENĚK BRŮNA
Bc. MARTIN KUKAČKA	Mgr. KAREL TAFT
Ing. JIŘÍ KUBÍČEK	MAREK ERNEKER

AT THE GENERAL ASSEMBLY ON 15 DECEMBER 2009, THE FOLLOWING PERSONS WERE ELECTED INTO THE ASSOCIATION COLLEGIUM / EFFECTIVE AS OF 19 DECEMBER 2009 /:

#### CHAMBER OF DOMAIN NAME HOLDERS

##### RE-ELECTED

Ing. TOMÁŠ MARŠÁLEK	JAN HŘEBÍČEK
---------------------	--------------

#### ISP CHAMBER / FORMERLY THE CHAMBER OF REGISTRARS

##### RE-ELECTED

Ing. JIŘÍ KYSELA	FORMERLY THE CHAMBER OF REGISTRARS
	Mgr. KAREL TAFT

## CHAMBER OF REGISTRARS

## RE-ELECTED

Bc. MARTIN KUKAČKA

## NEW MEMBER

ERICH SYROVATKA

## COLLEGIUM MEMBERS NOMINATED BY STATE AUTHORITIES:

Ing. MAREK EBERT, THE CZECH TELECOMMUNICATIONS OFFICE

Ing. Mgr. MONIKA POCHYLÁ, THE MINISTRY OF INDUSTRY AND TRADE OF THE CZECH REPUBLIC

/ REPLACING MGR. TEREZA GÁLIKOVÁ AS OF 1 APRIL 2009 /

JUDr. MARIE MORAVCOVÁ, THE ECONOMIC CHAMBER OF THE CZECH REPUBLIC

## &lt;10.03.03&gt; BOARD OF DIRECTORS

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

## BOARD MEMBERS FROM 1 JANUARY 2009 TO 31 DECEMBER 2009

Ing. TOMÁŠ MARŠÁLEK (\*1970), CHAIRMAN OF THE BOARD

Bc. MARTIN KUKAČKA (\*1980), MEMBER

Mgr. KAREL TAFT (\*1971), VICE-CHAIRMAN OF THE BOARD

Ing. JIŘÍ KYSELA (\*1955)

JUDr. PhDr. MAREK ANTOŠ (\*1979), MEMBER

## &lt;10.03.04&gt; SUPERVISORY BOARD

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

## MEMBERS OF THE SUPERVISORY BOARD FROM 1 JANUARY TO 31 DECEMBER 2009

Mgr. JAN REDL, CHAIRMAN OF THE SUPERVISORY BOARD

Ing. RNDr. JIŘÍ PETERKA, MEMBER

Ing. ONDŘEJ FRYC, MEMBER

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<11>

## HUMAN RESOURCES

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### <11.01> STATE AND DEVELOPMENT OF EMPLOYEE NUMBERS

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In addition to the major activities, i.e. operating the registry of the .cz national domain and the o.2.4.e164.arpa (ENUM) domain, the CZ.NIC Association also focuses on research, education and awareness-raising projects. In early 2009, 24 employees worked at the CZ.NIC Association. By 31 December 2009 there were 40 employees. During the year, 1 employee left the Association and 17 new members of staff joined the team. The increase in the number of employees was

mainly a result of the establishment of the CZ.NIC Labs research centre; 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 2008.

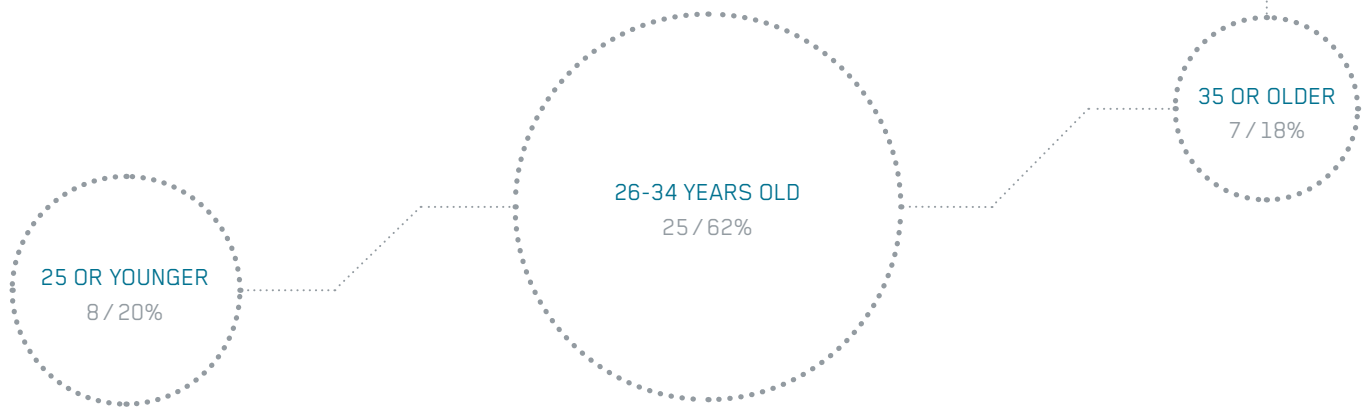
#### DEVELOPMENT OF EMPLOYEE NUMBERS

DEPARTMENT	1/1/2009	31/12/2009
MANAGEMENT	5	5
ACADEMY	0	1
MARKETING/PR	2	4
DEVELOPMENT	5	10
NETWORK ADMINISTRATION	3	4
CZ.NIC LABS	0	8
LEGAL DEPT. / SECRETARIAT	1	1
CUSTOMER CARE	8	7
<b>TOTAL</b>	<b>24</b>	<b>40</b>

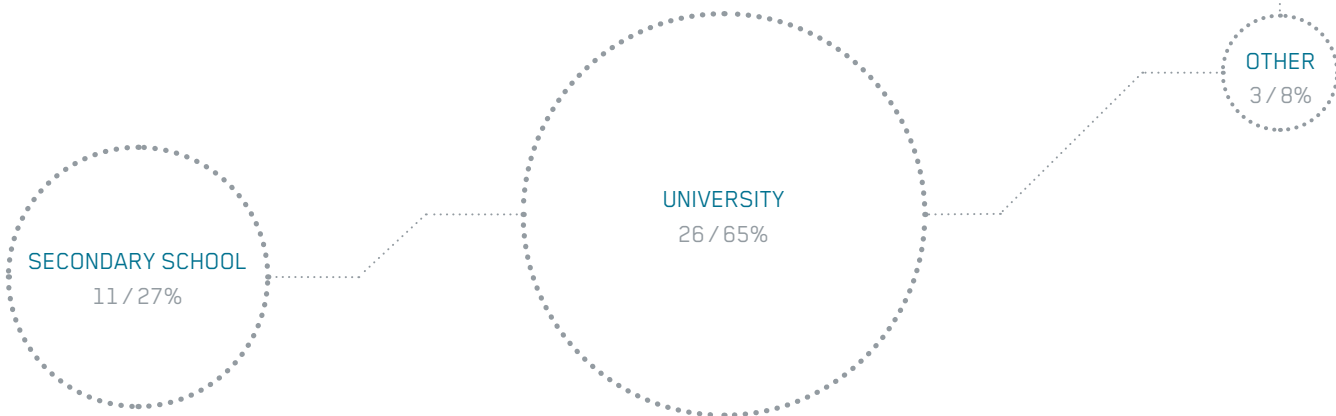
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The average employee age grew slightly compared with the previous year, i.e. to 30.95 as of 31 December 2009.

#### EMPLOYEES BY AGE AS OF 31 DECEMBER 2009



#### EMPLOYEES BY EDUCATION AS OF 31 DECEMBER 2009



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 forming the Czech Internet leads to a dominance of staff with a university background.

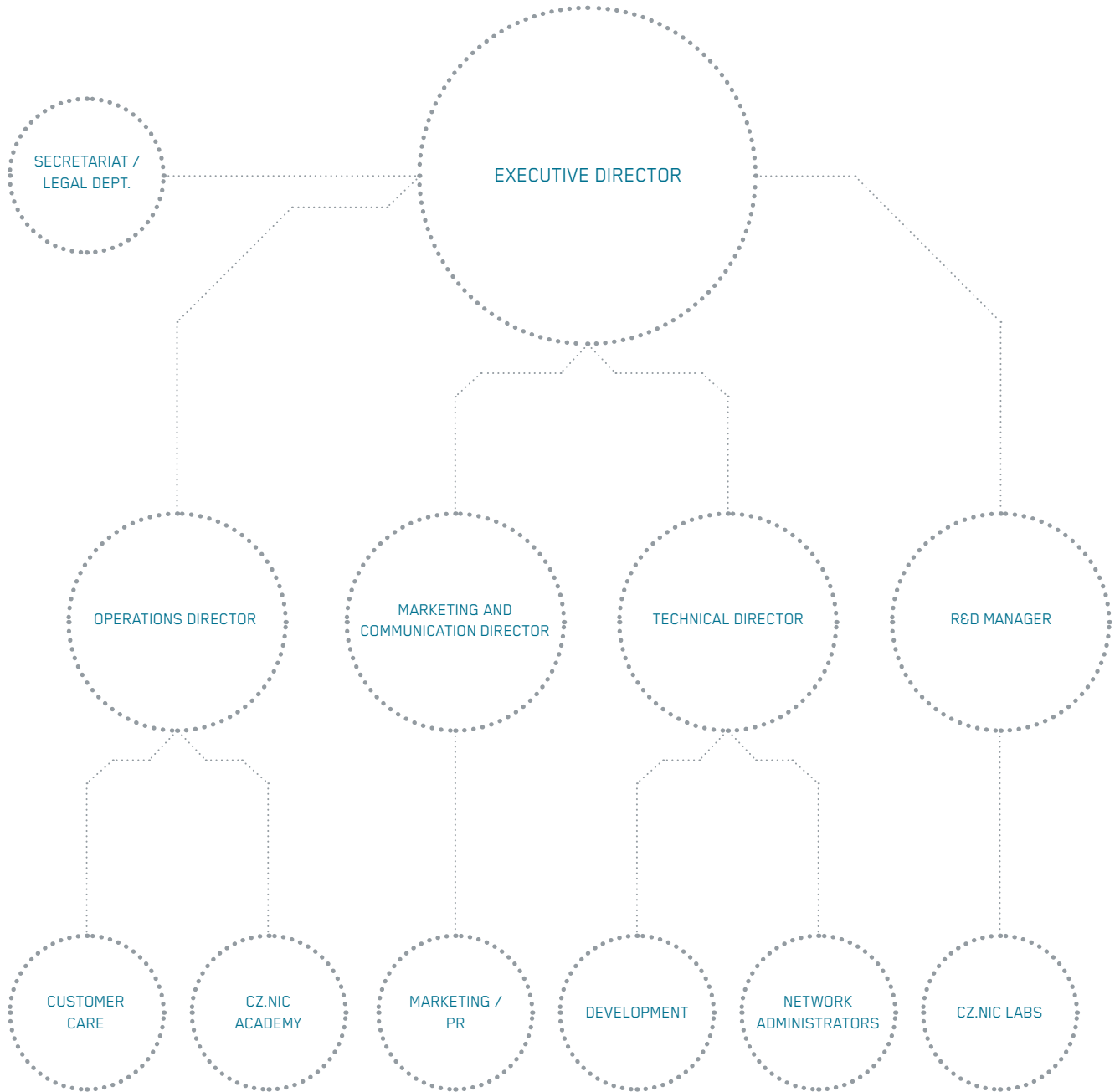
The CZ.NIC Association gives the opportunity to gain professional experience even to new graduates of

universities and secondary schools, who can get their first job here.

The development of salaries in 2009 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, motivational 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.

## <11.02> 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.



<12>

## FINANCIAL PART



### <12.01> SELECTED FINANCIAL INDICATORS

/ CZK '000 /	2003	2004	2005	2006	2007	2008	2009
REVENUES	140 712	137 632	139 167	133 050	155 848	119 376	140 994
COSTS	140 288	139 669	106 557	117 618	132 369	65 909	97 799
PROFIT OR LOSS AFTER TAX	424	-2 037	32 610	15 432	23 479	53 467	43 195

### <12.02> BALANCE SHEET

/ CZK '000 /	2003	2004	2005	2006	2007	2008	2009
TOTAL ASSETS	95 486	100 982	147 926	168 026	171 222	221 670	275 087
FIXED ASSETS	8 627	6 347	3 044	10 156	8 381	8 135	8 268
INTANGIBLE ASSETS		1 841	1 179	3 210	3 806	1 522	0
TANGIBLE ASSETS	8 627	4 506	1 865	6 946	4 575	6 613	8 268
FINANCIAL INVESTMENT							
SECURITIES							
CURRENT ASSETS	45 182	94 251	144 882	156 678	161 456	212 092	265 160
INVENTORIES					55	103	48
LONG-TERM RECEIVABLES				106		715	1 196
SHORT-TERM RECEIVABLES	390	880	852	2 872	1 018	1 051	1 851
FINANCIAL ASSETS	44 792	93 371	144 030	153 680	160 383	210 223	262 065
OTHER ASSETS	41 677	384	0	1 192	1 385	1 443	1 659

/ CZK '000 /	2003	2004	2005	2006	2007	2008	2009
TOTAL LIABILITIES	95 486	100 982	147 926	168 026	171 222	221 670	275 087
SHAREHOLDERS' EQUITY	8 051	6 014	38 624	54 056	77 535	131 002	174 197
CAPITAL							
CAPITAL FUNDS							
FUNDS CREATED FROM PROFIT	7 627	7 627	7 627	7 627	7 627	7 627	7 627
RETAINED EARNINGS		424	-1 613	30 997	46 429	69 908	123 375
PROFIT/LOSS FOR ACCOUNTING PERIOD		-2 037	32 610	15 432	23 479	53 467	43 195
LIABILITIES	17 104	16 786	26 831	18 753	13 706	16 835	13 851
RESERVES							
LONG-TERM LIABILITIES						193	
SHORT-TERM LIABILITIES	17 104	16 786	26 831	18 753	13 706	16 642	13 851
BANK LOANS							
OTHER LIABILITIES	70 331	78 182	82 471	95 217	79 981	73 833	87 039

### <12.03> PROFIT AND LOSS ACCOUNT

/ CZK '000 /	2003	2004	2005	2006	2007	2008	2009
OUTPUT AND SALES	139 805	136 250	139 020	131 864	147 564	108 671	109 764
OF WHICH REVENUE AND SALES	139 805	136 250	139 020	128 952	144 740	108 671	109 764
CAPITALISATION				2 912	2 824	0	0
PRODUCTION CONSUMPTION AND COSTS	127 252	124 497	82 074	94 067	88 668	19 509	27 572
ADDED VALUE	12 553	11 753	56 946	37 797	58 896	89 162	82 192
PERSONNEL COSTS	6 951	5 923	6 053	11 930	20 193	20 567	27 113
DEPRECIATION OF ASSETS	2 440	4 294	4 944	4 900	6 042	5 851	5 069
SETTLEMENT OF RESERVES							
OTHER OPERATING INCOME	463	421	-475	244	246	682	1 156
OTHER OPERATING COSTS	394	598	321	516	435	393	433
OPERATING PROFIT/LOSS	3 231	1 359	45 135	20 695	32 448	62 925	50 566
OTHER FINANCIAL INCOME	443	961	622	942	7 885	10 054	30 041
OTHER FINANCIAL COSTS	685	2 719	115	81	7 077	4 129	25 342
PROFIT / LOSS FROM FINANCIAL ACTIVITIES	-242	-1 758	507	861	808	5 925	4 699

PROFIT/LOSS FROM STANDARD ACTIVITIES	2 989	-399	45 642	21 556	33 256	68 850	<b>55 265</b>
EXTRAORDINARY INCOME							
EXTRAORDINARY COSTS	2 565	1 638		6 124	9 777	15 383	<b>12 070</b>
EXTRAORDINARY PROFIT/LOSS	-2 565	-1 638		-6 124	-9 777	-15 383	<b>-12 070</b>
PROFIT/LOSS AFTER TAX	424	-2 037	32 610	15 432	23 479	53 467	<b>43 195</b>

#### <12.04> DEVELOPMENT OF REVENUE

The chart below shows the development of CZ.NIC, z.s.p.o. revenue between 2000 and 2009.

SALES 2000 - 2009 / CZK '000 /

2000	93 319
2001	116 517
2002	82 302
2003	139 805
2004	136 250
2005	139 020
2006	128 952
2007	144 741
2008	108 523
2009	109 576

#### <12.05> 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 final accounts for 2009.

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<13>

## AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT FOR MEMBERS OF CZ.NIC, A SPECIAL-INTEREST ASSOCIATION OF LEGAL ENTITIES

We have audited the enclosed Financial Statements of CZ.NIC, zájmové sdružení právnických osob (a special-interest association of legal entities), i.e. the Balance Sheet as of 31 December 2009, the Profit and Loss Account for the period from 1 January 2009 to 31 December 2009, and the Notes to Financial Statements, including a description of the relevant accounting methods applied.

### Responsibility of the Accounting Unit Statutory Body for Financial Statements

The statutory body of the Association is responsible for the compilation and true representation of the Financial Statements in accordance with Czech accounting regulations. The responsibility of the statutory body encompasses the duty to propose, implement and secure internal audits regarding the compilation and true representation of the Financial Statements in order to ensure that the Financial Statements do not provide misstatements caused by deception or error, and to select and apply suitable accounting methods and provide accounting estimates that are adequate with respect to the situation concerned.

### Auditor's Responsibility

Our task is to deliver a statement regarding these Financial Statements on the basis of our audit. We have conducted our audit in accordance with the Act on Auditors and International Auditing Standards, as well as with the relevant application clauses issued by the Czech Chamber of Auditors. These regulations require that we comply with ethical standards and plan and perform the audit to obtain reasonable assurance that the Financial Statements are free of material misstatements.

The audit comprises the execution of audit procedures with the aim of obtaining evidence regarding the amounts and disclosures provided in the Financial Statements. The choice of the auditor's procedures depends on the auditor's discretion, including the consideration of risks that the Financial Statements may comprise significant misstatements caused by deception or error. When considering these risks, the auditor will reflect the internal audits relevant for the compilation and true presentation of the Financial Statements. The objective of the internal audits is to propose suitable auditing procedures, not to render a statement regarding the effectiveness of the internal audits. The audit includes the verification of the applicability of the accounting methods used, the adequacy of accounting estimates provided by the management, and an evaluation of the overall presentation of the Financial Statements.

We are of the opinion that the information obtained forms a sufficient and suitable basis for the auditor's delivery of a statement.

### Auditor's Statement

In our opinion, the Financial Statements present fairly and truly, in all material respects, the assets, liabilities, and financial position of CZ.NIC, zájmové sdružení právnických osob, as of 31 December 2009, and of the expenses, revenues and the results of its operation for 2009, in accordance with Czech accounting regulations.

Malenice, on 23 April 2010



ADU.CZ s.r.o.

Záměstí 68, 387 06 Malenice

Czech Chamber of Auditors, Licence No. 368

Report issued by Ing. Simona Pacáková on behalf of ADU.CZ s.r.o., Auditor, Czech Chamber of Auditors Decree No. 1825

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<14>

## HEADQUARTERS AND CONTACT DETAILS

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

AMERICKÁ 23/525

CZ 120 00 PRAGUE 2

PHONE: +420 222 745 111

FAX: +420 222 745 112

ID: 67985726

VAT: CZ67985726

[WWW.NIC.CZ](http://WWW.NIC.CZ)

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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.

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CZ.NIC - 24 HOUR CUSTOMER SUPPORT

+420 222 745 111

[PODPORA@NIC.CZ](mailto:PODPORA@NIC.CZ)

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