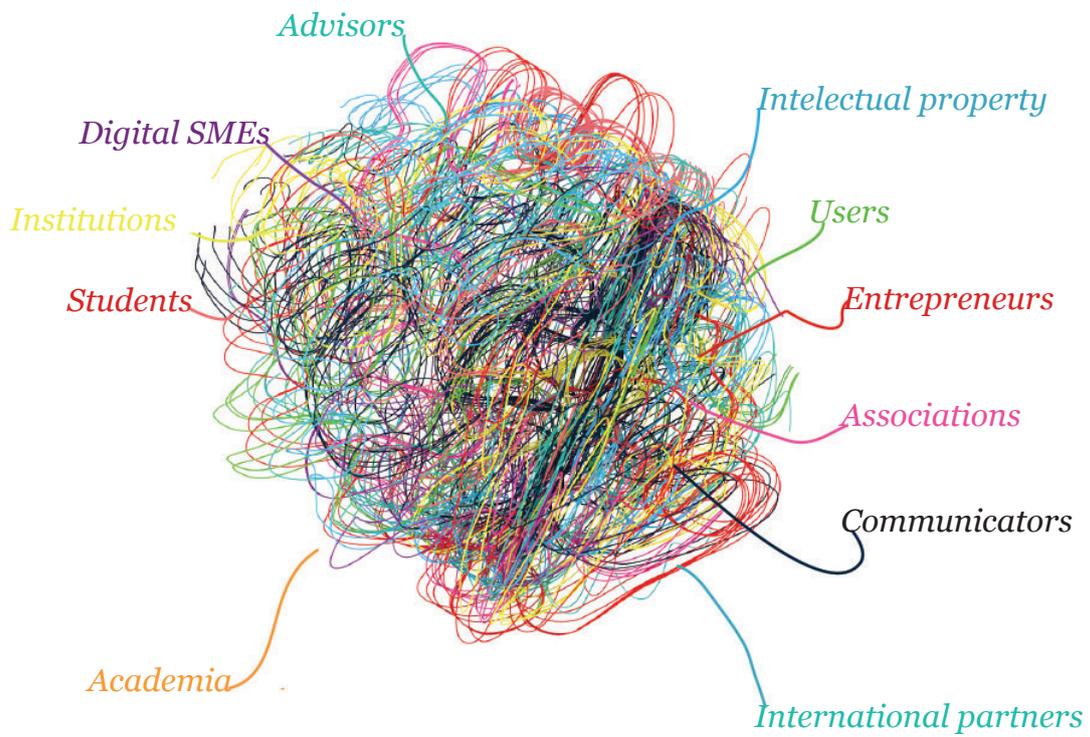


afnic

Annual report 2013



afnic

AFNIC, an association in touch with a global ecosystem



M. Emmanuel Sartorius
CEO of Afnic

Even among those who know Afnic and its role as the Registry for the .fr TLD, few realize the closeness of the relations that the association of 75 people has with a network of contacts spanning the globe.

It is an ecosystem that brings together stakeholders as diverse as the organizations that develop measures for Internet governance such as ICANN, its standards and protocols, such as the IETF, or working groups organized by the CENTR, an association of Afnic counterparts.

Afnic is frequently involved in every region of France in events for craft workers or entrepreneurs, or through the various agencies of the digital and new technologies sector to which it belongs. Through its International College, since its inception it has been in touch with the countries in the southern hemisphere. At the international and national levels, Afnic is a leading stakeholder in the development and management of the Internet.

Having been elected as Chairman of the Association in June 2013, I should like to begin by paying tribute to Jean-Pierre Dardayrol who was Chairman from 2010 to 2013. During his tenure, he succeeded in preparing Afnic for increasingly expanding, increasingly important tasks for the French Internet.

In many respects, 2013 illustrated the relevance of his vision, shared by the Board and the management team:

- ✓ Decision of the State Council asserting the role of Afnic as a public utility as the registry for the .fr TLD;*
- ✓ Pursuit of the 17 ICANN gTLD projects, the backers for which have chosen Afnic as technical operator, and validation of the corresponding technical files;*
- ✓ Afnic's removal scheduled for March 2014, to allow the teams of the association to face new challenges in premises better suited to their aims and activities.*

Many other highlights of 2013 are discussed in the pages of this report, such as the implementation of measures to promote the .fr TLD in conjunction with our registrars, the preparations for our security accreditation or the revision of Afnic procurement procedures to make them compliant with the order of 2005. All of these highlight the diversity of Afnic's assignments, lying at the crossroads of wide-ranging disciplines and challenges in a fast-changing market.

This «responsible change» which characterized Afnic so aptly in 2012, and which characterizes it still, is due to the fact that we operate at the hub of a global ecosystem with which we constantly interact. As a result, Afnic is a stakeholder of importance in the governance of the Internet, and has its rightful place among the founders of the Internet Governance Forum (IGF) in France, which met for the first time in March 2014.

Highlights 2013

FEBRUARY

Afnic communicates on its contribution to the development of the ONS 2.0 standard as part of its Research and Development (R&D) activities on the Internet of Things.

Further to the Consultative Committee meeting and requests from registrars, a policy implementing joint operations to promote the *.fr* TLD is defined and applied in particular at trade fairs (sharing stands).

MAY

The future *.bzh* and *.paris* gTLDs, for which Afnic is the technical operator, pass the initial assessment stage and receive the «green light» from ICANN to move on to the contracting and technical test phase.

JUNE

Afnic renews its Board of Directors and welcomes its new Chairman, Mr. Emmanuel Sartorius.

The State Council rules on the former legal framework for domain names in France and voids it on the grounds that it had not been notified beforehand to the European Commission.

Produced jointly by Afnic and ANSSI, the Internet Resilience Observatory in France publishes its report for 2012.

JULY

The Afnic Scientific Council holds its annual day, addressing in particular identifier systems on the Internet and the developments affecting architectures.

OCTOBER

Afnic R&D is rewarded by the CENTR for its work on the Internet of Things.

The last of the 17 NTLD project leaders who chose Afnic as technical operator passes the initial assessment phase.

NOVEMBER

The *.fr* TLD crosses the 2.7 million domain name milestone.

Preparations begin for Security Accreditation.

DECEMBER

Second self-assessment as part of the EFQM model, situation report on progress made since the spring of 2012.

The candidate for the *.frogans* file is the first of the 17 Afnic customers to sign its contract with ICANN.

Expertise for a secure, stable Internet.

Founded in 1997 as an association governed by the provisions of the Law of 1 July 1901, Afnic was designated in 2012 as the registry for the *.fr* TLD. As such, it ensures the governance and technical management of the top-level domain for France.

Afnic also manages the other French TLDs: *.pm* (St. Pierre and Miquelon), *.re* (Reunion), *.tf* (French Southern and Antarctic Territories), *.wf* (Wallis and Futuna) and *.yt* (Mayotte).

Its status as an association allows Afnic to include government officials, registrars and users in its governing bodies.

Afnic's purpose is to help develop a secure and stable Internet, open to innovation, in which the French internet community plays a major role.

It fulfills this goal through its assignments: to excel in the provision of essential resilient services for the core Internet infrastructure in France, and to develop and share its expertise in order to facilitate the transition towards the Future Internet.

Ever since its inception, Afnic has responsibly managed the French TLDs that have been entrusted to it. Involved from 2008 onwards in the ICANN program to create new TLDs, Afnic has established itself as a major player in France as a technical operator of registry activities.

True to its heritage as a «Network Information Center», Afnic is also a skill center for Internet technologies. It has an ongoing research and development program, performs knowledge transfer and shares expertise with partners located in France as well as abroad.

An open, multi-stakeholder structure.

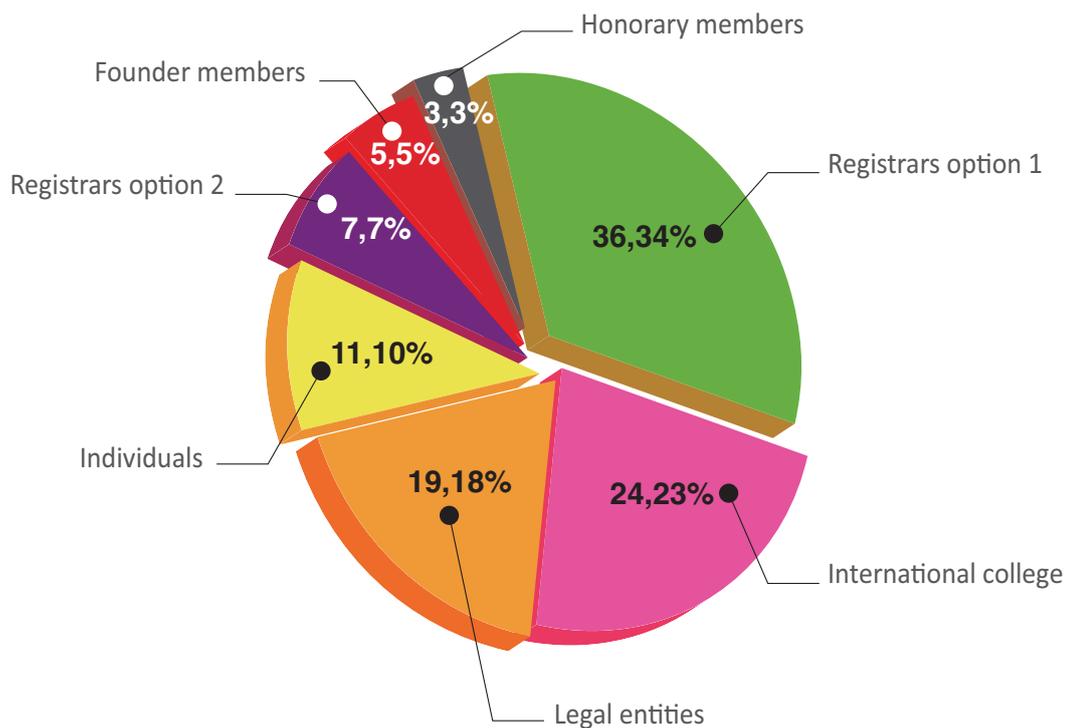
The composition of the Afnic Board of Directors reflects the aim of its founders to involve government officials, registrars and users in the management of French TLDs to serve the public interest. The structure of the Board has not been modified since its inception.

GOVERNANCE: RENEWAL OF THE BOARD OF DIRECTORS

The chairman of Afnic is elected for a term of three years, renewable once. Representatives appointed by the State have five seats on the Board, on a par with member representatives who are elected for renewable periods of three years, i.e. Registrars (2 seats) and Users (2 seats). The president of the International College, elected by its members, is by right a member of the Afnic board of directors.

Afnic trustees receive no remuneration for their duties.

On December 31, 2013, the 105 members of Afnic were distributed as follows:



COMPOSITION OF THE AFNIC BOARD OF DIRECTORS AS AT DECEMBER 31, 2013

GOVERNMENT OFFICIALS APPOINTED BY THE STATE:

✓ **For the French National Institute for Research in Computer Science and Control (INRIA)**

Mr. Emmanuel Sartorius (Chairman)
Mr. Stéphane Ubeda

✓ **For the Ministry for Industry**
Ms Mireille Campana

✓ **For the Ministry for Electronic Communications**
Ms Anne-Lise Thouroude

✓ **For the Ministry for Research**
Mr. Patrick Donath

ELECTED REPRESENTATIVES PER COLLEGE

For the registrars college

ASCIO:

Designation pending

MAILCLUB :

Mr. Frédéric Guillemaut

For the user college

Mr. Sébastien Bachollet
Mr. David-Irving Tayer

For the international college

NIC Madagascar Mr. Lala Adriamampianina,
Chairman of the International College

A government commissioner:

Mr. Perica Sucevic, appointed by the
State Modernisation Department.

MOVEMENTS IN 2013:

Elected members:

ASCIO: Mr. Eric Lantonnnet having resigned from
ASCIO, the position of director was vacant as at
31/12/13.

Users: Messrs. Sébastien Bachollet and
David-Irving Tayer have replaced Messrs.
Thierry Hinfray (ACFCI) and Gérard Dantec
(ISOC France)

International college: Mr. Lala Adriamampianina
was elected president of the International
College to replace Mr. Abdoulaye Diakité.

INTERNAL CONTROL IN CONTINUOUS IMPROVEMENT

The Committees of the Board of Directors oversee and supervise the operation of the Board as part of a dynamic continuous improvement initiative allowing Afnic to constantly check that its operating procedures are consistent with recognized best practices and the applicable legislation.

The purpose of the committees is to assist the Board of Directors in decision-making on issues affecting the life of the association.

Each committee is established by decision of the Board of Directors and mainly consists of three voluntary trustees.

TWO THEMATIC COMMITTEES WERE CREATED IN 2012:

✓ **The Finance and Risk Management Committee**, whose tasks include monitoring the implementation of internal control procedures for the management of the association. At 12/31/2013 the members of this committee were Ms Anne-Lise Thouroude (Ministry for Electronic Communications) and Messrs. Sébastien Bachollet, Emmanuel Sartorius and Christian Detré (statutory auditor).

The Committee was asked in 2013 to supervise the technical-economic study conducted by Mazars at the request of the Board of Directors in order to validate the analytical accounting procedure per TLD.

✓ The purpose of the **Registry Policy Committee** is to define the guidelines for registry policies; ensure compliance with the consultation process and the integration of the needs of the Internet community by these policies; and to issue advice on the draft and finalized registry policies. At 12/31/2013 the committee members were Messrs. Lala Adriamampianina Patrick Donath, Frédéric Guillemaut, Stéphane Ubeda and David Irving-Tayer.

In 2013, the committee worked on the preparation of the opening of domain names with 1 and 2 characters, as well as the future dispute resolution procedure making use of experts appointed by WIPO.

These two committees were supplemented by two new committees in June 2013:

✓ The **Commitments Committee** consists of Ms. Anne-Lise Thouroude, and Messrs Frédéric Guillemaut, David Irving-Tayer and Stéphane Ubeda. Its purpose is to monitor all proposed purchases for amounts exceeding € 200,000 before the publication of calls for tenders. For purchases exceeding 500,000 euros, which must be signed by the Chairman, the Commitments Committee issues a recommendation to the Chairman before final notification of the contract award. The Committee must also approve the information forwarded to the State for contracts or subcontracts in excess of €500,000, in accordance with Article 11 of the State-Afnic Agreement;

it may expedite internal audits on the Purchasing process. It was invited to investigate eight items in 2013, in particular investments in hardware and software, works and purchases of furniture related to the removal, and support for security accreditation.

✓ Described in section 11.1 of the Articles of Afnic, **the Application Validation Committee** for the Board of Directors is responsible for declaring admissible applicants for the upcoming election, and pays particular attention to the statement of interests of each applicant. The committee's members are appointed at each election and it can include members of the association without necessarily being directors.

Implementing the commitments of the .fr TLD, supporting TLD projects and controlling global risks.

ASSETS AND OPPORTUNITIES

After 2013, which was devoted to examining ICANN files, Afnic will see its historic role as the registry for French TLDs reinforced by the opening of several 17 projects for new TLDs in 2014 for which it is the technical operator.

The integration of the association in the Internet ecosystem in France and around the world is high: 94% of French ICANN-accredited registrars work with Afnic. In addition to these ties, Afnic has a proactive approach to enhancing and sharing expertise. In 2013, Afnic carried out more than 100 operations and / or produced a similar number of publications in France and around the world for all types of audiences, from Internet experts to entrepreneurs and individuals.

With a strong commitment to devote 10% of the turnover from the .fr TLD to R&D, Afnic is among the leaders in technological innovation for the Internet. This significant investment resulted in the publication of another ONS 2.0 standard and recognition by the CENTR for work by Afnic on the Internet of Things. The high level of technical culture among Afnic teams (nearly 50% of the

workforce) gives the association full control of its technological environment and keeps its options fully independent.

Study after study, the 2013 satisfaction survey of its customers demonstrates that the image of Afnic is highly positive and constantly improving. This «trust capital» is an important asset for the association at a time when market developments in domain names are palpable.

In the future, there will be many opportunities caused by the new TLDs and changes in uses, representing sources of new ideas for products and services.

AFNIC STRATEGIC PRIORITIES 2013 - 2016

For the 2013 – 2016 period, Afnic has maintained the 5 strategic priorities on which its strategy is based, while extending its goals to 3 years.

CONFIRM THE PREFERENCE FOR THE .FR TLD

For the 2013 – 2016 period, Afnic has maintained the 5 strategic priorities on which its strategy is based, while extending its goals to 3 years.

BE THE MAIN TECHNICAL OPERATOR FOR NEW TLDS IN FRANCE

From 2014 onwards, the domain name market will undergo far-reaching changes with the opening of hundreds of new TLDs. Capitalizing on its core business, Afnic has positioned itself since 2008 as a technical registry operator for the companies that have decided to back TLD projects.

BE A MAJOR PLAYER IN THE RESILIENCE OF THE INTERNET

As a key infrastructure operator for the Internet, Afnic intends to play a leading role in optimizing the resilience of the infrastructure, i.e. its ability to resist any form of attack or malfunction.

The overall approach to managing risk is part of this viewpoint, as well as the partnership with the ANSSI or work on the fight against DDOS attacks against the DNS.

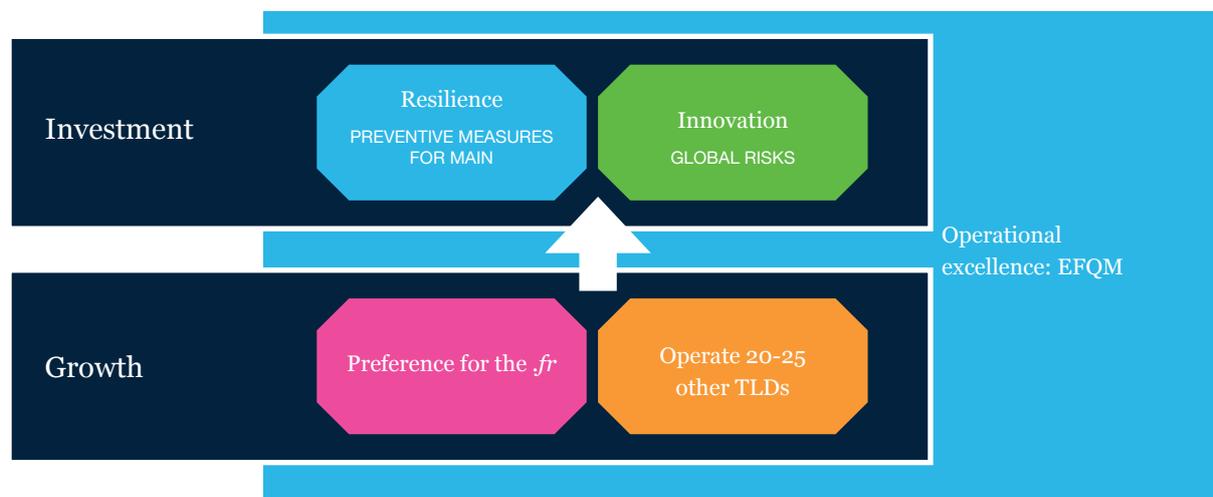
ENHANCE OUR EXPERTISE AND PROMOTE INNOVATION

Afnic teams have unique expertise covering a wide scope of activities around its business lines. Afnic aims to disseminate those skills among the Internet community at large, and intends to promote them in particular through publications, research and development projects, and by launching new products and services. The creation and subsequent funding for the Support fund for the development of the Internet (FSDI) are strong moves by Afnic in favor of innovation.

BE RECOGNIZED FOR OUR OPERATIONAL EXCELLENCE

As the benchmark player in France, Afnic intends to serve as a reference on the national and international markets, whether in terms of customer satisfaction, governance or the career development of its employees. Afnic aims to have that excellence recognized by independent third parties by 2015, with respect to the European Framework for Quality Management (EFQM) benchmark..

AFNIC OBJECTIVES 2013 - 2016



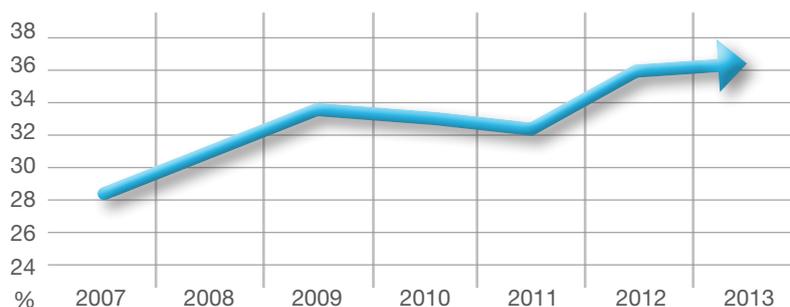
Increasing market share for the .fr TLD in France despite a sluggish economic background.

PERSISTENT SLOWDOWN IN THE FRENCH DOMAIN NAME MARKET

At 31 December 2013 the .fr namespace contained 2,716,027 domain names. 2013 was marked by continuing phenomenon of «slowdown» already seen in 2012: the .fr TLD recorded growth of +8.2% in 2013 against 15% the previous year. Although significantly lower than in 2012, this performance remains higher than the average for the world market (8% according to our estimates).

In parallel to the slowdown, the market share for the .fr TLD in France posted continuous growth. This reflects the fact that the slowdown is affecting all the TLDs in France, and that the .fr TLD remained the «preferred» TLD, with greater momentum than that of its competitors, including the .com (only +6.6% in France).

GROWTH IN MARKET SHARE OF THE .FR TLD EN FRANCE (2007-2013).



Additional information on the .fr TLD

Names registered by holders located in the French overseas departments and territories account for 0.3% of the total (9,221 names) while holders located abroad still represent 4.9% of the total portfolio (132,196 names); the latter is a slightly higher percentage, proving that the .fr TLD tends to expand overseas at the same rate as on its domestic market. It is worth noting that the Paris department alone accounts for 412,145 names, or 15.2% of the total number of domain names registered under the .fr TLD.

Finally, DNSSEC is continuing to gain ground with 3.79% of signed names (102,898 names) while there is a certain degree of stagnation in accented names of the «IDN» type, with 26,828 names (1%).

THE GLOBAL MARKET: CONTRASTING TRENDS PER TYPE OF TLD

2013 seems to be a year of slowdown for gTLDs, which recorded an average growth rate of 3.6% (against 5.2% in 2012) still below the dynamic for the 2008-2011 period. This average masks contrasting trends, ranging from 18% or 16% for the *.mobi* or *.cat* namespaces, to -21% and -48% for *.info* and *.coop*.

After growing strongly in 2012, ccTLDs returned to a growth rate close to 10%. Here again, this average covers contrasting trends between the 70% of for the *.cn* (China) and +0.6% for the *.eu* TLD, which was hit hard by budget cuts.

It is also worth noting that 2012 had been marked by a strong build-up in ccTLDs operating on innovative business models, such as the *.tk* (Tokelau). This dynamic does not appear to have been maintained in 2013, however.

ECONOMIC SLOWDOWN AND NEW USES

The two major factors that help to explain these developments are:

- **The slowdown in the economy,** in the past the correlation between companies founded and domain names filed under the *.fr* TLD being close to 90%; the slowdown also affects the renewal rate, since registrants are less likely to keep unused names;

- **Developments in uses**

(cell phones, tablets, media and social networks, etc.) that potentially alter the browsing habits of Internet users and their modes of access to content. We have not been able to accurately determine the impact of these changes to date and studies published by other registries⁽¹⁾ even claim that it is marginal. Without going into the details of the controversy, it is likely that new ways of accessing Internet content will impact uses in terms of the registration and renewal of domain names.

Against this fast-changing background, «compressed» by a sluggish global economy, the appearance early in 2014 of new gTLDs approved by ICANN remains a phenomenon whose impact we cannot easily predict.

On the one hand, the new TLDs will bring unprecedented naming opportunities for users, and change the face of the Internet addresses of structures and people on the web. On the other hand, the users themselves may be confused by the proliferation of options available and as a backlash revert to the conventional TLDs which they understand, or alternative systems to domain names such as search engines.

The study of the performance of the three segments of existing gTLDs (opened without target, with target open, closed) suggests – not surprisingly – that the TLDs that best resist the current context are also the most likely to make any sense while remaining open. The *.org*, *.mobi*, *.asia*, and *.cat* generic namespaces are part of those TLDs that portend the future success of the new TLDs, even if they are not quantitatively at the level of the *.com* and *.info* type.

(1) *Trends in Internet Use 2013*
<https://www.sidn.nl/en/news/news/article/trends-in-internetgebruik-2013-1/>

Compliance with commitments to the government, implementation in 2014.

As at 12/31/2013, Afnic had achieved 60% of all the commitments made to the State in the Agreement governing its designation on June 30, 2012 as the registry for the *.fr* TLD. Taking into account the commitments not finalized but having already been the subject of work, the level of attainment reached almost 70%.

Although satisfactory, these figures are lower than the initial targets for the end of 2013, the decision of June 10 by the State Council having significantly affected the implementation of the action plan, in particular with respect to the changes in our naming policy that had to be notified to the European Commission.

The following are worth mentioning among the key commitments made in 2013:

- ✓ The implementation of the second data center and an operational disaster recovery plan, tested in real conditions in January 2014;
- ✓ approval by the Minister in charge of electronic communications of the plan to promote the *.fr*TLD and the allocation of 10% of turnover from the *.fr* TLD to do so;
- ✓ The first Carbon balance for Afnic, which allows us to work on an action plan to reduce 20% of our carbon footprint over the next 5 years;

Decision of the State Council of 10 June 2013

On 10 June 2013, the State Council annulled the former legal framework for domain names (in force until 2011) for lack of notification to the European Commission.

Four basic documents of the French naming policy had been referred to the Council of State in 2010: the «PREDEC» alternative dispute resolution procedure, the naming policies for the *.fr* TLD in force at that time, as well as the order and agreement of 2009 designating the registry for the *.fr* zone.

Noting that they had not been notified to the European Commission, the State Council annulled the texts that were no longer in force due to the cancellation of former Article L45 of the French Electronic Communications and Telecommunications Act (CPCE) by the Constitutional Council in 2011.

This important decision also confirms that Afnic is entrusted with a public service remit as the Registry for the *.fr* TLD.

The legal and regulatory framework currently in force is not affected by the decision of the Council of State, which therefore means there will be no immediate change in the role of Afnic or in the registration rules applicable to the French ccTLD.

The main consequence of this decision is that Afnic notified, via the government, all of its regulations to the European Commission for the first time.

This notification by the State also included a set of laws and regulations governing the management of the *.fr* TLD (Article L. 45 of the French Electronic Communications and Telecommunications Act (CPCE) and its implementing decree communications), which will result in the legal stabilization of the framework.

Certain commitments whose implementation was planned in 2013 had to be rescheduled because of the decision of the State Council on 10 June of the subsequent recognition of Afnic as being responsible for assignments of public utility, and because of the implementation of a new procurement policy compliant with the requirements of the order of 6 June 2005.

Those postponed until 2014 include:

- ✓ The launch of new services such as the registration of domain names with the .fr TLD for several years, and of domain names consisting of one or two characters.
- ✓ The creation of the Support fund for the development of the Internet (FSDI), the amounts due to the Fund since the signing of the Convention (90% of net income from .fr business) being provisioned in the accounts of Afnic. Thanks to its independent governance, the Fund will support actions which contribute to the development of the Internet in France. The Fund's finances cannot be allocated to projects related to business sectors in which Afnic is involved.

- ✓ The implementation of an additional dispute resolution procedure providing for the use of experts from outside Afnic, in partnership with WIPO

Among the commitments initially planned for 2014, the registration fees for domain names under the .fr TLD will decrease by 5% at the end of the first half. This will make the .fr TLD even more attractive on the French market (it is already 20% cheaper than the .com at registry level).

Three major families of commitments were identified in the 2012 Annual Report:

- ✓ expanding the actions to develop the .fr TLD
- ✓ Maintaining an optimal, measurable quality of service, including the satisfaction of registrars accredited by the Registry, by ensuring maximum levels of security and reliability:

	Q1	Q2	Q3	Q4	Year
2012	96.3%	93.4%	89.8%	97.6%	94.3%
2013	98.3%	98.3%	99.4%	99.5%	98.9%

The performance of the registration chain is measured by the availability rate for the creation of .fr domain names combined with the lead-time for processing those operations.

Dashboard for AFNIC service quality//www.afnic.fr/fr/ressources/statistiques/tableau-de-bordde-la-qualite-de-service-30.html

The annual publication of the Observatory of the Resilience of the Internet in France, conducted in partnership with ANSSI, is one of the most visible actions of Afnic in favor of a more secure and more reliable Internet.

Another example of the involvement of Afnic in this direction is the regular measurement of IPv6 deployment through its DNSwitness platform developed internally by its experts. These measures are shared with the Internet community via the Afnic Industry Report on Domain Names in France.

Afnic supports the launch of its customers' nTLDs.

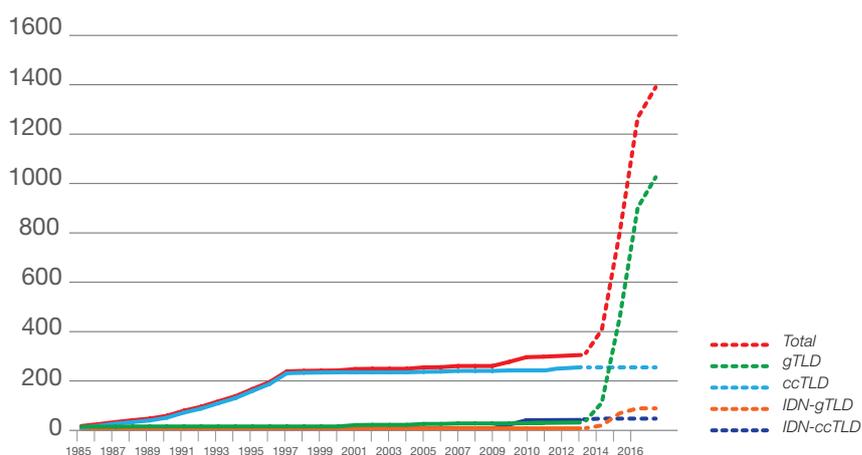
THE ICANN PROGRAM FOR NEW TLDs: A REVOLUTION IN THE DOMAIN NAME MARKET

2013 was marked by concrete progress in the program to create new TLDs initiated by ICANN in 2008.

After a number of delays, the system has finally paid off and over fifty new TLDs had been inserted into the root zone as at 12/31/2013, while contracts for another 168 were signed.

Although widely reported in the media, the phenomenon was not noticeable in the offerings of registrars in 2013, since no new TLDs had been launched. The forecasts, however, concerning the impact of this program on the number of active TLDs on a three-year timescale, show the extent of the changes that will take shape in 2014.

DEVELOPMENT IN OF THE CUMULATIVE NUMBER OF TLDs PER TYPE OF TLD AND OVERALL



SOURCE: IANA FILES, DATES OF INSERTION INTO THE ROOT ZONE

The graph above shows that if generic TLDs (not related to a particular country) are currently a minority, in two to three years they will represent a large majority of Internet TLDs available on the market. With their 150 namespaces and millions of domain names, gTLDs now represent 56% of all the domain names registered worldwide; this figure could further increase in the future, unless there is a strong substitution effect between existing gTLDs (.com, etc.) and their new competitors.

AFNIC, THE BENCHMARK REGISTRY OPERATOR IN FRANCE

With 17 files having reached the Initial Assessment milestone, Afnic is now the benchmark registry operator in France on new TLDs, since its clients represent 40 % of the French projects still active.

The association is particularly pleased to be able to successfully support its 17 customers through their initial assessment, without any rejection or abandonment. At 12/31/2013, the association was preparing for the technical pre-delegation tests that follow the signing of the contracts and constitutes the last step before the creation of the new TLDs by their inclusion in the «root» zone.

A DIVERSE PORTFOLIO OF CLIENTS

Afnic 17 nTLD customers are quite varied: alongside local authorities such as Paris City Hall and the regions of Alsace, Aquitaine, Brittany and Corsica there are some majors such as Total or the SNCF, wishing to obtain their «.corp» TLD. In addition to these profiles there are two «generic» projects, the .banque for the French banking sector, and .mutuelle for the French mutual insurance sector.

HOW AFNIC SUPPORTS ITS NTLD CLIENTS

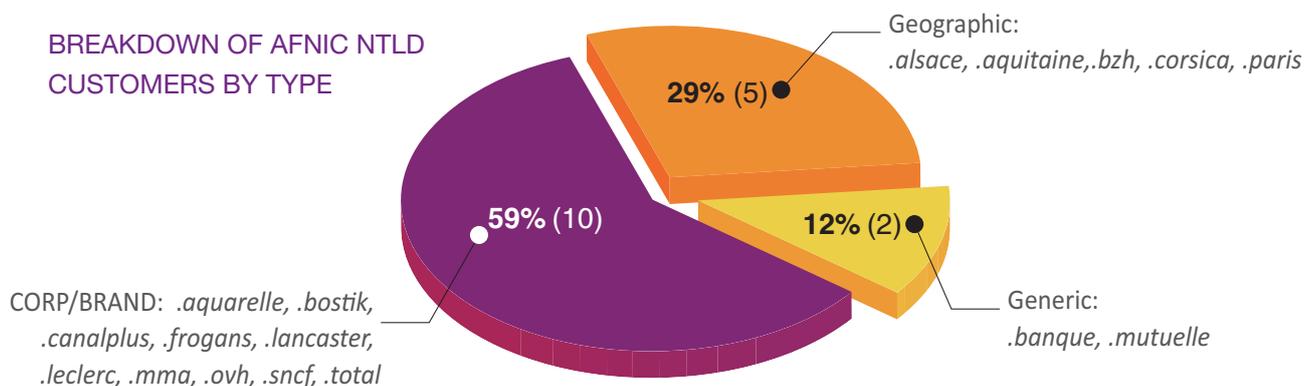
Over and above its technical expertise, Afnic is well positioned to offer its customers support for their analyses of their registry policies and their marketing and communication strategies. The close ties between the association and all the economic and institutional stakeholders on the domain name market in France make Afnic a perfect partner for effective promotion and networking.

2014 : THE CONSOLIDATION OF EFFORTS SINCE 2008

The first statistics for pre-reservations available in late 2013 unequivocally showed that some of the nTLDs supported by Afnic are among the most eagerly expected in France. The .paris and the .bzh TLDs and are very well placed in the «Top 10» displayed by registrars accepting pre-reservations.

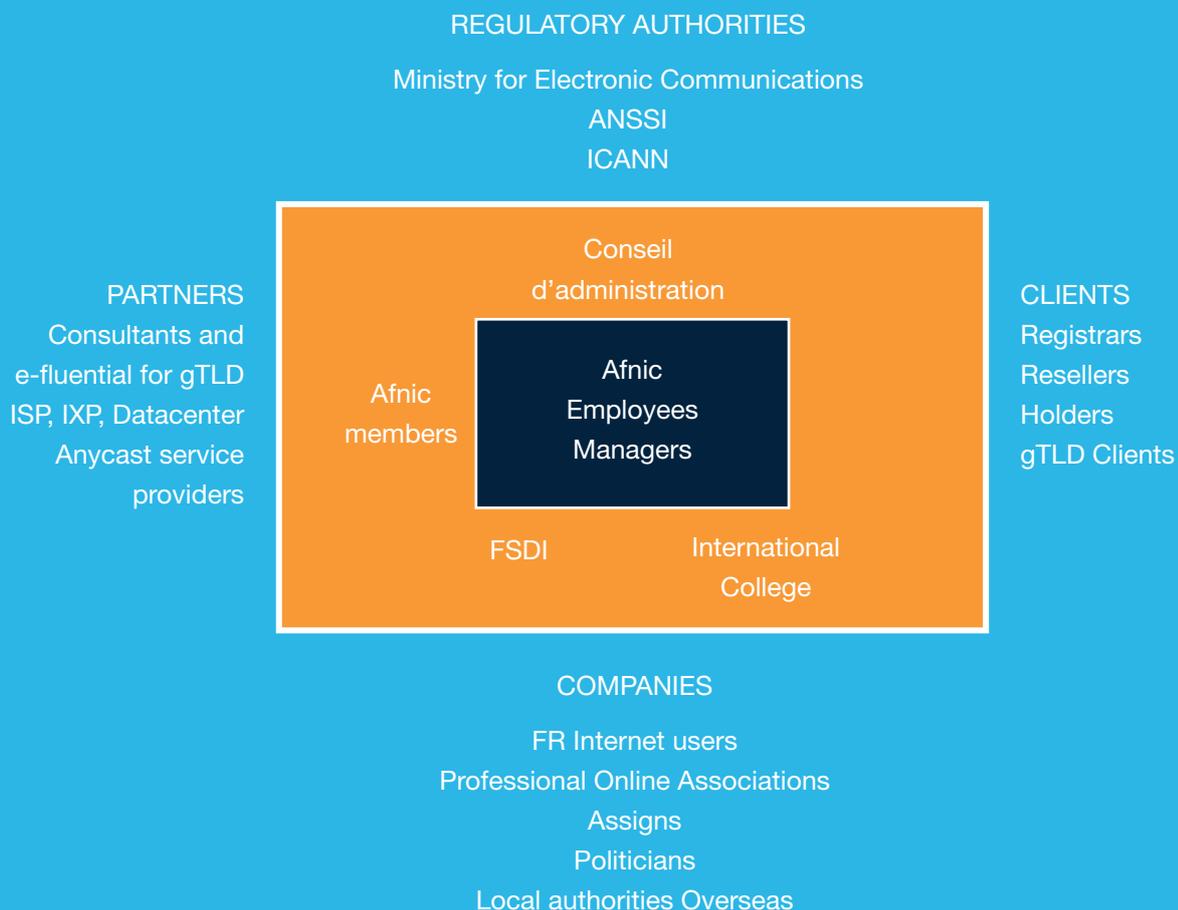
2014 will therefore be a year in which these expectations are materialized, but also a crucial year in which the economic environment of the association will be profoundly changed by the arrival of the nTLDs and their impact on the «relations» between users and the domain name system.

BREAKDOWN OF AFNIC NTLD CUSTOMERS BY TYPE



Afnic meets its ecosystem.

MAPPING OF THE AFNIC ECOSYSTEM



The Association maintains close relations with an extremely rich ecosystem in terms of the diversity of skills involved. At the national and international levels, Afnic is in touch with the users and registrants of domain names, but also with its registrars, legal consultants, institutions and organizations seeking to promote the Internet. En 2013, l'Afnic a mené un certain nombre d'actions au service de ses missions : contribuer au développement d'un Internet sûr et stable, ouvert aux innovations où la communauté Internet française joue un rôle de premier plan. Ces actions ont pris différentes formes, s'inscrivant toujours dans une logique de création de lien et de partage d'expertise.

In 2013, Afnic undertook a number of operations as part of its assignments, namely to help develop a secure and stable Internet, open to innovation, in which the French internet community plays a major role.

These operations took various forms, always as part of a logical link to create and share expertise.

✓ By participating in trade fairs, Afnic tries to reach potential domain name holders and users in order to explain the benefits that domain names can bring to a company or an individual in a time when uses are rapidly changing.

During the consultative committee meetings of February 2013, the registrars stressed the value of joint operations, such common stands to meet the needs of end-holders from promotion through to the actual purchase.

Afnic participated in the Entrepreneurs trade fair in Paris, the Entrepreneurs trade fair in Lyon Rhône - Alpes, the «Create» trade fair in Lille, the E-Commerce trade fair, the Micro-Enterprise trade fair and the Entrepreneurs trade fair in Nantes. It also presented its services at WorldHostingDays in March.

✓ By setting up «Awards» and «Trophies», Afnic has sought to reach the «youth» target (second main target after the SME and SOHO sectors).

The objective is to make young people aware of the advantage of having a domain name to manage one's online identity, but also to get the «passive» public to switch to the «active» stage in publication of content on the Internet. Targeting the SOHO-SME and craft sectors, Afnic Trophies were awarded in partnership with Artisan Awards Mag and the E-Commerce Awards.



DotAwards visual

✓ Through the Registrar Days which have already been in operation for several years, Afnic favors interactions between the team and registrars. In 2013, the Registrar Days brought together more than fifty registrars in the two sessions held in Paris and Marseille.

✓ Numerous presentations and/or participations by Afnic experts in the most diverse venues (ACPI AFTLD, AFRINIC, CENTR, Domain Pulse, FIC, FR - NOG, Perl Workshop, JRES, LACNIC, International Meeting of Domain Names, RIPE, Manufacturers Union, Universities, etc.) provided opportunities for exchanges with communities of experts working on related issues, often closely related to domain names.

✓ The «French Nights» set up as part of ICANN meetings, have helped create a positive dynamic for Afnic within the Internet Francophone community by allowing the association to promote its vision of the Internet during a party.

✓ Finally Afnic is engaged in a process of continuous development of the links with its ecosystem, as evidenced by its recent membership in the Transition Digital Plus association in which other major stakeholders are involved in the development of the Internet in France, as part of the French government's Digital Transition program.

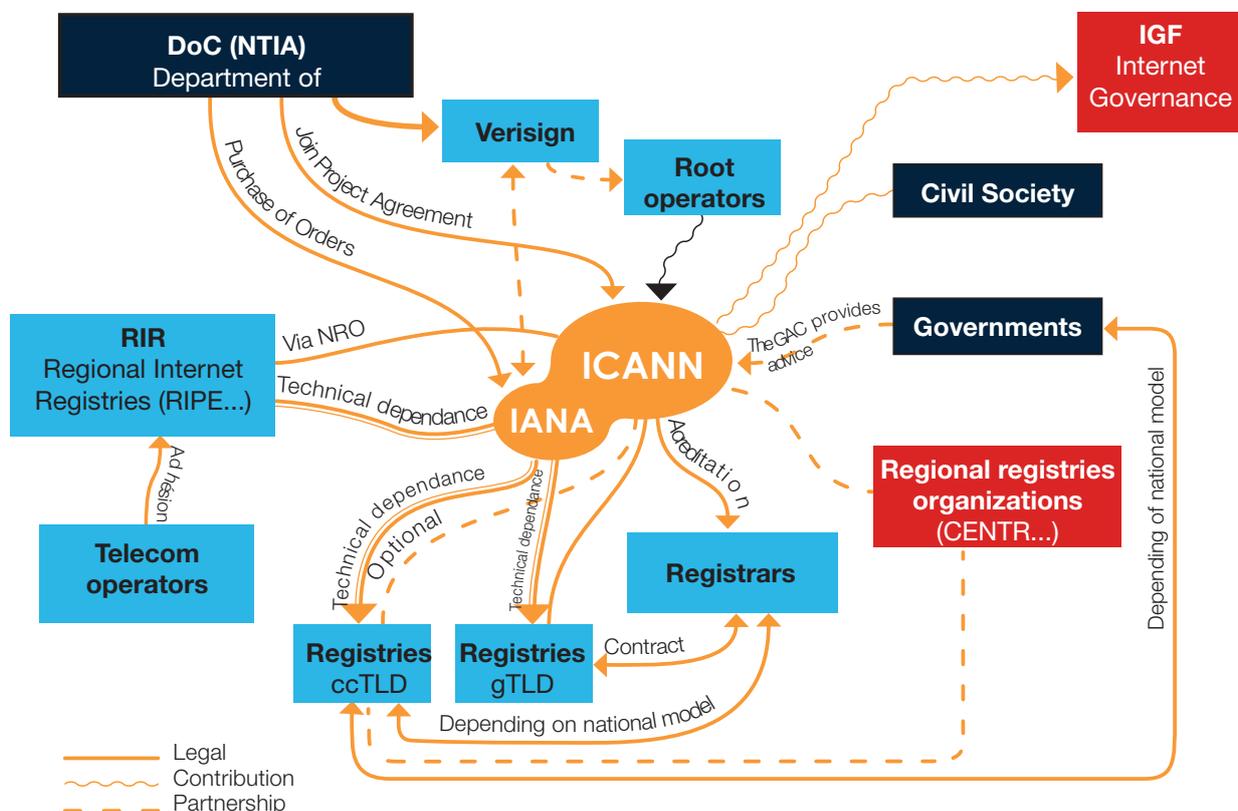
L'Afnic au cœur de la gouvernance de l'Internet.

2013 was an important period for Internet Governance. Hit hard by the Snowden case, the «moral authority» of the United State has been greatly weakened, severely limiting the scope of the traditional argument «Better Washington than Beijing».

As early as September, the challenges to the current system of governance increased including the speech by Dilma Rousseff at the UN

General Assembly in which the Brazilian president denounced the practices of «massive espionage» infringing the privacy of citizens on the Internet. A few days later, the Montevideo Declaration bringing together key organizations in the technical governance of the Internet was an important milestone, followed by the Forum for Governance of Bali which was based on the proposed guidelines.

UNIVERS ICANN



These can be summarized by the reaffirmation of the virtues of multi-stakeholder governance, and the wish to limit the dominance of a particular government (i.e. the United States) over that governance.

The creation of «1Net» and the prospect of the São Paulo meeting in April 2014 were among the salient events at the end of 2013, including the possible reopening of negotiations on the organization of Governance of the Internet, considered to be too American-centered by many states.

Besides this intergovernmental issue at the geopolitical level, there is also the issue of how to combine the roles and powers of the various stakeholders in a «multi-stakeholder» approach which has never resulted in consensus among the major stakeholders, and which a purely intergovernmental approach would further undermine.

As a member of the ICANN ccNSO, a member of the CENTR (European Association of TLD registries) and of many international organizations, Afnic has been closely associated with all of these developments.

In addition to ICANN and the CENTR already mentioned above, our employees take part in the Forum for Internet Governance and the development of technical standards and protocols within the ETF («Internet Engineering Task Force»), the management of IP services via RIPE, and the management of problems and incidents related to the security and stability of the DNS [DNS Operations, Analysis, and Research Center (DNS-OARC)].

As the future operator of new Top-Level Domains, Afnic also participated in 2013 in specific meetings on this topic in London, Moscow, Munich and New York.

Afnic has also been involved in the creation of a Forum for Internet Governance at the French level. It is a member of the Organizing committee of the first meeting of the «FGI France» which took place in March 2014 and will provide an opportunity for stakeholders in the French Internet to meet and discuss the future of governance a few weeks before the meeting in São Paulo.

Afnic is also naturally involved in the 1Net initiative, with which it shares a number of concerns.

The Montevideo Statement

On October 7, 2013, the main bodies responsible for the technical governance of the Internet (*) issued a joint statement expressing their concerns about the risk of «fragmentation of the Internet in each country» and calling for a strengthening of the Internet governance mechanisms in the sense of «global multi-stakeholder Internet cooperation». The signatories placed themselves in the direct context of the Snowden case highlighting their concerns about the deterioration of the confidence of users of the Internet because of revelations concerning its surveillance.

Finally the focus for their work included accelerating the globalization of the ICANN and IANA functions (in charge of the «root» zone) with a «multi-stakeholder» system in which all the stakeholders participate on an equal footing, including governments; and maintaining the switchover to IPv6 as one of the top priorities for the Internet.

After the Statement was issued, the 1Net platform was set up to organize its first meeting in São Paulo in April 2014 at the invitation of the Brazilian government.

(*) AFRINIC, ARIN, APNIC, IAB, ICANN, IETF, ISOC, LACNIC, RIPE NCC, and W3C.

Montevideo Statement on the Future of Internet Cooperation - <http://www.icann.org/en/news/announcements/announcement-07oct13-en.htm> - 1Net - <http://1net.org/>

For more information on the organization of Internet Governance, see the Afnic issue paper:

<http://www.afnic.fr/medias/documents/afnic-dossier-gouvernance-internet-06-2008.pdf>

Speech by Ms Dilma Rousseff, President of Brazil, at the General Assembly of the United Nations - <http://gadebate.un.org/68/brazil>

Mitigating changing global risks.

EXOGENOUS RISK LEVEL CONTINUALLY INCREASING

Attacks against the DNS and its operators are nothing new. Certain attacks against the «root» zone have even been the subject of detailed studies showing that the impact of an attack has so far been proportional to both its «perimeter» and duration.

It was possible to allocate a few root servers for a few minutes, or a few hours, but never longer, and never all of the root servers.

TLD registries are not immune to this phenomenon. Many of them, such as the DNS Belgium or the RNIDS in Serbia, announced in 2013 that they had been victims of attacks, which sometimes did not target them directly but used their servers to attack a third party.

In some cases, it was not the registries but a registrar who was the victim of the attack, but the registry was obliged to immediately take measures to avoid being affected as well. Whatever the nature of the threats, managers of infrastructure as critical as TLDs should exercise increased vigilance with regard to the level of risk which is constantly increasing.

STRATEGIC RISKS

- Changes in regulations
- Changes in the competitive environment
- Loss of a partnership

REPUTATION RISKS

- Mismanagement of a media crisis
- Slander
- Failure to comply with ethical rules
- Litigation involving a corporate officer

OPERATIONAL RISKS

- Supplier / subcontractor deficiency
- Loss / failure of an information system
- Loss of key personnel
- Unfulfilled contractual commitments
- Unavailability of basic services
- ...

EXOGENOUS RISKS

- Competition
- Terrorism / malice from outside
- Hacking
- ...

FINANCIAL RISKS

- Malfunction of an administrative or financial process
- Failure of a partner
- Fraud
- Lack of governance
- ...

The risk repository set up in 2012 serves as a platform to steer actions on security, and assess their effects. The system is designed to eliminate the risk or reduce the probability of occurrence and mitigate its impacts. A review of global risks is regularly carried out.

A KEY MILESTONE AND AN OBJECTIVE: SECURITY ACCREDITATION AND ISO 27001 CERTIFICATION

Under the commitments made in the Agreement which binds it to the state for the management of the .fr TLD, Afnic must obtain security accreditation, an important milestone on the path to ISO 27001 certification.

2013 was devoted to the preparation of these two steps, and security accreditation was well advanced at the end of the year.

An information system management system was established, which, without fundamentally

changing the team's practices, was used by the Association as a tool to describe its security approach and introduce security management tools in its daily operations. This «founding» step is a necessary prerequisite in order to trigger a loop later to improve already established «best practices».

The achievements of Afnic in 2013 include the establishment of a Business Continuity Plan and work on a platform to control DoS attacks targeting Afnic. An audit on the maturity of the security process was carried out in accordance with the ISO 27002 standard. Afnic aims to be capable of obtaining ISO 27001 certification by the end of 2014.

Reminder of the methodology for overall risk management implemented in 2012

2012 was a crucial year for risk management, with the establishment of an ad hoc process, the result of an initiative launched in 2008.

The process, which is overseen by an internal Security Council, is based on the ISO 27005 (Risk Management) standard. The risks were systematically identified and qualified, allowing the development of a «map» built around the criticality of each risk and its sensitivity for Afnic if it occurs. The risk analysis was carried out from five points of view, from the strategic angle to the financial angle, through operational risks, risks related to compliance and reputation, and exogenous risks such as hacking or malice.

Serving the Internet community and Afnic customers.

A CONCENTRATION OF HIGH-LEVEL EXPERTISE UPSTREAM OF THE DEVELOPMENT OF NEW PRODUCTS AND SERVICES

Because of its business lines, Afnic integrates a wide range of professional expertise.

This know-how needs to be constantly maintained and extended, in order to be shared and serve the Internet community and Afnic customers. Four interrelated issues can be highlighted among Afnic actions to «promote» its in-house expertise.

CONSTANT MONITORING OF DEVELOPMENTS IN AFNIC'S ENVIRONMENT

Through their participation in the meetings of international bodies (ICANN, IETF, RIPE, CENTR, etc.) as well as exchanges and projects with Afnic partners and counterparts, the teams constantly monitor developments in the association's environment, whether technical, market-related or in terms of practices.

A MAJOR EVENT SINCE 2011

Afnic's Scientific Council Day, which is open to all, has become a major event in the community involved in Internet technologies.

On July 9, the 2013 edition attracted more than 70 people, representing every sector in the French Internet community. The event allowed participants to review the systems of identifiers on the Internet, evoke a wide range of other topics such as «The polymorphic fringe of the Internet,» the «Locator / Identifier Separation Protocol» (LISP) or the conclusions of the report by the Observatory of the resilience of the French Internet (ODRIF).

A RECOGNIZED CONTRIBUTION TO THE WORK OF INTERNATIONAL AUTHORITIES

2013 saw the recognition of the work of Afnic on the Internet of Things, with the publication in February of the ONS 2.0 standard («Federated ONS») to which the association made a major contribution in partnership with GS1 France. In October, the WINGS project, of which Afnic is one of the cornerstones, received an award from the CENTR in the «Research and Development» category. The ambitious project aims to improve the interoperability of federated Object Name Services (ONS) and reliable interactions with «multi Discovery Services». In 2012, the WINGS project contributed to the development of the new ONS 2.0 standard, based on the findings of its experimental work. The standard, which is now available to users, offers new opportunities for companies that develop services for connecting objects to the Internet.

Afnic experts were also involved in many international and national meetings, in forums as diverse as FRNOG, the ESIG «Security Day», the CENTR (R&D workshop during the Jamboree in particular), LACNIC, RIPE, AFRINIC, the India-France Technology Summit, networks days (JRES), to name but a few.

RECOGNIZED SHARING IN PARTICULAR THROUGH PUBLICATIONS

Afnic publications are technical or more «marketing» in nature. They are available in multiple formats.

✓ **«Position papers»**, made direct or through bodies such as the Afnic Scientific Council who issued a statement in January 2013 on filtering the Internet by the DNS. These statements depend on the news and are intended to communicate the views of the Association on major, often controversial topics which agitate the Internet technical community;

The AFNIC Scientific Council

As a forum for continual discussion, the AFNIC Scientific Council is involved in developing the Centre's strategy and anticipates the technical and socio-economic issues involved in the development of the Internet. It was established in 2007 by the Board of Directors. The Council consists of well-known scientists from academia and industry. It meets four times a year.

The Council has so far been found to be useful and relevant, as evidenced by the attendance rates and level of activity which has been maintained throughout this period (12 face-to-face or audio-video meetings) as well as the wealth of subjects addressed (Technology Backdrop Survey, Internet of Things / ONS, security and resilience of infrastructure, IPv6, neutrality, Internet of the future, etc.).

In 2013, the Board renewed the mandate of the Afnic Scientific Council for another term of three years.

Until the end of 2013, the list of no- permanent members of the Scientific Council was as follows:

Pierre Beyssac (Eriomem, France)
Isabelle Chrisment (Inria - TELECOM Nancy, France)
Loïc Dufлот (ANSSI, France)
Niall O'Reilly (University College Dublin, Ireland)
Philippe Regnauld (NSRC.org, Denmark)
Franck Simon (France-IX, France)
Laurent Toutain (TELECOM Bretagne, France): president of the CS
Bernard Tuy (RENATER, France)

✓ **The Observatory on the resilience of the French Internet** publishes the results of the joint work each year by ANSSI and Afnic. Its purpose is to define and measure representative indicators of the resilience of the French Internet;

✓ **Issue papers** can address issues whether technical or not. In 2013, the two papers published addressed the issues involved in the new Internet TLDs (July) and the interest of the DANE protocol for secure communications on the Internet from end to end (November);

✓ Since 2007, **the Afnic Industry Report on Domain Names** aims to provide analysis and trends based on statistical data from the Afnic database or collected during market monitoring. Now published monthly, in 2013 it addressed topics as diverse as the Top 10 most used terms in domain names under the .fr TLD, the growth of major global TLDs, second market trends, the development of IPv6 under the .fr TLD, the correlation between creations of domain names under the .fr TLD and businesses, or the potential of the French market in terms of the new TLDs.

✓ Finally, **«Practical Guides»** are regularly published. In 2013, the R&D team developed the guide «Deploying DNSSEC, what, how, and where». Produced as part of the Afnic strategic

plan to promote DNSSEC in France, the guide is designed to support DNS administrators (in particular the technical staff of registrars) by providing practical recommendations on how to implement, configure and operate DNSSEC in their environment.

THE «INCUBATION» OF FUTURE AFNIC PRODUCTS AND SERVICES

Placed at the junction between market intelligence and technology watch, the R&D team works in conjunction with the marketing teams to develop future Afnic products and services. Customer expectations and offers from the Association's counterparts are changing fast, either because of the emergence of standards such as DNSSEC, or because services previously considered as optional («nice to have»), with time become necessary as essential components of an offer in line with the competition («must have»).

Afnic R&D is now ripe to move from the stage of capitalizing on the knowledge and know-how resulting from its work of monitoring, standardization and testing, to the stage in which that capital can be transformed into innovative products and services.

To find out more:

Afnic publications can be found here

<http://www.afnic.fr/fr/ressources/publications/>« Déployer DNSSEC, comment, quoi, où ? »

<http://www.afnic.fr/medias/documents/DNSSEC/afnic-dnssechowto-fr-v2.pdf>

Internet Resilience Observatory

<http://www.afnic.fr/fr/l-afnic-en-bref/actualites/actualites-generales/7114/show/l-observatoire-sur-la-resilience-de-l-internet-francais-publie-son-rapport-2012.html>

Issue paper on the DANE protocol

<http://www.afnic.fr/fr/l-afnic-en-bref/actualites/actualites-generales/7450/show/securiser-les-communications-sur-internet-de-bout-en-bout-avec-le-protocole-dane-2.html>

The International College, a creator of sustainable links between Afnic and its counterparts in the southern hemisphere.



A STRUCTURE DEDICATED TO CO-DEVELOPMENT AND FOCUSED ON THE INTERNATIONAL MARKET

Since its inception in 1998, the International College has sought to be a point of reference and exchange for country code top-level domain Internet registries (ccTLDs) in developing countries,

to constitute a genuine testing ground and / or basis for the validation of concrete solutions, and to help build up unique know-how for transfer and sharing in the areas concerned, both in basic knowledge and in the know-how related to business practices.

In 2013, the International College (IC) consisted of 33 members, including 13 ccTLDs, regulatory agencies and/or ICT promotional authorities, Telecommunications Operators, ISPs and academic institutions. The members came from 17 countries in 4 regions (Africa, the Americas, Europe, and Oceania).

The International College is represented on the Board of Afnic by its President, elected from among its members.



The International College has a Fund administered by a Committee which selects the projects presented by the Director of the Fund who is appointed by the Afnic CEO further to the proposal of the College. Committee members (5 in number), who includes the Afnic CEO, the Director of the Fund and the President of the College are appointed from among the members of the College. The Fund operates through annual call for projects. The assignment of the AFNIC International College Fund is to promote the activities or achievements that reinforce the role of TLDs in developing countries as well as those of the members of the International College in supporting the growth of the digital economy in their respective countries.

MAJOR AMBITIONS FOR THE INTERNATIONAL COLLEGE

At its June 2013 meeting, the International College discussed the theme «2013 and beyond: a new Internet in Africa.»

The objective was to review the issues, imagine the priorities for better cooperation between the

College and other stakeholders in the development of the Internet (ICANN, ISOC, AFRINIC, AFTLD RENATER, etc.) and enable it to be positioned as a key stakeholder in the development strategy for the domain name industry in Africa.

The event resulted in the formalization of an action plan and a commitment to strengthen the visibility of the International College: participation of the College in the African Forum on DNS and with ICANN in Durban, a workshop on registry security in Africa from September 30 to October 4, 2013 at the University of Antananarivo in partnership with ICANN, ISOC, NSRC (Network Startup Resource Center), Delta Risk, Orange Madagascar, i RENALA (Malagasy NREN) and the University of Antananarivo.

Through events involving its members to give new impetus to its exchanges, the Afnic International College will continue to promote the assets underlying its existence: bringing together stakeholders around the values of co-development, being a point of reference and exchange for ccTLD registries in the countries in the southern hemisphere, constituting a practical testing ground and capitalizing on its expertise in transferring and sharing knowledge and know-how.

Main achievements of the International College since 1998

- ✓ 33 training sessions in more than 15 countries (French and English-speaking);
- ✓ More than 400 people trained
- ✓ Participants from virtually all countries of the African continent;
- ✓ More than 80 fellowship grants awarded with or without partners (AFTLD, ICANN, IGF, ISOC Training program, CARI EuroSSIG, etc.);
- ✓ Realization of CODEV-NIC (NIC operated by Ivory Coast NIC and Senegal NIC);
- ✓ Help in the production of French media (with the Network Startup Resource Center (NSRC));
- ✓ Nortatunes project for the .tn TLD (Tunisia) in IDN.
- ✓ 4 Internet development projects in Africa (i RENALA, RITER, ANYCAST CI, NIC-CI Reconstruction);
- ✓ 2 decentralized annual meetings as part of the arrival of the Internet: 2009 (ISOC Senegal)
- ✓ 2011 (ICANN 42 Dakar, Senegal).

Having Afnic's operational excellence recognized.

Ever since 2008 Afnic has applied a Quality policy based on the four cornerstones of Excellence: Operational Performance, Agility in the ability to react to changes in the environment, Keeping close to Customers, and Employee Fulfillment.

Afnic has set itself the aim of achieving initial recognition by 2014 based on the model of the

European Foundation for Quality Management (EFQM), the aim being to achieve the "Recognized for Excellence» level by 2015.

This recognition, based on an external audit, validates the genuine excellence in our practices and our ability to demonstrate continuous improvement by results consistent with the objectives and in progress over at least three years.

PROXIMITY

FULFILMENT

EXCELLENCE
2013

AGILITY

PERFORMANCE

A SECOND ENCOURAGING SELF-ASSESSMENT AT YEAR-END 2013

In the fall of 2013, the association conducted a second self-assessment that allowed it to measure progress in a year and a half and how it stands in relation to the European average.

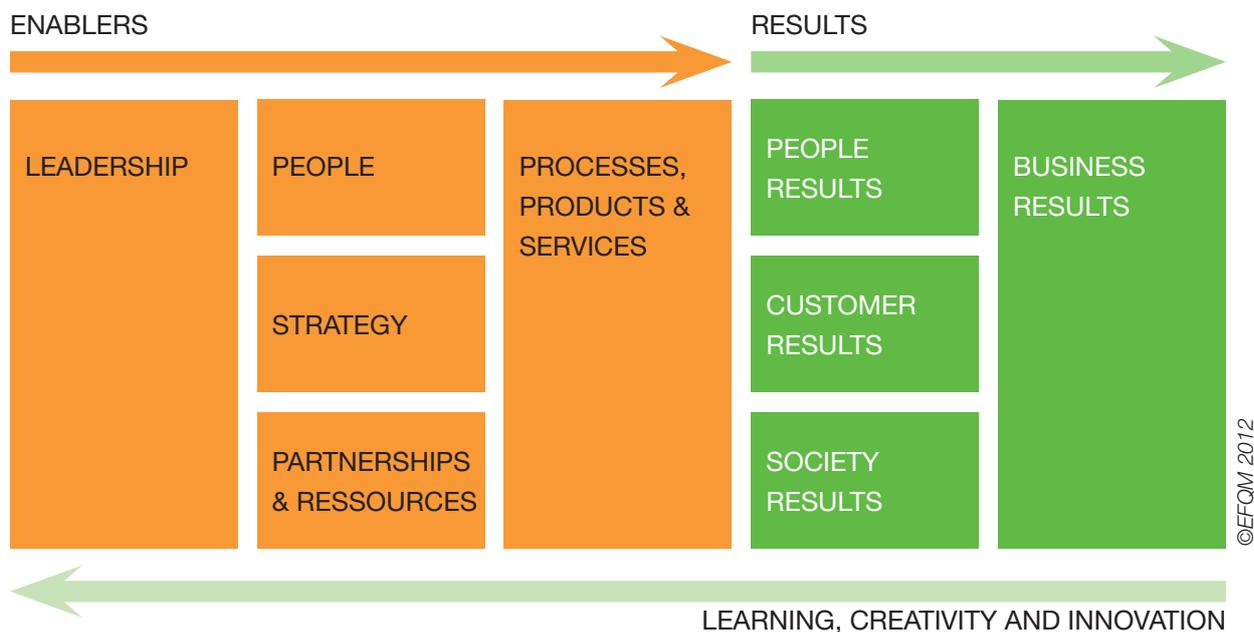
With respect to the 9 EFQM criteria, Afnic strengths at the end of 2013 were Partnerships and Resources, Personnel, Strategy and Leadership.

The assessors noted a number of advances in terms of defining the values of the association, risk management, expanding the communication set-up to new channels, a high level of customer

satisfaction and constant control of financial issues.

The main areas for improvement identified were the development of a culture of excellence backed by improvement groups, the absence of a Balanced Scorecard measurement system, an embryonic environmental or corporate management system, and insufficient measurement of process efficiency.

The assessment carried out internally resulted in the identification of two priority projects for 2014: a stronger focus on results and data on the one hand, and on the other hand the active deployment of a culture of excellence and continuous improvement.



Focus on «the EFQM model»

The model developed by the European Foundation For Quality Management is based on nine criteria divided into two major categories: the Factors and the Results. The quality of the Results depends on the implementation of the Factors. It is through adequate measurement of each of these criteria that improvement loops can be defined for Factors and Results.

The model is designed to cover all the issues involved in running an organization, from how it is directed to its performance and the various components that will ensure its sustainable success: its staff, strategy, environment, processes, products and services.

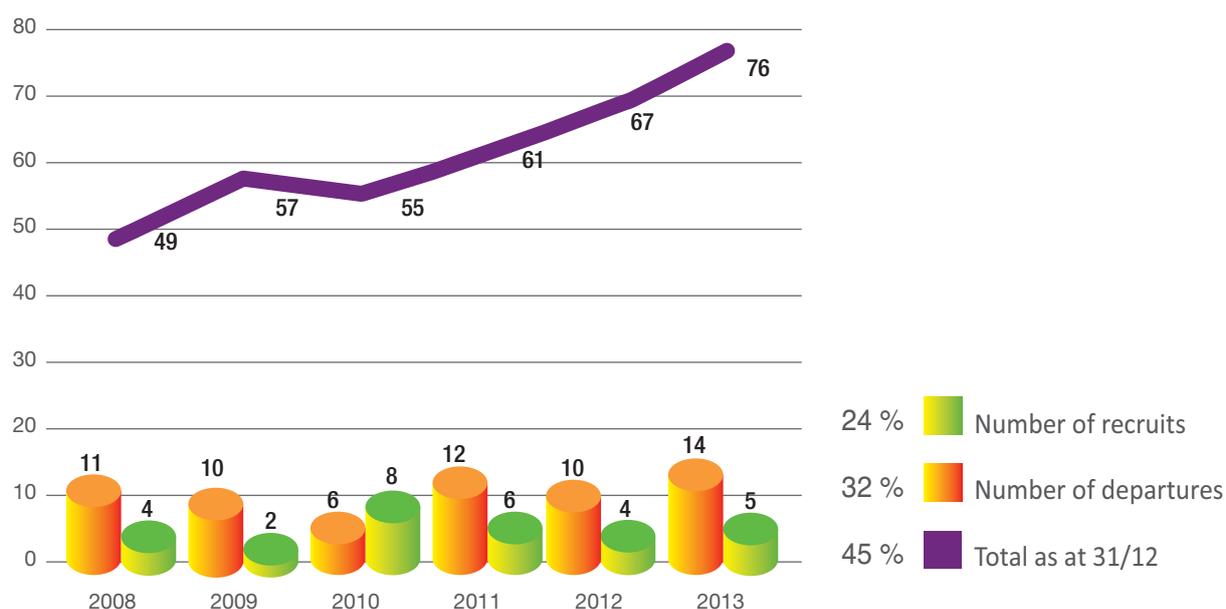
High-level skills to suit Afnic's new scope.

AFNIC CONTINUED ITS ACTIVE RECRUITMENT POLICY IN 2013

A profound change in Afnic markets and activities began to emerge in 2012. In line with that fact, the association consolidated the skills of its team in 2013, pursuing a human resources policy based on recruitment (14 hires in 2013), internal mobility (8 position changes) and continuing education.

The growth of the number of employees shows that the workforce has increased by nearly 40% between 2010 and 2013, and by 13% in 2013 alone. Of the 14 appointments made in 2013, 9 were technical profiles, 3 were related to marketing or customer relationship management, and 2 were administrative and legal.

CHANGE IN THE NUMBER OF EMPLOYEES INCLUDING FIXED-TERM CONTRACTS AND COOPERATIVE TRAINING



LOYAL TEAMS, AWARE OF AFNIC WORKING CONDITIONS

Afnic is gradually changing through changes in its staff, while enjoying a particularly low rate of turnover in 2013.

The distribution of employees by age shows that more than 50% joined Afnic in the last 5 years, compared with nearly 25% who have been present in the association for over 10 years.

This figure reflects both the dynamism of the association’s recruitment, and staff attachment to Afnic.

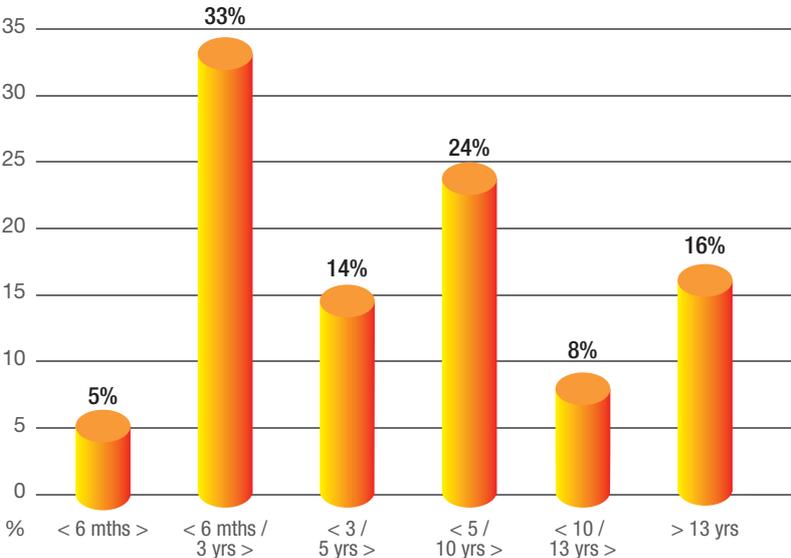
TRAINING: A LEVER FOR PERFORMANCE, COMPETITIVENESS AND SOCIAL RESPONSIBILITY

In terms of training, the study of the curve shows that the rate of people trained has remained above 85% since 2011, after hovering between 55% and 83% between 2008 and 2010. This change – and the level that has been maintained for three years – is not due to chance.

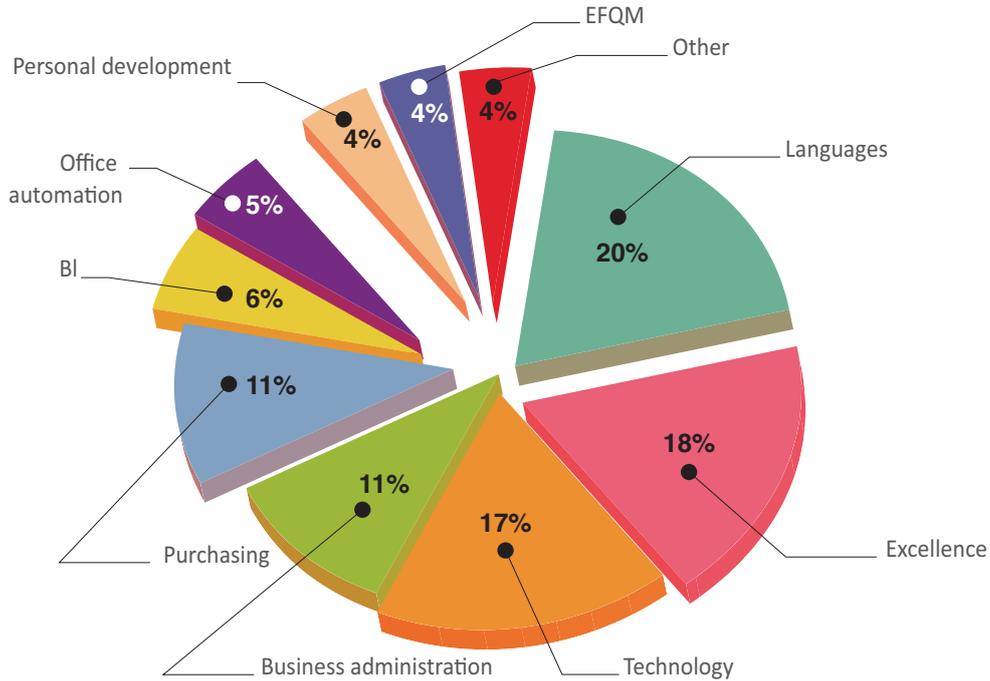
Combined with the diversity of the training, it shows the importance Afnic attaches to the training of all of its teams in order to prepare them for its new business challenges and adapt their professional skills accordingly.

If we consider the types of training taken by Afnic teams in 2013, a high proportion focused on Languages and Operational Excellence, as well as business practices. Cyclical themes (BI for «Business Intelligence») or emerging issues («EFQM») represented nearly 25% of training courses.

BREAKDOWN OF EMPLOYEES BY SENIORITY



RÉPARTITION DES FORMATIONS PAR NATURE

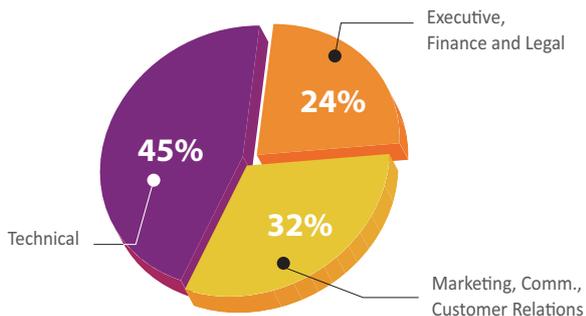


RELATIVELY CONSTANT STAFF STRUCTURE

The ratio of women increased slightly in 2011 - 2013, after experiencing a decline between 2008 and 2011.

The distribution of employees by department shows a high proportion of technical profiles (45% including R&D). Functions related to marketing, communication and customer relations represent 32% of the workforce. The remaining 24% involve executive management, the administrative and financial department, and the legal department.

BREAKDOWN OF WORKFORCE BY TYPE OF ACTIVITY



TWO FLAGSHIP EVENTS IN 2013

✓ Afnic employees enter the era of nomadism and flexibility

Always keen to offer its employees an organization and working methods conducive to creating a good balance between work and personal life, Afnic has set up teleworking on an occasional basis. With a proper legal structure and a less restrictive operational framework, it allows every employee to work for one or more days from home.

✓ Preparation for the removal

2013 was a year of intense preparation for the relocation of our institution. Employees were able to visit, discuss and organize their future workspace. Initiated in 2013, this helped the ongoing improvement in our employees' fulfillment backed by our policies in terms of HR and operational excellence.

Greater focus for services on customer satisfaction.

ORGANIZATIONAL FOCUS ON NEW PRODUCTS AND SERVICES

In 2013 Afnic focused on setting up an organization more suited to its aims in terms of developing and delivering new products and services. A marketing and innovation management position was specially created for this purpose to play a pivotal role between the R&D, marketing, sales and technical teams.

The hire resulted in a genuine process to develop new products and services that will enrich the Afnic range in 2014.

PROMOTING AFNIC EXPERTISE FOR ITS GTLD CLIENTS

In 2011 and 2012, Afnic supported its gTLDs customers in preparing their ICANN application files. In 2013, new requirements emerged to which the association responded thanks to its experience gained over 15 years as the registry for the *.fr* TLD. It was able to provide practical advice to clients in terms of their analysis of their future registry policies, or their marketing strategy.

SYRELI, A SERVICE COMMENDED BY ASSIGNS

At year-end 2013, after two years of existence, 367 decisions had been handed down in the context of the Syreli procedure, including 195 in 2013.

Most of these decisions concerned domain names under the *.fr* TLD (360), against 6 for the *.re* TLD, and 1 for the *.pm* TLD. IDN names (including accented characters) represented only a fraction of these disputes: 10 in all, including 4 in 2013.

The decisions were favorable to applicants in 60% of the cases, the reasons for their rejection being due either to files that were incomplete, or to lack of evidence of bad faith, or a lack of legitimate interest on behalf of the holders. In 2012, the proportion was 65%.

Most of the applicants were private-law corporations (94%), against 9% of public-law corporations (local authorities) and 6% were individuals. 60% of the holders were private-law corporations, 40% were individuals.

The graph indicating the change in the number of Syreli decisions shows a tendency to stabilize in 2013 after a rise in 2012; significant seasonal variations can be observed.

REGISTRAR SATISFACTION INDEX STILL VERY HIGH

For the 3rd year running, Afnic conducted a thorough survey of its registrars. Conducted by the INIT company, the 2013 study showed a particularly high level of satisfaction of 99% (against 97% in 2012 and a median of 91% in service sector firms), an increase of 2 percentage points compared with the 2012 level of satisfaction and 7 percentage points compared with 2011.

Litigation management (99%), domain name management procedures (98%) and billing

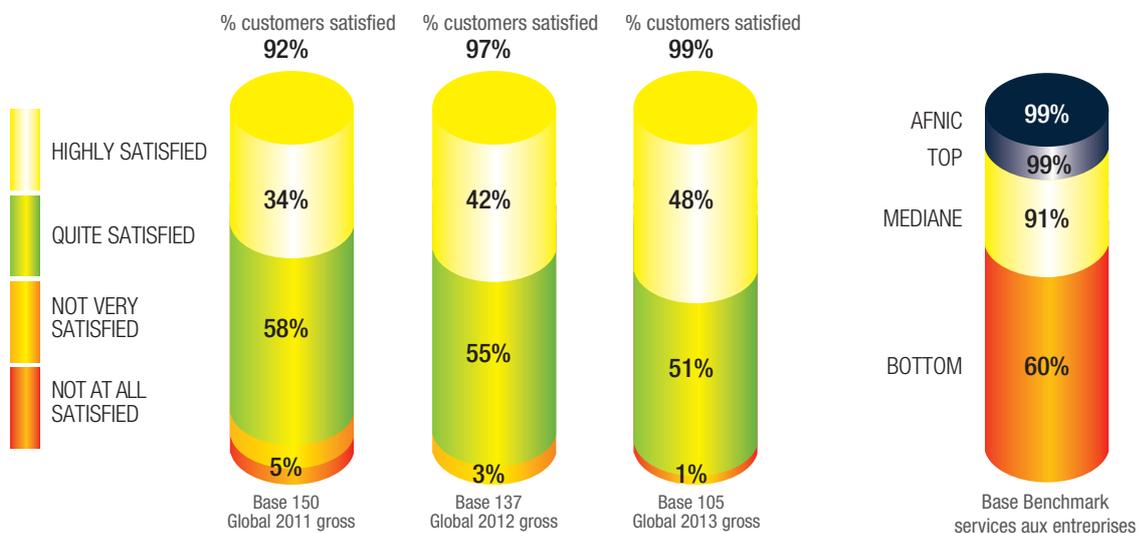
arrangements (97%) were the issues resulting in the greatest customer satisfaction, followed by customer service (96%), Communication (94%) and technical interfaces for the management of domain names (85%).

The main expectations identified in 2013 focus on the quality of responses to customers, from the technical or operational points of view, or linked to the daily contacts with customer relationship officers (CRO). If their implementation in 2012 was an important satisfaction factor, 2013 was the year in which the quality of the relationship was confirmed.

SATI: WHAT IS YOUR OVERALL LEVEL OF SATISFACTION WITH REGARD TO AFNIC?

SCORE 2013 : 8,2/10
SCORE 2012 : 8,0/10
SCORE 2011 : 7,4/10

BENCHMARK SERVICES TO COMPANIES GLOBAL SATI



New services provided in the State-Afnic Agreement

The State-Afnic Agreement stipulates the willingness of both parties to set up three new services:

- ✓ opening names under the .fr TLD with 1 or 2 characters (which could not be registered beforehand);
- ✓ the ability to register and renew a domain name under the .fr TLD beyond the current term of 1 year;
- ✓ the introduction of a new procedure for resolving disputes allowing applicants to call on experts appointed by the WIPO (World Intellectual Property Organization)

To these three future products and services will be added a «Registry Lock» system, which is part of the registry policies notified to the European Commission at the end of 2013.

Afnic adopts accounting resources for its new business model and enhances its internal control system.

In 2013, the Association consolidated the initiative launched in 2012 to adopt new positioning as a multi-registry operator and its 3-year development plan, by converting the 17 «gTLD prospects» into gTLD customers.

Continuing on from 2012, in 2013 Afnic enhanced its internal control system by setting up a Committee to control and share financial information, also resulting in a professional training scheme for the procurement function on the basis of the government ordinance of 2005. In parallel, a study by an outside firm consolidated the methodology used for the last 18 months in cost accounting.

WHAT CHANGED IN 2013

We now have 18 months' hindsight about the effects of the analytical management by TLD in which the allocation of costs by activity follows the analytical accounting procedure adopted in June 2012, confirmed by Mazars in 2013. Sustained activity on gTLDs: 100% of the 17 files presented in 2012 were accepted by ICANN.

Internal controls were implemented through:

- ✓ the constitution of a Commitments Committee to ensure prior approval of expenditure for any purchases exceeding €200,000;
- ✓ the creation of a Finance and Risk Committee in charge of the financial aspects and review of the procedures set up in Afnic;
- ✓ the application as of June 2013 of the 2005 government order on public procurement, resulting in greater stringency in the existing expenditure commitment process.

Revision of the Purchasing process in accordance with the 2005 Order

Since spring 2013, Afnic has implemented the principles of Order No. 2005-649 of 6 June 2005 on contracts awarded by certain public or private entities not subject to the Procurement contract code (1).

The three main principles of the order may be summarized as follows:

- ✓ Freedom of access to Afnic orders (disclosure requirement)
- ✓ Equal treatment of candidates (eliminating the risk of favoritism)

Afnic therefore overhauled its purchasing process, while ensuring the transition from a relatively decentralized previous system in which budget officials were endowed with a certain level of autonomy, and a system in which the role of purchasing positions has been significantly increased. All of the current commitments and purchases were recorded and the contracts to be launched were prioritized. At the end of the transitional period, which should last until 2015, all of Afnic contracts will be awarded in accordance with the 2015 Order.

Against this background, the resources of the Purchasing function - already present in Afnic - have been increased and the teams concerned have received specific training on the 2005 Order.

CONTRIBUTION TO THE SUPPORT FUND FOR THE DEVELOPMENT OF THE INTERNET: MECHANISMS AND FORECASTS

In 2013 the profits from .fr TLD business resulted in €830,000 for the FSDI, and € 995,000 for the period from 1 July 2012 to 31 December 2013.

The decision dated 28 May 2014 of the Tax Administration indicating its decision to reject a request for an advance tax ruling submitted by Afnic on 4 June 2013, made it necessary to correct the accounts initially closed in 2013 by the Board of Directors on 10 April 2014.

For the 2013 accounts, the decision to consider the expense of the FSDI as a non-deductible expense for tax purposes necessitated corrections affecting both the 2012 and 2013 financial periods.

In summary, this decision exclusively affects the .fr TLD and corresponds to the transfer of an operating expense from the FSDI to a corporation tax expense and therefore had no major impact on the loss for the 2013 financial period, which still stood at €541,849.

COMMENTS ON THE 2013 FINANCIAL STATEMENTS

Responsible management

Although the 2013 financial period resulted in a loss its prudential management allowed it to maintain a reasonable equity ratio. Afnic has always managed its resources taking the least possible risk. The accumulated surplus at year-end 2013 covered 93% of one year of personnel expenses, as well as rental, hosting (Datacenter) and office accommodation costs.

(1) Order No. 2005-649 of 6 June 2005 on contracts awarded by certain public or private entities not subject to the Procurement contract code. <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000000629820>

(2) The State Council ruling on the former legal framework for domain names <http://www.afnic.fr/fr/l-afnic-en-bref/actualites/actualites-generales/7012/show/le-conseil-d-etat-se-prononce-sur-l-ancien-cadrejuridique-des-noms-de-domaine-1.html>

This loss, although atypical, is consistent with the multi-year plan presented by Afnic in 2012. The ongoing transformation is necessary in order for Afnic to realize its conversion to a multi-registry operator, at the same time respecting its commitments with respect to the French Internet community through the FSDI.

The level of cash reserves reached today illustrates the degree to which this policy of prudent management is helping to leverage the growth strategy.

BUSINESS COMPLIANT WITH BUDGET ESTIMATE

Operating income stood at €13.7 million, up 4.5% compared with 2012, but 1% below the 2013 budget, i.e. €-130,000. Operating expenses, after FSDI, stood at € 14.9 million, up 31% compared with 2012 but in line with budget.

The net result was a loss of €542,000, in accordance with the 2013 budget and even slightly below the budgeted loss. Although a loss, this result keeps the equity ratio (personnel expenses + rental, hosting (Datacenter) and office accommodation costs) at 93%.

In 2013, the Association consolidated the initiative launched in 2012 for its new positioning as a multi-registry operator and its 3-year development plan, by converting the 17 «gTLD prospects» into gTLD customers.

FIRST SIGNS OF A SLOWDOWN IN .fr TLD CREATIONS

ccTLD registration business in 2013 continued to post significant growth of 6.3% but for the first year a slowdown of 6% was noted in the creations of .fr TLDs, but the rate remained stable for the overseas ccTLDs.

Thanks to groundwork by the teams, gTLD business generated income of € 261,000, +30% compared with the 2013 budget, but 50% lower than the 2012 income figure (sale of services for ICANN applications).

EXPENSES IN ACCORDANCE WITH THE BUDGET VOTED BY THE BOARD OF DIRECTORS

The amount of operating expenses before FSDI, stood at €13.6 million, an increase of 21% compared with 2012 but in line with the budget estimate (€13.8 million, i.e. -0.2%).

This increase, which was foreseen in the budget, reflects the ongoing 3-year transformation program launched by Afnic in 2012.

The Association is in line with its 2013 expenditure budget, testifying to the importance given to cost control in general and to the internal controls set up to regulate them. One-off effects have been recognized over the year for some cost items such as staff costs and fees without compromising the main budget balance.

Keeping a budget consistent with estimates, when the application sine die of the 2005 government order on public procurement lead to a substantial risk of budgetary slippage for the purchasing function, underlines the solidity of the financial system set up in the 2nd half of 2012.

CONSOLIDATION OF RESERVES AND CASH FLOW MAINTAINED AT 2012 LEVEL DESPITE A NET LOSS

Marketable securities were maintained at €8 million and cash at bank and in hand at €0.9 million.

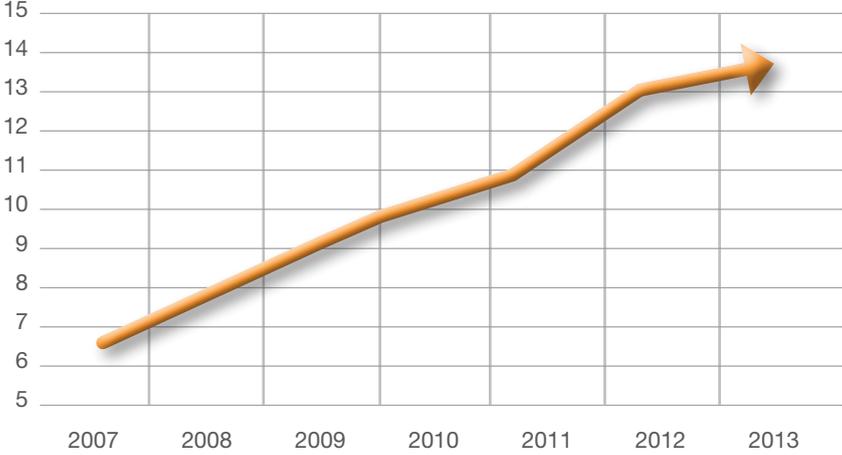
Noteworthy in terms of financial performance, the step-up deposit accounts, mostly placed between 2009 and 2011, stood at 2.9%.

The cash flow includes the amount not yet paid to the FSDI of €995,000.

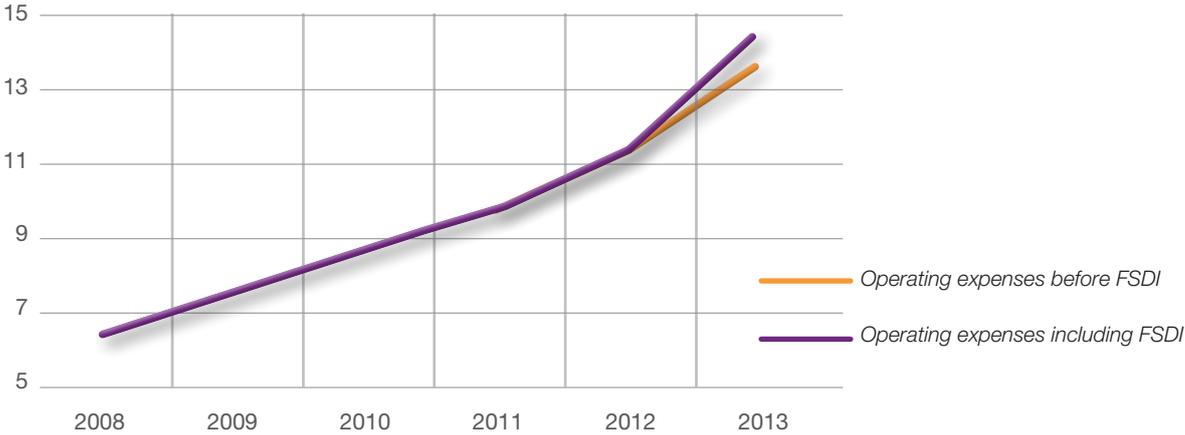
Nevertheless, over the last two years, since investments have increased slightly, the amount of financial income is expected to slightly decrease over the coming years.

After allocation of the pre-tax accounting loss for the 2013 financial period (€-542,000), the accumulated surplus will stand at €6,259,000.

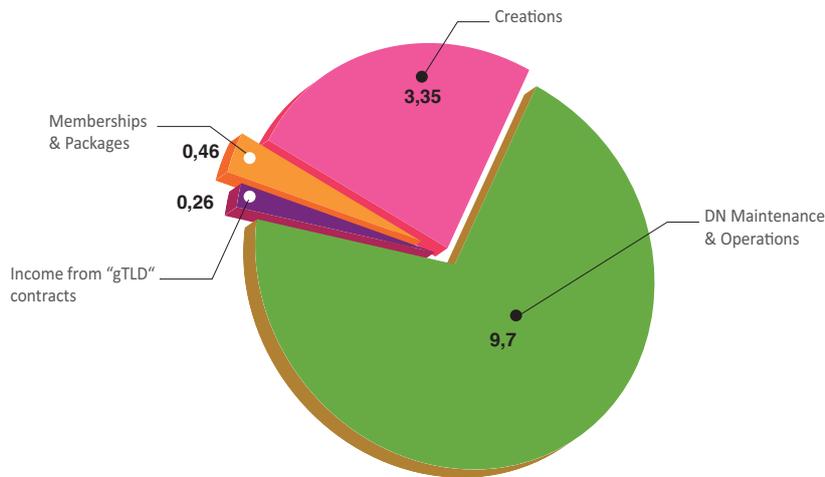
CHANGES IN OPERATING INCOME (€MILLION) 2007-2013



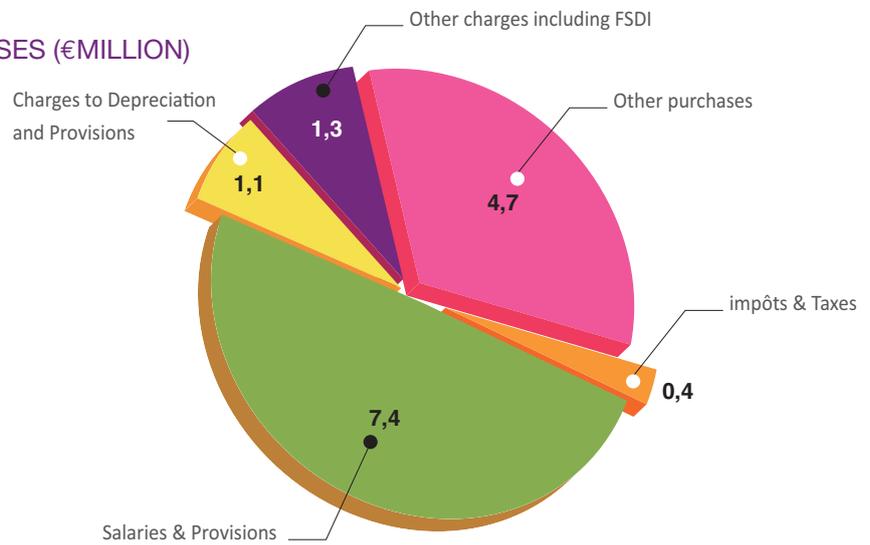
CHANGES IN OPERATING EXPENSES BEFORE FSDI (€MILLION) (2008 –2013)



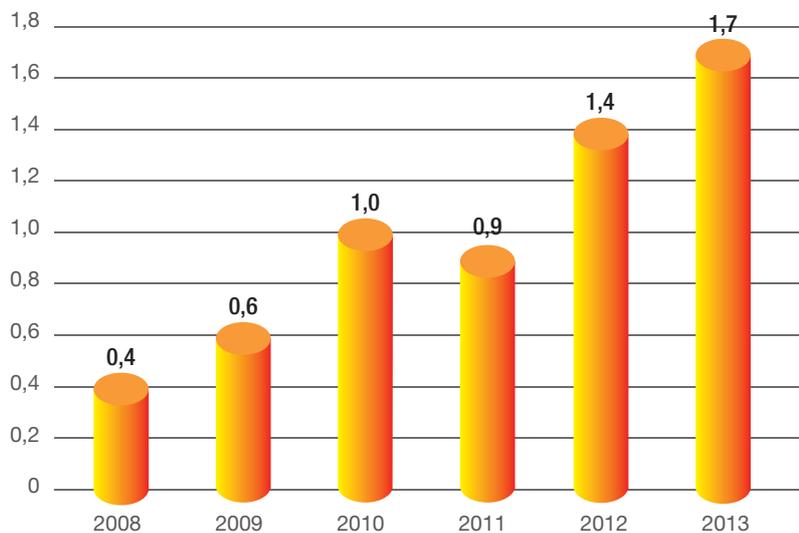
STRUCTURE OF AFNIC INCOME (€MILLION)



STRUCTURE OF AFNIC EXPENSES (€MILLION)



CHANGES IN ACQUISITIONS OF TANGIBLE AND INTANGIBLE ASSETS



Financial report.

SIMPLIFIED BALANCE SHEET

In € thousand	12/31/2013	12/31/2012
	Net	Net
ASSETS		
NON-CURRENT ASSETS	2 594	1 978
Operating receivables	4 204	3 358
Cash at bank & in hand	9 375	9 215
CURRENT ASSETS	13 579	12 573
TOTAL ASSETS	16 173	14 551
LIABILITIES		
Equity	6 801	5 692
Profit (loss) for the year	- 542	1 108
Other accumulated surplus	389	332
ACCUMULATED SURPLUS	6 648	7 132
PROVISIONS	47	47
DEBT	9 478	7 372
TOTAL LIABILITIES	16 173	14 551

SIMPLIFIED INCOME STATEMENT

In € thousand	12/31/2013	12/31/2012
Turnover	13 731	13 034
Other income	31	136
OPERATING INCOME	13 762	13 170
Other purchases and external expenses	4 743	4 383
Duties, taxes and similar payments	449	390
Salaries, wages and payroll taxes	7 361	5 588
Other expenses including depreciation	1 914	1 056
OPERATING EXPENSES	14 467	11 417
OPERATING INCOME (EXPENSE)	-704	1 753
FINANCIAL INCOME	268	204
EXTRAORDINARY PROFIT OR LOSS	-37	-98
Employee profit-sharing	20	194
Corporation tax	48	557
PROFIT OR LOSS	-542	1 108

Afnic has now officially become a technical multi-registry operator.



Mathieu Weill
CEO of Afnic

For Afnic, 2013 was characterized by the scale of investment in strengthening resilience on the one hand, and the transformation to a multi-registry operator on the other. While all the benefits of these investments will not come to fruition in 2014, it will be a year in which we launch and deliver projects already engaged such as the removal of our offices, the availability of new features for the .fr TLD or the launch of new gTLDs. Against a difficult economic background, and a European market for domain names undergoing a sharp slowdown, maintaining the momentum of the .fr TLD is a fundamental issue for the Association, which will be launching new communication initiatives in the second half. This is ambitious as the market downturn is patent, but achievable provided we innovate in the way we communicate and promote our services. The creation of the Support fund for the development of the Internet, as of 2014, will also illustrate the difference about the .fr TLD, more than ever designed to serve the development of the Internet in France.

The first commercial launch of the new gTLDs backed by Afnic will also take place in 2014. Contributing to their technical and commercial success is one of the key issues of the year, which will validate the major strategic option taken by the Association in 2009 to take part in the opening of the new gTLDs. From that point of view, the action taken by our customers and the initial feedback on their projects are therefore extremely encouraging.

In 2013 we launched a cost control program in order to anticipate any potential adverse developments in the domain name sector. One of the major projects for 2014 will be to continue the implementation of that plan, in particular by optimizing the pooling between our various registries.

Finally, in 2014 Afnic will really start the simultaneous management of domain names corresponding to country codes (ccTLDs) and so-called generic domains on behalf of communities or businesses (gTLDs). Having passed all the administrative hurdles and deployed the necessary technical systems, Afnic has officially become a technical multi-registry operator. Two significant changes will be made in 2014 to complete this organizational transformation: the move to new premises and the establishment of an organization adapted to our new scope of activity. Again, 2014 will see the completion and implementation of these two key projects.

As you can see, the issues at stake in 2014 are of strategic importance for our Association.

You may rest assured, the management team and I are determined and dedicated to serving the French Internet community with our expertise and integrity.