RIPE NCC
RIPE NETWORK COORDINATION CENTRE

FINANCIAL REPORT 2019

TABLE OF CONTENTS

REMCO VAN MOOK
RIPE NCC EXECUTIVE BOARD
TREASURER

EXECUTIVE BOARD REPORT

Introduction to the RIPE NCC Financial Report

The RIPE NCC is at the core of the infrastructure of the Internet. With the Internet becoming a critical part of the global economy, society and daily lives, our role in managing a part of this infrastructure grows all the more essential. I believe that we can meet the ever-higher expectations that an increasingly broader group of stakeholders hold of us, whether it is in the area of technical coordination and Internet governance or membership and community support. Ensuring accountability and transparency in our governance structures serves to retain the trust that our stakeholders place in our stewardship. This financial report is one of the means by which we report back on the key developments of the past year.

In May 2019 we marked 30 years of the RIPE community. By the end of the year, we also crossed two other milestones – the exhaustion of the RIPE NCC's available pool of IPv4 addresses, and the highest membership numbers in our history, growing from 20,624 LIRs to 25,125 LIRs with a 22% growth rate in 2019 alone. As an organisation, we had anticipated these challenges, with stability and sustainability being key values reflected in the governing principles of the RIPE NCC, as well as our financial strategy for 2019.

In October Axel Pawlik announced his resignation as Managing Director, on the twentieth anniversary of his employment. Axel has been instrumental in bringing the RIPE NCC to where it is today, and I would like to extend my personal thanks to him for his service. When he stepped down in November, his role was taken over by an interim management team consisting of Gwen van Berne, Kaveh Ranjbar and Felipe Silveira, who have my thanks for doing a very capable job. Following an extensive recruitment process, the board decided to appoint Hans Petter Holen as the new Managing Director. I look forward to working together with him in this new role.

In financial terms, 2019 was a robust year. The RIPE NCC is a in a very healthy accounting position to carry out its mandate. The total income was 40.2M EUR. This was significantly higher than 2018. 8.2M EUR was redistributed to our members, which is 1.7M EUR higher than the average amount redistributed over the period 2014-2018. The remaining financial surplus was added to our capital reserves after fulfilling our corporate income tax, resulting in a Clearing House buffer increase from 25.5M to 32.2M.

The Board carried out a rigorous overview of RIPE NCC's organisational governance and culture in 2018 with two key outcomes in 2019. The first was the introduction of an integrated risk-management framework and the second was an internal organisational restructuring. These transitions towards enhanced accountability and agility within the organisation will continue into 2020.

From a cost point of view, we stayed under budget by 3.4% with 32.1M EUR being spent against a budget of 33.2M EUR, despite the additional workload and challenges that came our way. While the overall costs are within budget, personnel expenses were 7% higher than budgeted chiefly due to the outcome of a tax recalculation for the years 2015-2019, a rise in FTEs and costs related to restructuring. These are mainly one-off costs, and we will work towards mitigating incidental personnel-related costs going forward.

Our operations are stable, and from a financial point of view, the RIPE NCC is well-equipped to face challenges in the years to come thanks to the members' decision to support the addition of 50% of the 2019 surplus to our capital reserves at the General Meeting held in October 2019. The IPv4 address space might have run out, but at the RIPE NCC, we are looking towards the future, to continue to support our membership, the RIPE community and working towards shaping a sustainable future for the Internet.

The RIPE NCC is in a strong financial position to take on new challenges in the year ahead:

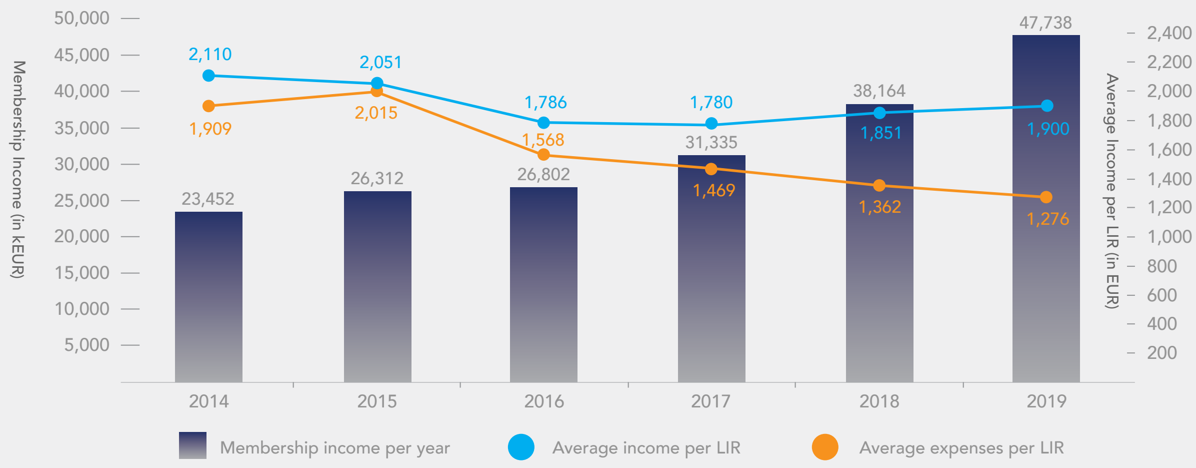
- **Membership growth and financial sustainability**
  Record membership growth from 20,624 LIRs to 25,125 LIRs. The total income for the year was 40,178 kEUR, which was 13.3% higher than the budget.

- **Costs within budget**
  The total expenditure for 2019 was 3.4% below budget at 32.1M EUR and costs remained well within budget despite the additional workload. The cost per LIR decreased to EUR 1,276.

- **Sound capital and liquidity management**
  In 2019, the RIPE NCC's Capital Expense ratio increased from 91% to 101%. This is sufficient to cover operational costs for one year.

- **Transparency in financial operations**
  In December 2019, we published our new Billing Procedure and every year we produce a detailed Financial Report and Activity Plan and Budget. We also follow the principles as described in our Tax Governance Paper and Treasury Statute. Members vote on the Charging Scheme for the following year and the redistribution of the surplus/deficit at the General Meetings held in spring and autumn respectively.

Membership growth and financial sustainability



In 2019, RIPE NCC membership grew by 4,501 LIRs, bringing the total to 25,125 LIR accounts by year end and resulted in a total membership income of 47,738 kEUR. The impending exhaustion of our available pool of IPv4 addresses and the consequent implementation of a policy that would see smaller address blocks allocated from returned address space via a waiting list were strong triggers for membership growth in 2019. The total income for the year was 40,178 kEUR, which was 13.3% more than the budget and 12,083 kEUR higher than 2018.

Our funding strategy aims to generate sufficient income so that we can fulfil our obligations to our members in a stable and predictable manner. We expect to see increased volatility and consolidation on the income side as a consequence of the IPv4 runout, but we are confident that this will not have a long-term impact on our financial position. In 2015, the RIPE community introduced a 24-month holding period before LIR resources could be transferred. From early 2016 onwards, approximately 30% of all new LIR accounts are additional accounts. This additional account income is sensitive to consolidation, but future charging schemes proposed to members will take into account these factors.

We have anticipated a further reduction in the number of LIRs to approximately 23,000 for the 2020 budget. For 2020, our income is projected to be 37,476 kEUR and expenditure 34,444 kEUR. We anticipate a surplus of 3,332 kEUR before taxation and redistribution.

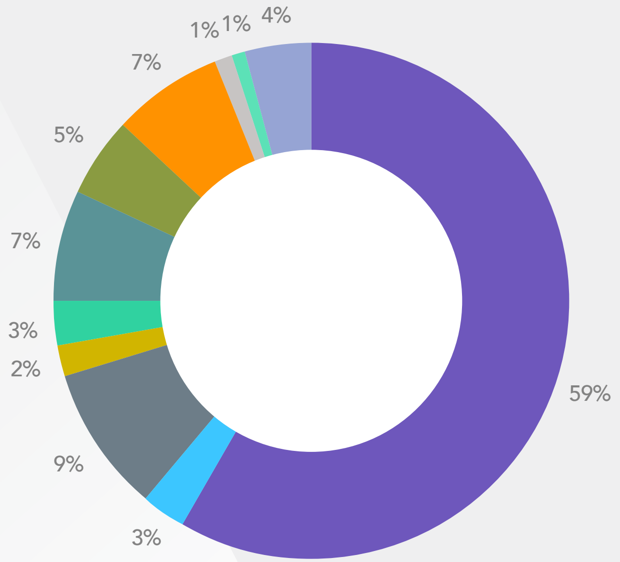
Although we anticipate consolidation of LIR accounts and slower membership growth, our relationship with our member base is strong, as confirmed by the RIPE NCC Survey 2019.

Costs within budget

The total expenditure for 2019 was 3.4% below budget at 32.1M EUR. Despite the higher workload from the increase in LIRs, mergers and acquisitions, and Internet number resource transfers, FTE growth remained within budget. We brought in efficiencies by streamlining some of our processes such as the shift to annual billing. 144 members requested and were granted a transitional credit arrangement to pay their fees for 2019.

In 2019, the average expense per LIR decreased to EUR 1,276 (from EUR 1,362 in 2018). In 2020, we expect total costs to rise to 34.4M EUR to strengthen due diligence processes, internal controls and to execute the increased workload due to the growth in LIRs.

During 2019, 155.7 FTEs were employed on a full-time basis, compared to 150.7 in 2018. Of these employees, five were employed outside the Netherlands. Personnel costs were 7% higher than budgeted due to tax back payments and one-off restructuring costs. As a result of an extensive tax audit that was started in 2018, we are obliged to pay an additional wage tax adjustment to the Dutch tax authorities of 1,042 kEUR covering the years 2015-2019. These tax back payments related mainly to our payroll administration for employees outside of Amsterdam.



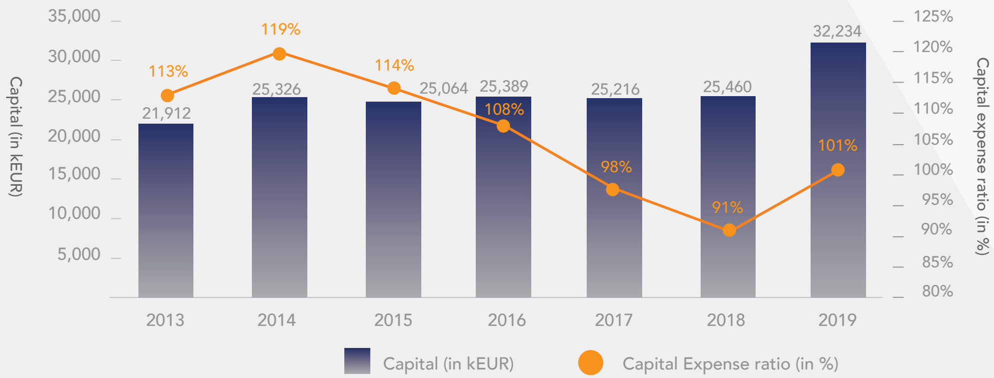
Sound capital and liquidity management

The RIPE NCC continues to implement a conservative investment strategy to minimise risk for the RIPE NCC reserves. We increased our Clearing House buffer from 25.5M EUR to 32.2M EUR after fulfilling our corporate income tax obligations so that we are capable of handling uncertainties over the coming years. The Treasury Statute describes how we minimise risks for our investment portfolio, including the asset mix spread, and it is monitored and reviewed annually by the Executive Board.

Thanks to a positive global economy, the market value of our investments has increased in the past year, leading to a positive revaluation of 536 kEUR. However, it should be noted that this revaluation is unrealised, and all unrealised results are excluded from the calculation of the redistribution of the surplus.

In 2019, the Capital Expense ratio increased from 91% to 101% thanks to the membership's decision to add 50% of the 2019 financial surplus to the capital reserves at the General Meeting held in October 2019. The other 50% of the surplus has been redistributed to eligible members as credit on their membership invoice for the year 2020. The capital reserves are now sufficient to cover the operational costs for one year.

The RIPE NCC is solvent, and we will continue to look at our capacity to meet our longer-term financial obligations.



Executive Board Report

Risks and Uncertainties

The RIPE NCC has implemented an integrated risk-management framework to continuously identify and monitor potential risks. We aim to support a resilient and healthy global and regional Internet registry system. By aiming for stability, adaptability and resilience, we hope to respond to the evolving Internet landscape and proactively manage the risks within our remit.

Our risk management approach enables us to exercise adequate control throughout the organisation. We do not want to expose ourselves to excessive risk and we do not want to invite behaviours that can damage the integrity of the RIPE NCC.

Cybersecurity threats and information security are an ongoing concern for the RIPE NCC's technical services, so increased resources and attention have been directed towards the mitigation of these risks. The main financial risk for the RIPE NCC is a future imbalance between an increased volume and complexity of workload (with associated operational costs) and a falling membership growth rate (which reduces income).

Main risk findings

In 2019, our first risk assessment identified eight risk types covering all areas of our membership association (Organisational, Financial, Legal, IT, Operational, HR, Registry and Reputational). The main findings were in the Organisational and HR risk types. These findings were remediated by a restructuring and associated HR controls. Risks matured in Financial Risk (Tax) and in Registry Risk (member due diligence process). In 2019, we had to pay out a tax recalculation to the Dutch tax authorities (related to wage taxes covering 2015-2019) and a potential sanctions violation was flagged due to a member being on the EU sanctions list. The member has been informed and we are investigating our options with the relevant Dutch authorities.

Risk culture

Our reputation is built on trust and we find it extremely important that our stakeholders comprehend our organisational purpose, direction and operating procedures. We operate according to the policies and guidelines as set out by the RIPE community and our members endorse our activities through a yearly Activity Plan and Budget cycle.

Risk profile

As part of our long-term strategy, we are committed to maintaining a low-risk profile. We actively manage our financial position looking at the relevant Internet developments that have a direct impact on our work and we continuously consider the needs and requirements of our community. We will link our risk mitigation plans to our funding needs so that we can continue to fulfil our obligations in a stable and predictable manner. The RIPE NCC continues to maintain stable operations in a complex and changing environment. From a financial and organisational governance perspective, the RIPE NCC is in a strong position and well equipped to face challenges in the years to come.

Risk management focus areas

We introduced the integrated risk-management framework in 2019, which requires each risk-type owner to identify risks in their respective areas. In the coming year, we will carry out a revalidation of our initial risk assessment. We anticipate a continued focus on due diligence processes, information security and developing a more robust internal control framework.

Balance Sheet 31 December 2019 (in kEUR)

Before Allocation of Deficit/Surplus (in kEUR)

		31/12/2019		31/12/2018	
FIXED ASSETS					
Tangible Fixed Assets	[1]				
Hardware		2,226		2,253	
Infrastructure		553		815	
Office Equipment		156		231	
			2,935		**3,299**
Financial Fixed Assets	[2]				
		12,975		13,305	
			12,975		**13,305**
CURRENT ASSETS					
Receivables	[3]				
Accounts Receivable		27		36	
Taxes and Social Security Contributions		266		288	
Miscellaneous Receivables		1,390		1,219	
			1,683		**1,543**
Cash at Bank and in Hand	[4]		**30,689**		**22,531**
TOTAL ASSETS			**48,282**		**40,678**
CAPITAL AND LIABILITIES					
Capital	[5]				
Clearing House		25,460		25,215	
Surplus/Deficit after Taxation		6,774		245	
			32,234		**25,460**
Current Liabilities	[6]				
Trade Creditors and Suppliers		949		843	
Other Liabilities, Accruals and Deferred Income		11,127		13,633	
Taxes and Social Security Contributions		3,972		742	
Total Current Liabilities			**16,048**		**15,218**
TOTAL CAPITAL AND LIABILITIES			**48,282**		**40,678**

Statement of Income and Expenditure 2019 (in kEUR)

		Actual 2019	Budget 2019	Actual 2018
Income	[7]			
Annual Fees		**35,618**	**34,153**	**29,314**
Sign-up Fees		12,120	8,000	8,850
RIPE Meetings		302	235	277
Sponsorship Income		295	255	464
Other Income		39	50	48
Redistribution of Member Fees		(8,196)	-	(10,859)
Total Income		**40,178**	**42,693**	**28,095**
Expenditures	[8]			
Payroll and Personnel Expenditures		18,976	17,725	15,642
Other Operating Expenditures		11,925	14,125	11,285
Depreciations and Amortisations		1,217	1,400	1,161
Total Expenditures		**32,118**	**33,250**	**28,088**
Financial Income and Expenditures	[9]			
Result on Interest Income		227	300	251
Result Exchange Differences		(12)	-	7
Result Revaluation Financial Fixed Assets		536	-	(19)
Total Financial Income and Expenditures		**751**	**300**	**239**
Surplus/Deficit before Taxation		**8,811**	**9,743**	**245**
Corporate Income Taxes	[10]	**2,037**	-	-
Surplus/Deficit After Taxation		**6,774**	**9,743**	**245**

Cash Flow Statement 2019 (in kEUR)

The cash flow has been drawn up using the indirect method

	2019		2018	
Cash Flow from Operating Activities				
Operating Surplus/Deficit		**8,061**		**6,116**
Adjustments for:				
Depreciation and Amortisation	1,217		1,162	
Exchange Rate Differences	(12)		7	
		1,205		**1,169**
Changes in Working Capital				
Movements in Current Receivables	(130)		547	
Movements in Current Liabilities	(1,207)		4,571	
		(1,337)		**5,117**
Cash Generated from Operations		**7,929**		**6,292**
Interest Paid		-		-
Interest Received		**215**		**283**
Corporate Income Tax Paid		-		-
Net Cash Generated from Operations		**8,145**		**6,575**
Cash Flow from Investment Activities				
Additions to Tangible Fixed Assets		**(857)**		**(779)**
Disposals of Tangible Fixed Assets		**4**		**7**
Net Cash Generated from Investment Activities		**(853)**		**(772)**
Cash Flow from Financing Activities				
Sold Securities		**866**		**716**
Net Cash Generated from Financing Activities		**866**		**716**
Net Cash Flows		**8,158**		**6,519**
Movement in Cash at Bank and in Hand		**8,158**		**6,519**

Accounting Policies

1. General Notes

1.1 Activities

Réseaux IP Européens Network Coordination Centre (RIPE NCC) administers Internet number resources for its members. The RIPE NCC maintains several technical elements vital to the Internet infrastructure, including the public RIPE Database and K-root service. As the secretariat to the RIPE community, the RIPE NCC carries out a number of support functions such as running RIPE Meetings and facilitating the RIPE Policy Development Process.

1.2 Registered office, legal form and registration number at the chamber of commerce

The RIPE NCC is a not-for-profit membership association under Dutch law, registered with the Netherlands Chamber of Commerce under number 40539632, located at Stationsplein 11, 1012 AB Amsterdam, the Netherlands.

1.3 Going concern

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the association.

1.4 Judgments and estimates

The RIPE NCC's management makes various judgments and estimates when applying the accounting policies and rules for preparing financial statements. The principal judgments and estimates, including underlying assumptions, are the provision of bad debts. The provision of bad debts is an assumption based on the experience from past years that approximately 1% of existing members will not pay their membership fee.

Assets and liabilities are only offset in the financial statements if and to the extent that:

- An enforceable legal right exists to offset the assets and liabilities and settle them simultaneously, and;
- The firm intention is to settle the assets and liabilities on a net basis or simultaneously.

1.5 Accounting policies for the cash flow statement

The Cash Flow Statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than twelve months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the Cash Flow Statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognised in the Cash Flow Statement. The value of the related asset and lease liability are disclosed in the notes to the Balance Sheet items. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

2. General Accounting Policies

2.1 General

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards (RJ640 non-profit organisations), as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the Balance Sheet, Statement of Income and Expenditure and the Cash Flow Statement, references are made to the notes.

2.2 Comparison with previous years

The valuation principles and method of determining the result are the same as those used in the previous year. We made some reclassifications in the comparison figures for comparability reasons. The reclassifications do not have any effect in the results or equity.

2.3 Foreign currency

2.3.1 Functional currency

The financial statements are presented in euros, which is the functional and presentation currency of the RIPE NCC.

2.3.2 Transactions, receivables and liabilities

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the Balance Sheet date. The translation differences resulting from settlement and conversion are credited or charged to the Statement of Income and Expenditure, unless hedge-accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

2.4 Leasing

2.4.1 Operational leasing

The association may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the association. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the Statement of Income and Expenditure for the duration of the contract.

3. Accounting Policies Applied to the Valuation of Assets and Liabilities

3.1 Tangible fixed assets

Tangible fixed assets are depreciated for the period of economic use. If the depreciation method, useful economic life and/or residual value are subject to changes over time, they are treated as a change in accounting estimates. A tangible fixed asset is derecognised upon sale or when no further economic benefits are expected from its continued use or sale. The gain or loss arising from the disposal is booked to the Statement of Income and Expenditure. Tangible fixed assets in use by the organisation are carried at the cost of acquisition, net of accumulated depreciation and, where applicable, accumulated impairment losses. Tangible fixed assets carried at cost do not include capitalised interest charges.

Hardware, infrastructure and office equipment are written off after five years and depreciated on a straight-line basis. Fixed assets with a total value of under EUR 500 are expensed.

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful economic lives, taking the residual value into account.

3.2 Financial fixed assets

Financial fixed assets consist of government bonds and Exchange-Traded Funds (ETFs.) The fair values of these quoted securities are based on price quotations at the reporting date. Changes in the fair value are directly recognised in the Statement of Income and Expenditure.

3.3 Accounts receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

3.4 Cash at banks and in hand

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value.

3.5 Current liabilities

On initial recognition, current liabilities are recognised at fair value. After initial recognition, current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

4. Principles for the Statement of Income and Expenditure

4.1 General

The surplus/deficit is the difference between the realisable value of the services provided and the costs and other charges during the year. The results on transactions are recognised in the year which they are realised.

The surplus/deficit is determined taking into account the recognition of unrealised changes in fair value of the securities as included in the fixed assets.

4.2 Revenue recognition

4.2.1. General

Net income relates to the proceeds from membership fees, sponsorships and the delivery of services after deducting taxes on sales.

4.2.2 Sales of services

If the result of a transaction relating to one of these can be reliably estimated and the income is likely to be received, the income relating to that service is recognised in proportion to the service delivered.

RIPE NCC members determine annually whether to adjust fees that members have to pay for the year by adopting a redistribution scheme for the current year regarding excess contribution paid.

4.3 Expenditures

4.3.1 General

Expenditures are determined with due observance of the accounting policies mentioned in this report and are allocated to the financial year to which they relate. Obligations (foreseeable and otherwise) and potential losses arising before the end of the financial year are recognised if they are known before the financial statements are prepared, provided that all other conditions for forming provisions are met. Project funding expenditures are recognised in the year in which the agreements with the funding recipient were signed and announced.

4.3.2 Employee costs

Wages, salaries and social security charges are recognised in the Statement of Income and Expenditure according to the terms of employment to the extent that they are due to either employees or the tax authorities.

4.3.3 Pensions

Pension contributions payable to the pension scheme administrator are recognised as an expenditure in the Statement of Income and Expenditure. Contributions payable or prepaid contributions at year-end are recognised under accruals and prepayments respectively.

4.4 Financial Income and Expenditure

4.4.1. Interest income and interest expenditures

Interest income and expenditures are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenditures, the recognised transaction expenditures for loans received are taken into consideration.

4.4.2. Currency translation differences

Currency translation differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they are realised, unless hedge accounting is applied.

4.5 Corporate Income Tax

Tax on the result is calculated based on the result before tax in the Statement of Income and Expenditure, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs.

5. Financial instruments and risk management

5.1 Market risk

5.1.1. Currency risk

The RIPE NCC mainly operates in Europe, Central Asia and the Middle East. From an income perspective currency risks are low because invoices are sent to members in EUR only. However outstanding payable positions are held in several foreign currencies and bank accounts are also held in USD and AED. Governments bonds and securities are held in four different currencies. Based on the RIPE NCC's Treasury Statute, which is reviewed annually by the Executive Board, it was decided that none of these currencies needs to be hedged.

5.1.2. Price risk

The RIPE NCC incurs risk regarding the valuation of Securities and Government Bonds disclosed under financial assets within fixed assets. Market value risk is managed by stratifying the portfolio and imposing limits as described in the RIPE NCC's Treasure Statute.

5.1.3 Interest rate and cash flow risk

Interest rate risk is incurred on interest-bearing receivables (in particular those included in financial assets, securities and cash). No financial derivatives for hedging of the interest rate risk are contracted with regard to the receivables.

5.2 Credit risk

The RIPE NCC does not have any significant concentrations of credit risk.

5.3 Liquidity risk

The RIPE NCC uses several banks in order to avail itself of a range of overdraft facilities. Where necessary, further securities will be furnished to the bank for available overdraft facilities.

Breakdowns of Items in the Balance Sheet

Fixed Assets

Tangible Fixed Assets [1]

	31/12/2019	31/12/2018
Hardware	2,226	2,253
Infrastructure	553	815
Office Equipment	156	231
	2,935	**3,299**

	Hardware	Infrastructure	Office Equipment	Total
Carrying Amount as of 1 January 2019	2,253	815	231	3,299
Addition	850	7	-	857
Disposals/Retirements	(77)	-	-	(77)
Depreciation Disposals	73	-	-	73
Depreciation	(873)	(269)	(75)	(1,217)
Carrying Amount as of 31 December 2019	**2,226**	**553**	**156**	**2,935**
Cost	6,636	1,357	486	8,479
Depreciation	(4,410)	(804)	(330)	(5,544)
Carrying Amount as of 31 December 2019	**2,226**	**553**	**156**	**2,935**

Financial Fixed Assets [2]

	31/12/2019	31/12/2018
Fixed Financial Assets	12,975	13,305

	Government Bonds	Securities	Total
Carrying Amount as of 1 January 2019	9,104	4,201	13,305
Addition	-	-	-
Disposals	(866)	-	(866)
Currency Translation Effect	100	-	100
Revaluation	(5)	441	436
Carrying Amount as of 31 December 2019	8,333	4,642	12,975

The RIPE NCC's investments are managed in accordance with the RIPE NCC Treasury Statute. On 31 December 2019, we held 11 different government bonds and securities in four different currencies: EUR, CAD, AUD and USD. In 2019, no new investments were made and one government bond reached its maturity date. The securities gave generous returns due to a positive worldwide economy, which can be seen in the high revaluation.

The government bonds and security portfolio meet the asset mix requirements as set out in the RIPE NCC Treasury Statute, assuring a minimal risk strategy for the RIPE NCC capital reserves. All government bonds and securities qualify as held for trading. The total portfolio doesn't include any majority stakes.

Current Receivables [3]

	31/12/2019	Remaining Term > 1 year	31/12/2018	Remaining Term >1 year
Account Receivables	27	-	36	-
Taxes and Social Security Contributions	266	-	288	-
Miscellaneous Receivables	1,390	8	1,219	-
	1,683	8	1,543	

The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that provisions for bad debt are recognised where necessary.

Account Receivables

	31/12/2019	31/12/2018
Debtors	27	36
Provision for Doubtful Debtors	-	-
	27	36

Due to a reclassification of 836 kEUR (771 kEUR in 2018), there is no significant outstanding amount shown for debtors. The reclassification relates to unearned sign-up fees and new member service fees which have been invoiced in 2019, but which are unpaid as of 31 December 2019. Without this reclassification, the debtors would show an outstanding amount of approximately 860 kEUR (807 kEUR in 2018) instead of 27 kEUR. Based on the amount of 27 kEUR, a provision for doubtful debts was not deemed necessary.

Taxes and Social Security Contributions

	31/12/2019	31/12/2018
VAT	266	288

The VAT receivables consist of the Dutch VAT return for November and December 2019, as well as the VAT to be received from the Icelandic and French tax authorities for local VAT charged at RIPE Meetings. Along with these VAT returns, we have also included a liability of 93 kEUR related to additional VAT adjustments for the years 2014 till the end of 2018 as a result of a recent tax audit. The VAT adjustment relates to the private use of goods and services bought for business purposes by the RIPE NCC (e.g. lease cars).

Miscellaneous Receivables

	31/12/2019	31/12/2018
Interest Receivable	103	92
Prepayments	1,263	1,015
Other Receivables	24	112
	1,390	1,219

The interest receivable increased by 11 kEUR due to the fact that we had more cash in our savings accounts as compared to the previous years. Prepayments consist of costs linked to the budget for 2020 that were accounted for in 2019. The main prepayments related to the Q1 office rent, the RIPE Meeting in Berlin and prepaid pension obligations. The total increase is mainly caused by a prepayment for the RIPE Meeting in Berlin (440 kEUR) compared to last year's meetings in Iceland and the Netherlands.

The other receivables mainly consist of credit card receivables from debtors. The decrease is caused by the fact that we changed the frequency of bulk invoicing, which allowed for more time to collect the outstanding amounts. In 2019, we invoiced in bulk only once in February, whereas in 2018 we also invoiced per quarter.

Cash at Banks and in Hand [4]

	31/12/2019	31/12/2018
ABN AMRO Bank N.V.	9,911	5,593
Rabobank	10,154	10,096
ING Bank N.V.	10,606	6,826
National Bank of Abu Dhabi	17	15
Cash in Hand	1	1
	30,689	22,531

Cash at banks and in hand includes deposits to the amount of 9M EUR with maturities of up to one month. Next to that the cash at banks includes a bank guarantee which relates to the lease of the office in Amsterdam. All other cash at banks and in hand, are at the association's free disposal. The increase is explained by the a rise in our operational cashflow activities triggered by the growth in membership. For a more detailed overview please refer to the cashflow statement.

Capital and Liabilities

Capital [5]

	31/12/2019	31/12/2018
	32,234	**25,460**

Capital consists of the RIPE NCC Clearing House and the surplus or deficit for the year. At the General Meeting October 2019, held in Rotterdam, the membership voted for a redistribution of 50% of the 2019 financial surplus. After fulfilling our corporate income tax obligations, we were able to add the remaining 50% to our Clearing House reserves. As a consequence, capital increased by 6,774 kEUR to 32,234 kEUR as of 31 December 2019. In the overview below, the surplus of 2019 is not included in the Clearing House.

In 2019, the Capital Expense ratio increased from 91% to 101%. This is sufficient to cover the our operational costs for one year. The Capital Expense ratio is a key indicator used to weigh the extent of Capital in relation to Expenses.

Clearing House

	Clearing House	Surplus/Deficit After Taxation	Total
Carrying Amount as of 1 January 2019	**25,215**	**245**	**25,460**
Addition of the Surplus 2018	245	(245)	-
Surplus after taxation 2019	-	6,774	6,774
Carrying Amount as of 31 December 2019	**25,460**	**6,774**	**32,234**

Current Liabilities [6]

	31/12/2019	31/12/2018
Trade Creditors and Suppliers	949	843
Taxes and Social Security Contributions	3,972	742
Other Liabilities, Accruals and Deferred Income	11,127	13,633
	16,048	**15,218**

All current liabilities are due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

Trade Creditors and Suppliers

	31/12/2019	31/12/2018
Trade Creditors and Suppliers	**949**	**843**

The increase in the amount owed to trade creditors and suppliers is partly explained by the general increase in our expenditures and some outliers compared to the previous year. The financial statements reclassification relating to overpaid debtors have increased by 75 kEUR linked to the increase in LIR accounts in 2019. Along with this, an amount of 100 kEUR is due to consultants in Russia covering invoices for four months. The outstanding pension liabilities increased by 80 kEUR due to an adjustment, which was included in the December invoice.

Taxes and Social Security Contributions

	31/12/2019	31/12/2018
Additional Wage Tax Adjustment	1,042	-
Wage Tax Payable	893	742
Corporate Income Tax	2,037	-
Wage Taxes and Social Securities	3,972	742

The outcome of an extensive tax audit that started in 2018 concluded that the RIPE NCC is obliged to pay additional wage tax adjustment to the Dutch tax authorities of 1,042 kEUR covering the period from 1 January 2015 up to 31 December 2019. These tax back payments mainly relate to the payroll administration for employees outside of Amsterdam. Additionally, the tax auditors also found some errors in the secondary benefit scheme in relation to Dutch salary administration rules.

The wage tax payable has increased by 151 kEUR. This increase can be explained by the 6% rise in FTEs (156 FTEs in December 2019 compared to 149 FTEs in December 2018).

The average salary costs increased by 4.5%, in line with the Dutch labour market conditions. In 2019, severance settlements also had an impact on wage taxes. Further, the majority of bonuses for the year 2019 were paid out in December 2019 whereas this bonus was paid in January 2019 for the year 2018.

We were also liable for corporate income tax in 2019 as the result of the decision to redistribute 50% of the surplus to our members and add the remaining 50% to our reserves. In 2018, the surplus was fully redistributed to our members, hence no corporate income tax was due.

Other Liabilities, Accruals and Deferred Income

	31/12/2019	31/12/2018
Unearned Revenues	132	471
Accruals	752	751
Payable Employee Expenses	1,878	1,376
Redistribution of Member Fees	8,365	11,035
	11,127	13,633

The unearned revenues consist of the following:

- Invoices for the service fee of 2019 from existing members for which payment was not received in 2019
- Invoices for the service fee which relates to 2020 and payment is received in 2019

The accruals mainly relate to the ICANN contribution, NRO expenses, the RIPE NCC Community Projects Fund and some accrued consultancy fees for the month of December 2019.

The payable employee expenses include severance settlements, bonus accruals, holiday allowance and vacation days for employees. The increase here is chiefly due to severance settlements and outstanding vacation days. Fewer vacation days were taken by employees by the end of the year as compared to previous years, combined with an increase in FTEs and a rise in average salaries.

The redistribution of member fees consists of the redistribution of the 2019 surplus of 8.2M EUR and a residual redistribution of the surplus for 2018 of 169 kEUR. The decrease is due to the fact 50% has been redistributed to the membership. This was 100% in 2018. The surplus in itself increased due to a rise in income which can be explained by the growth in membership preceding IPv4 runout.

Arrangements and Commitments Not Shown in the Balance Sheet

Office Lease

The office lease commitments are for our offices in Amsterdam and Dubai. A bank guarantee of 204 kEUR is issued for the office in Amsterdam.

Obligations to Pay	
Within one year	681
From one to five years	2,560
After five years	1,172
Total	**4,413**

Other Lease Agreements

Obligations to Pay	
Within one year	25
From one to five years	15
After five years	-
Total	**40**

Other Commitments Not Shown in the Balance Sheet

As of 31 December 2019, we had other obligations not shown in the Balance Sheet amounted to 728 kEUR. These oblications relate to the RIPE Meeting in Milan (340 kEUR) and contracts for the use of server space (388 kEUR).

Obligations to Pay	
Within one year	728
From one to five years	-
After five years	-
Total	**728**

Breakdowns of Items in the Statement of Income and Expenditure

Income (Total 2019 kEUR 40,178) [7]

Annual Fees

	2019	Budget 2019	2018
Fees Existing Members	28,570	29,400	24,534
Independent Resource Fees	1,070	1,086	1,060
Fees New Members	5,738	3,467	3,493
Re-opening Fees	240	200	227
	35,618	34,153	29,314

In 2019, there was a record growth in membership from 20,624 to 25,125 LIR accounts. A total of 6,060 new LIR accounts were added while 1,559 LIR accounts were closed, resulting in a net growth by 4,501 LIR accounts.

Sign-up Fees

	2019	Budget 2019	2018
Sign-up Fees	12,120	8,000	8,850

The sign-up fee for each LIR account is EUR 2,000. The addition of 6,060 new LIR accounts in 2019 explains the large increase in sign-up fees, compared to our initial budgeted estimate, which was calculated in mid-2018.

RIPE Meetings

	2019	Budget 2019	2018
RIPE Meetings	302	235	277

Two RIPE Meetings were held in 2019: RIPE 78 in Reykjavik, Iceland from 20-24 May 2019 and RIPE 79 in Rotterdam, the Netherlands from 14-18 October 2019. The average attendance levels were in line with 2018 but were higher than budgeted.

Sponsorship Income

	2019	Budget 2019	2018
Sponsorship Income	295	255	464

The sponsorship income was 15% higher than budgeted, but decreased by 37% compared to 2018. The increase compared to budget is explained by the success of our marketing activities but was lower compared to 2018. Sponsorship income consists of specific funding for RIPE Atlas, RIPE Meetings and RIPE NCC Regional Meetings.

Redistribution of Member Fees

	2019	Budget 2019	2018
Redistribution of Member Fees	(8,196)	-	(10,859)

The redistribution of 50% of the surplus was approved by the RIPE NCC General Meeting in October 2019. This will be redistributed to eligible members as credit on their 2020 invoices. The amount of the redistribution applied to each LIR account is based on the annual membership fee paid in 2019. Sign-up fees and/or re-activation fees are excluded from the calculation. In 2019, 8.2M EUR was redistributed which is 1.7M EUR higher than the average redistribution amount for the period 2014-2018.

Income by RIPE NCC Sub-regions

The income by region does not include the redistribution of member fees.

	2019	2018
Western Europe	26,605	21,518
ENOG region	7,904	5,645
Middle East	4,649	4,158
Eastern Europe	3,221	2,750
South East Europe	2,681	2,292
Other	3,314	2,589
	48,374	38,953

Expenditures (Total 2019 kEUR 32,118) [8]

Payroll and Personnel Expenditures

	2019	Budget 2019	2018
Wages and Salaries	13,911	13,481	11,953
Social Security Charges	2,836	1,781	1,492
Pension Contributions	1,350	1,476	1,297
Miscellaneous Employee Expenditures	879	987	900
	18,976	**17,725**	**15,642**

The increase in expenditures on wages and salaries compared to 2018 is mainly due to one-off costs related to severance payments and an increase in the FTEs.

An extensive tax audit was finalised in 2019, and we were obliged to make wage tax adjustments of 1,042 kEUR in total, covering four years from 2015-2019. These tax back payments to the Dutch tax authorities relate to our payroll administration for employees outside of the Netherlands.

The rise in pension contributions compared to the previous year is in line with our FTE count. Pension costs are calculated using age scaling and the number of FTEs.

Miscellaneous employee expenditures are in line with 2018 and our costs in 2019 were within budget.

Expenditures (Total 2019 kEUR 32,118) [8]

Average Number of FTEs

During 2019, 155.7 FTEs were employed on a full-time basis, compared to 150.7 in 2018. Of these employees, five were employed outside of the Netherlands in 2019. In 2018, there were six employees outside of the Netherlands.

	2019	Budget 2019	2018
Communications, External Relations and Web Services	22.4	23.9	22.4
Customer Services	16.7	16.1	12.2
General Support	41.4	43.6	45.2
Global Information Infrastructure	9.9	11.6	10.8
Learning and Development	12.1	12.5	11.1
Research and Development	12.2	12.9	11.8
Registration Services	22.9	25.2	21.7
Software Engineering	18.1	16.3	15.5
Average Number of FTEs	**155.7**	**162.1**	**150.7**

Executive Board Remuneration

The RIPE NCC Executive Board does not receive remuneration or a fixed expense reimbursement. Board members are reimbursed for travel expenses incurred while attending Executive Board meetings, RIPE Meetings, RIPE NCC Regional Meetings and other Internet coordination meetings.

	2019	Budget 2019	2018
Reimbursements made to the Executive Board	**155**	**164**	**137**

Other Operating Expenditures

	2019	Budget 2019	2018
Bad Debts	353	250	277
Bank Charges	381	337	292
Consultancy	2,351	3,253	2,448
Contributions	954	817	838
Housing	878	927	847
IT Infrastructure	2,104	3,029	1,743
Communications and External Relations	522	809	641
Office Costs	2,819	3,115	2,636
Travel	1,563	1,588	1,564
Total Other Operating Expenditures	**11,925**	**14,125**	**11,285**

Other operating expenditures increased by approximately 640 kEUR in total compared to 2018. However these expenditures are still considerably lower than the budget and show a variance of 2.2M EUR. This is mainly explained by certain projects being paused such as the 'Train the Trainer' programme, or being pushed forward to 2020, and a restructuring of RIPE NCC's governance. Another project for which expenditure was significantly lower than budgeted was K-root, as having carried out an analysis of our existing infrastructure, we established that it has sufficient capacity to continue operating in a stable fashion, and thus the addition of capacity was not required.

Depreciation and Amortisations

Depreciation increased by 5% compared to last year. The depreciation costs were 14% under budget.

	2019	Budget 2019	2018
Hardware	873		819
Infrastructure	269		268
Office Equipment	75		75
	1,217	**1,400**	**1,162**

Surplus/Deficit After Taxation (Total 2019 kEUR 6,774)

Financial Income and Expenditures [9]

	2019	Budget 2019	2018
Result on Interest Income	227	300	251
Result Exchange Differences	(12)	-	7
Result Revaluation Financial Fixed Assets	536	-	(19)
Total Financial Income and Expenditures	**751**	**300**	**239**

The increase in total financial income is mainly due to the positive revaluation of government bonds and exchange traded funds which are held in the RIPE NCC's portfolio, owing to the positive market circumstances in 2019.

Corporate Income Taxes [10]

	2019	2018
Surplus before taxes	**8,811**	**245**
Deferred Corporate Income Tax	-	-
Corporate Income Tax Current Financial Year	2,037	-
Corporate Income Tax previous Financial Years	-	-
Taxes on Surplus	**2,037**	**-**

Since 1 January 2015, the RIPE NCC has been subject to corporate income tax. Any surplus or deficit will be submitted for taxation. The RIPE NCC has a tax ruling from the Dutch tax authorities that excludes the Clearing House reserve and any capital gains in the Clearing House reserve from corporate income taxation.

No deferred tax assets are recognised for temporary differences between the valuation for tax and financial reporting purposes and we do not have any carry-forward losses.

The fiscal result of 2019 (after redistribution) is 8,196 kEUR. Thus a corporate income tax payable of 2,037 kEUR is recognised in the Balance Sheet and the Statement of Income and Expenditure. The effective corporate income tax rate is 23.6%.

Subsequent Events

No significant events occurred after the Balance Sheet date.

Auditor's Fees

The audit fees listed relate to the procedures applied to the Association by accounting firms, external independent auditors including their tax services and advisory groups. These audit fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

	2019	2018
Audit Fees	42	39
Audit-related Fees	-	14
Tax Advisory Fees	-	9
	42	**62**

Signed by

Remco van Mook

RIPE NCC Executive Board Treasurer

13 March 2020

RIPE NCC

Amsterdam, the Netherlands

Independent Auditor's Report

To: the members and directors of Réseaux IP Européens Network Coordination Centre

Report on the audit of the financial statements 2019 included in the financial report

Our opinion

We have audited the financial statements 2019 of Réseaux IP Européens Network Coordination Centre, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Réseaux IP Européens Network Coordination Centre as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2019
- The profit and loss account for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Réseaux IP Européens Network Coordination Centre in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the financial report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The executive board's report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements and the other information, including the executive board's report in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board.

Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's

Description of responsibilities for the financial statements

ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

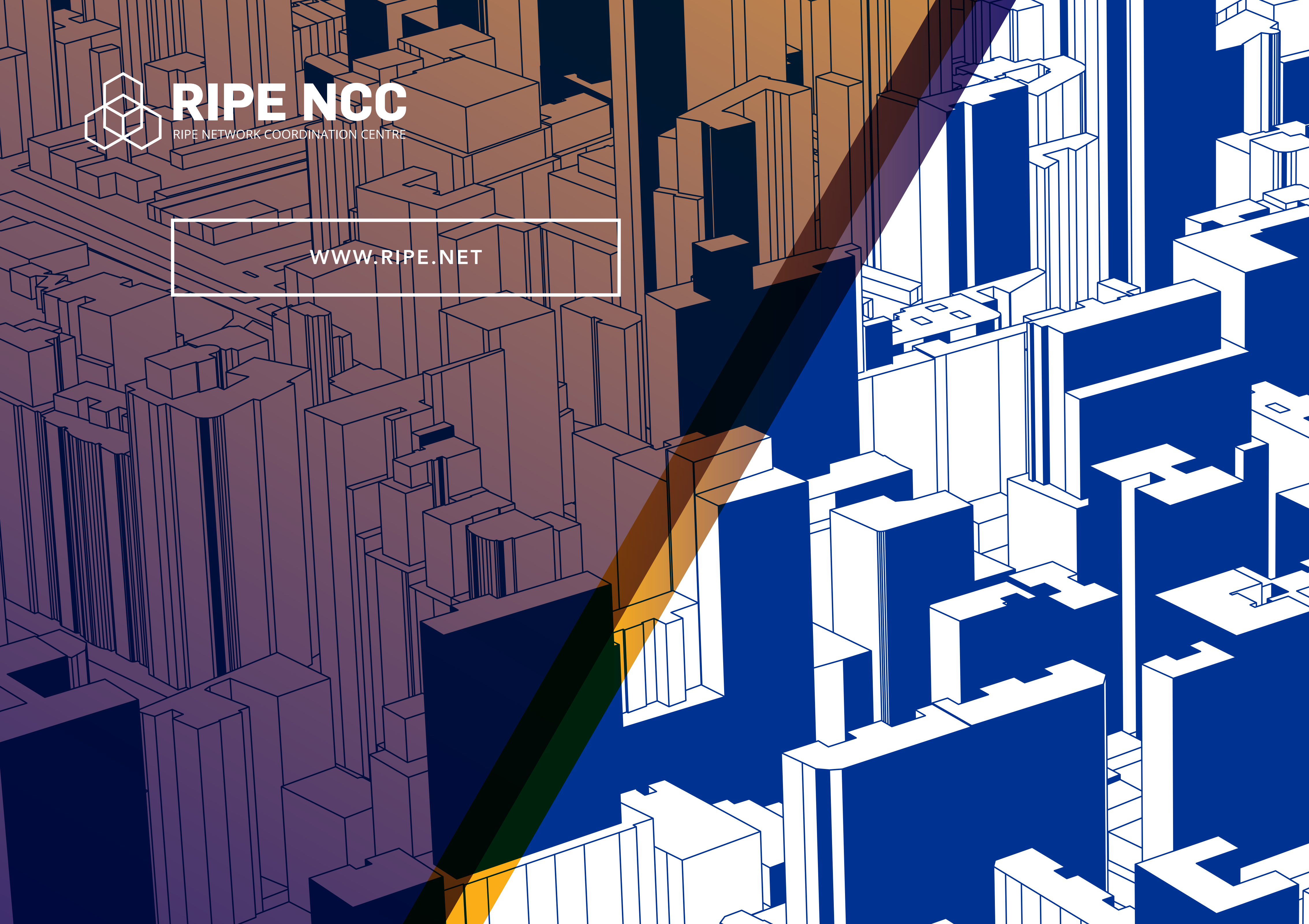
We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 13 March 2020

Ernst & Young Accountants LLP
signed by B. Minks



RIPE NCC
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