RIPE NCC

RIPE NETWORK COORDINATION CENTRE

FINANCIAL REPORT 2017

Executive Board Report

Introduction to the RIPE NCC Financial Report

Remco Van Mook

RIPE NCC Executive Board Treasurer

The Internet landscape continues to change and in 2017 the RIPE NCC has evolved its community role and service as required. Much work has been done to maintain a strong registry and facilitate outreach to members. The changing roles of IPv4 and IPv6 continued to instigate an increase and diversification of our member base.

In the financial year 2017, the RIPE NCC membership grew by 2,593 LIRs, bringing the total to just over 17,600 LIR accounts by year end. The total income for the year was 31,822 kEUR, which was 6% more than budget and 4,300 kEUR higher than 2016.

At the RIPE NCC General Meeting in October 2017, members voted in favour of redistributing the 2017 fiscal surplus back to the membership. This surplus amounted to just over 5,933 kEUR. This figure approximates the 2017 income from new member sign-up fees. As a result, our total income was reduced from 31,822 kEUR to 25,890 kEUR.

The redistribution of our fiscal surplus is in line with our activity calendar and forecasting set for 2018. The alignment of our income is necessary to accurately predict our financial outlook and ensure financial stability. Read more about the RIPE NCC's fiscal surplus redistribution.

Our investments were 36% below budget for 2017, a significant 60% decrease over last year when the RIPE NCC invested in its new office. A year later, we are seeing the investments pay off with increased cross-departmental collaboration and more efficient internal processes.

The RIPE NCC is diligent about its expenditure levels and cost control. The total expenditure for 2017 was 2% below budget at 25,848 kEUR. Despite the additional workload from the increase in LIRs, mergers and acquisitions and Internet number resource transfers over the year, our personnel costs remained within budget thanks to efforts to make internal processes more efficient.
We supported several "Good of the Internet" initiatives this year, including the Rob Blokzijl Foundation, the RIPE NCC Community Projects Fund and a contribution towards IETF sustainability.

We continue to implement a conservative investment strategy that minimises the risk for the RIPE NCC reserves to ensure solidity. We invested in 11 government bond portfolios denominated in five currencies and government bond ETFs (exchange-traded funds).

The developments in the bond and currency markets and the redistribution to our members did have an effect on RIPE NCC's capital position. Combined with the rise in total expenditures (10% in 2017) our Capital Expense ratio decreased from 108% to 98%. This is still sufficient to cover our operational costs for one year but we will continue to investigate if our financial buffer principles are appropriate looking at the future.

In December 2017, the RIPE NCC welcomed Gwen van Berne as the new CFO. We look forward to the impact her extensive financial experience and stakeholder engagement will have on the organisation.

The RIPE NCC's financial outlook continues to remain positive and we are confident it will provide stability for the organisation in the years ahead.

10 April 2018

Risks and Uncertainties

The RIPE NCC aims to reduce risks within its remit and operating within the guidelines set out in the Activity Plan and Budget. The RIPE NCC has a low risk appetite. This is reflected in a conservative approach to operational practices and implementation of policy, and also in relation to financial investments as documented in the Treasury Statute.

Besides this conservative approach, 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.

The risk of lower membership growth following the adoption of new technologies or protocols has not surfaced. The Executive Board, together with RIPE NCC management, continues to develop scenarios to mitigate this financial risk over the mid- to long-term.

An increase in the number of business transactions relating to IP ranges (such as transfers of IP addresses or company mergers) has introduced additional operational and legal risks, and more resources have been allocated to increase the RIPE NCC's due diligence in response. The RIPE NCC will therefore continue to maintain an in-house legal team. Cyber security threats and information security are a concern for the RIPE NCC's technical services so significant 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). The Executive Board has promised to report back to the RIPE NCC membership on how it views these risks. By year-end 2017, the RIPE NCC's reserve level was slightly below one year of total expenses. Although the RIPE NCC is still very solvent, we will continue to look at our capacity to meet our longer-term financial obligations.

The Treasury Statute which describes how the RIPE NCC wants to minimise the risks for its investment portfolio including the asset mix spread is monitored carefully by the Executive Board and reviewed yearly.

The risk of new or amended RIPE Policies impacting the RIPE NCC and its operations is an ongoing feature of our self-governing ecosystem. European Union (EU) regulatory changes, and their implementation in Dutch legislation, also affect the RIPE NCC's operations, including the upcoming General Data Protection Regulation (GDPR). The RIPE NCC has gone through a comprehensive process to understand the legislation to ensure compliancy. GDPR legislation will continue to be an important risk topic for the RIPE NCC and for our community.

The accountability, legitimacy and long-term viability of the global Internet registry system is also under increasing scrutiny in a number of venues, with some governments again looking at the possibility of alternative, state-driven structures to manage Internet number resource administration. While this may not pose a high level of risk in the immediate term, the RIPE NCC actively engages with all stakeholders to understand the longer-term risks posed.

In summary, 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.

Statement of Income and Expenditure 2017 (in kEUR)

Income	Actual 2017	Budget 2017	Actual 2016	Variance 2017 vs B2017		Variance 2017 vs 2016	
Fees Existing Members	20,916	20,860	17,881	56	0%	3,035	17%
Independent Resource Fees	1,076	1,082	1,063	(6)	-1%	13	1%
Fees New Members	2,630	2,149	2,280	481	22%	350	15%
Re-opening Fees	348	200	164	148	74%	184	112%
Annual Fees	**24,970**	**24,291**	**21,388**	**679**	**3%**	**3,582**	**17%**
Sign-up Fees	6,366	5,000	5,414	1,366	27%	952	18%
RIPE Meetings	192	275	234	(83)	-30%	(42)	-18%
Sponsorship Income	348	340	430	8	2%	(82)	-19%
Other Income	(54)	50	57	(104)	-208%	(111)	-195%
Subtotal Income	**31,822**	**29,956**	**27,523**	**1,866**	**6%**	**4,299**	**16%**
Re-distribution of Members Fees	(5,932)		(3,930)	(5,932)	N/A	(2,002)	51%
Total Income	**25,890**	**29,956**	**23,593**	**(4,066)**	**-14%**	**2,297**	**10%**
Expenditures							
Salary Components - Personnel	9,720	10,059	9,071	(339)	-3%	649	7%
Secondary Benefits - Personnel	2,537	2,485	2,414	52	2%	123	5%
Miscellaneous - Personnel	2,537	2,251	2,281	286	13%	256	11%
Subtotal Personnel	**14,794**	**14,795**	**13,766**	**(1)**	**0%**	**1,028**	**7%**
Housing	767	922	975	(155)	-17%	(208)	-21%
Office Costs	2,188	2,152	2,067	36	2%	121	6%
Marketing / ER	570	725	653	(155)	-21%	(83)	-13%
Contributions	907	1,070	526	(163)	-15%	381	72%
IT Infrastructure	1,615	1,673	1,425	(58)	-3%	190	13%
Travel	1,574	1,336	1,564	238	18%	10	1%
Consultancy	2,008	2,212	1,647	(204)	-9%	361	22%
Bank Charges	222	220	190	2	1%	32	17%
Bad Debts	212	200	184	12	6%	28	15%
Depreciation	991	1,141	531	(150)	-13%	460	87%
Total Expenses	**25,848**	**26,446**	**23,528**	**(598)**	**-2%**	**2,320**	**10%**
Surplus / Deficit Before Financial Result	**42**	**3,510**	**65**	**(3,468)**		**(23)**	
Result on Interest Income	336	350	399	(14)	-4%	(63)	-16%
Result Revaluation Government Bonds	(551)	-	(139)	(551)	N/A	(412)	296%
Financial Result	**(215)**	**350**	**260**	**(565)**	**-161%**	**(475)**	**-183%**
Surplus / Deficit before Taxation	**(173)**	**3,860**	**325**	**(4,033)**		**(498)**	
Income Taxes	-		-				
Net Surplus / Deficit	**(173)**		**325**				

Balance Sheet 31 December 2017

Before Allocation of Deficit (in kEUR)

	2017		2016	
ASSETS				
Tangible Fixed Assets				
Computers	2,342		2,118	
Infrastructure	1,062		1,280	
Office Equipment	285		337	
Total Tangible Fixed Assets		**3,689**		**3,735**
Financial Fixed Assets				
Other Securities	14,039		10,444	
Total Financial Fixed Assets		**14,039**		**10,444**
Cash on Hand		**16,012**		**17,858**
Miscellaneous Receivables - Current Assets				
Accounts Receivable	717		687	
Value Added Tax (VAT)	270		398	
Miscellaneous Receivables	1,136		1,006	
Total Current Assets		**2,123**		**2,091**
TOTAL ASSETS		**35,863**		**34,128**
CAPITAL AND LIABILITIES				
Capital				
Clearing House	25,389		25,064	
Surplus/Deficit after Taxation	(173)		325	
Total Capital		**25,216**		**25,389**
Current Liabilities				
Creditors	825		1,284	
Wage Taxes and Social Securities	707		620	
Unearned Revenues	878		774	
Redistribution of Members Fees	6,196		4,306	
Miscellaneous Payables	2,041		1,755	
Total Current Liabilities		**10,647**		**8,739**
TOTAL CAPITAL AND LIABILITIES		**35,863**		**34,128**

Cash Flow Statement 2017 (in kEUR)

	2017	2017	2016	2016
Cash Flow from Operating Activities				
Operating Profit/Loss		**42**		**65**
Adjustments for:				
Depreciation and Amortisation		991		531
Changes in Working Capital:				
Increase in Accounts Receivable	(30)		87	
Increase in Miscellaneous Receivables	(130)		250	
Decrease in Accounts Payables	(459)		668	
Decrease in Taxes and Social Security charges	215		(156)	
Increase in Miscellaneous Payables	2,280		(740)	
		1,876		109
Cash Flow from Operations before Interest and Income Tax		**2,909**		**705**
Interest Received	336		399	
Income Tax Paid	-		-	
		336		399
Cash Flow from Operating Activities after Interest and Income Tax		**3,245**		**1,104**
Cash Flow from Investing Activities				
Additions to Financial Assets	(5,827)		(1,993)	
Disposals of Financial Assets	1,681		1,740	
Investments in Financial Assets		**(4,146)**		**(253)**
Additions to Tangible Fixed Assets	(949)		(2,431)	
Disposals of Tangible Fixed Assets	4		51	
Investments in Tangible Fixed Assets		**(945)**		**(2.380)**
Cash Flow from Investing Activities		**(5,091)**		**(2,633)**
Cash Flow from Financing Activities		**-**		**-**
Cash Flow from Financing Activities		**-**		**-**
Net Cash Flow		**(1,846)**		**(1,529)**

Accounting Policies Used To Prepare the Financial Report

Réseaux IP Européens Network Coordination Centre (RIPE NCC) is a not-for-profit membership association under Dutch law, registered with the Netherlands Chamber of Commerce under number 806268220, located at Stationsplein 11, 1012 AB Amsterdam, the Netherlands.

All amounts in this financial report are expressed in kEUR (EUR 1,000) unless otherwise stated. Foreign currencies are converted at the daily exchange rate at the date of transaction or valuation. The Balance Sheet is based on the status at 31 December 2017. The financial statements were prepared on 10 April 2018.

The RIPE NCC administers Internet number resources for its members in Europe, the Middle East and parts of Central Asia. The RIPE NCC maintains several technical elements vital to the Internet infrastructure, including the public RIPE Database and K-root service. As 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.

The accounting principles applied by the RIPE NCC are in accordance with Dutch law and accounting standards on recognition and measurement. This financial report has been made in accordance with Dutch Accounting Standards (RJ640).

Statement of Income and Expenditure

The financial result (a surplus or deficit) is determined as the difference between net income and all expenses relating to the reporting period. Costs are determined in accordance with the accounting policies applied to the Balance Sheet. The financial result is realised in the year in which the income is recognised. Losses and risks originating before the end of the financial year are recorded only if they are known before the preparation of the financial statements.

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

Expenses 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 expenses are recognised in the year in which the agreements with the funding recipient were signed and announced.

Pension contributions payable to the pension scheme administrator are recognised as an expense in the Statement of Income and Expenditure. Contributions payable or prepaid contributions at year-end are recognised under accruals and prepayments respectively. A provision is formed for liabilities other than the contributions payable to the pension scheme administrator if the RIPE NCC has a legal or constructive obligation towards the pension plan administrator and its own employees, and settlement of these liabilities will likely entail an outflow of resources at the Balance Sheet date. This is provided that a reliable estimate can be made of these liabilities. The provision for additional liabilities to the pension scheme administrator and/or the employees is based on a best estimate of the amounts required to settle these at the Balance Sheet date.

Interest income is recognised pro rata in the Statement of Income and Expenditure, taking into account the effective interest rate for the asset concerned, provided the income can be measured and there is a reasonable level of certainty it will be received. Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognised in the Statement of Income and Expenditure with the amortised cost of the liabilities recognised in the Balance Sheet. Period interest charges and similar charges are recognised in the year in which they are due.

Balance Sheet

Assets are valued at historical costs and are depreciated on a straight-line basis, starting from the month after acquisition.

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 estimate. 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 company 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. Fixed assets with a total value of under EUR 500 are expensed.

Other Securities consists of Government bonds and 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.

Cash on Hand includes petty cash and cash held in bank accounts. It also includes deposits if these are effectively at the RIPE NCC's free disposal. Cash on Hand that is not expected to be at the RIPE NCC's free disposal within 12 months is classified under Financial Fixed Assets.

Accounts Receivable is initially stated at fair value and subsequently at amortised cost. This is shown after the deduction of a provision for bad and doubtful debts where appropriate. The Accounts Receivable and Miscellaneous Receivables have a maturity date within one year.

Current Liabilities are initially stated at fair value and subsequently at amortised cost. These are due within one year.

Cash Flow Statement

The Cash Flow statement is prepared in accordance with the indirect method. Cash and cash equivalents consists of cash in the bank and in hand. Financial fixed assets can be converted into cash without restriction and subject to an insignificant risk of decreases in value as a result of the transaction.

Cash flows in foreign currencies are translated at estimated average rates. Cash exchange differences are reported under Cash Flow from Operating Activities as well as from Financing Activities.

Interest received and paid and profits tax are included under Cash Flow from Operating Activities.

Transactions for which no cash or cash equivalents are exchanged, including finance leases, are not included in the Cash Flow statement. Lease payments under finance leases are considered to be cash outflows from financing activities to the extent that they relate to repayment instalments and as cash outflows from Operating Activities to the extent that they relate to interest payments.

Taxes

Taxes are calculated on the surplus as disclosed in the Statement of Income and Expenditure based on current tax rates, allowing for tax-exempt items and cost items which are non-deductible, either in whole or in part. The RIPE NCC is subject to corporate income tax.

Leasing

Assessing whether an agreement contains a lease depends on the substance of the agreement. An agreement is regarded as a lease if its fulfillment depends on the use of a specific asset, or if the lease contains the right of use for a specific asset. The RIPE NCC has no financial lease agreement or agreements in which it acts as lessor. For operating leases, the lease payments are charged to the Statement of Income and Expenditure on a straight-line basis over the term of the lease.

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.

Notes to the Statement of Income and Expenditure 2017

The financial year resulted in a deficit of 173 kEUR (in 2016: 325 kEUR surplus). This deficit is due to the redistribution of the excess membership fees paid in 2017 that will be returned to members in 2018. This decision was voted on by the membership at the RIPE NCC General Meeting in October 2017.

Income

By 31 December 2017, the total income was 31,822 kEUR from 27,523 kEUR in 2016. The estimated redistribution amounts to 5,932 kEUR, reducing the total income to 25,890 kEUR. The income excluding the redistribution was 6% above budget and 16% above the income from 2016.

Annual fees (i.e. contributions) account for 78% of the RIPE NCC's total income, excluding the redistribution of the excess contributions. This category is comprised of annual fees for existing and new members, fees for independent Internet number resources and re-opening fees.

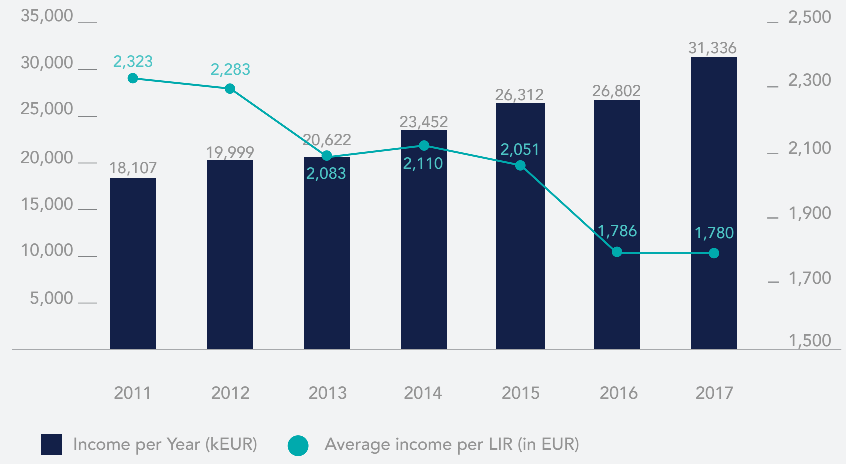
Annual Fees (in kEUR)	Actual 2017	Budget 2017	Actual 2016	Variance 2017 vs B2017		Variance 2017 vs 2016	
Fees existing members	20,916	20,860	17,881	56	0%	3,035	17%
Independent resource fees	1,076	1,082	1,063	(6)	-1%	13	1%
Fees new members	2,630	2,149	2,280	481	22%	350	15%
Re-opening fees	348	200	164	148	74%	184	112%
Annual Fees	**24,970**	**24,291**	**21,388**	**679**	**3%**	**3,582**	**17%**

Sign-up fees in 2017 resulted in an all-time high income of 6,366 kEUR, an 18% increase compared to the income of 5,414 kEUR generated from the 2016 sign-up fee.

The RIPE NCC's membership grew by 2,593 Local Internet Registries (LIRs) in 2017, bringing the total number of members to 17,601 by the end of the year. This was higher than 2016, when membership grew by 2,178 LIRs. This figure includes LIR closures and mergers that took place throughout 2017.

Members Income, comprised of annual fees and sign-up fees, amounted to 31,336 kEUR from 26,802 kEUR in 2016. The average income per LIR in 2017 was EUR 1,780, slightly lower than the per-LIR income of EUR 1,786 in 2016. The annual fee remained at EUR 1,400 per LIR account, still below the average income per LIR.

The chart below shows the development of the Members Income and the Average Income per LIR account over time:



RIPE Meeting income in 2017 was 30% below budget and 18% lower than 2016. The decrease is attributed to local Hungarian VAT charges from RIPE 75 in Budapest and fewer attendees than expected at RIPE 76 in Dubai. There were in total 601 paying attendees at the two RIPE Meetings in 2017 compared to 812 in 2016. The total number of free tickets used by new LIRs to attend the RIPE Meetings was 207, almost on the same levels as in 2016 (212).

A decrease of income related to RIPE Atlas, RIPE Meeting and RIPE NCC Regional Meeting sponsorship in 2017 resulted in 19% lower Sponsorship Income compared to 2016.

Sponsorship Income (in kEUR)	2017	2016
RIPE Atlas Probes	120	160
ENOG Meetings	38	45
RIPE Meetings	169	186
SEE Meetings	-	5
Miscellaneous	21	34
Total Sponsorship Income	**348**	**430**

Other Income includes unidentifiable payments from debtors, exchange rate differences, sales of fixed assets, EU VAT reclaims from 2016, and the value change of the MENOG (Middle East Network Operators Group) funds that are accounted for by the RIPE NCC. For 2017, Other Income had a negative result of 54 kEUR, caused mainly by currency exchange rate devaluations.

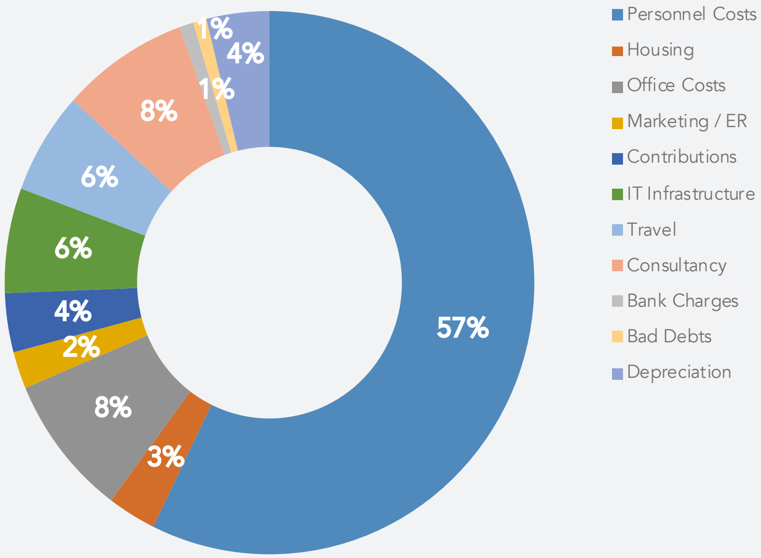
Redistribution of Member Fees

The RIPE NCC fiscal surplus 2017 before redistribution was 5,932 kEUR, compared to 3,930 kEUR in 2016. The fiscal surplus 2017 will be redistributed to members on their 2018 invoices. This amount is composed of the fiscal surplus before redistribution 2017 and the change in the margin that is maintained to guarantee that the RIPE NCC does not return more than the fiscal surplus before redistribution.

Expenditures

The total expenditure in 2017 was 2% below budget and 10% above 2016 levels.

Distribution of Expenses (in %)



Personnel Expenses

Personnel Expenses were on budget for 2017 and 7% higher than 2016. Six additional full-time equivalents (FTEs) were added to the average headcount of 145 in 2017.

The average salary per employee rose by 3% compared to 2016.

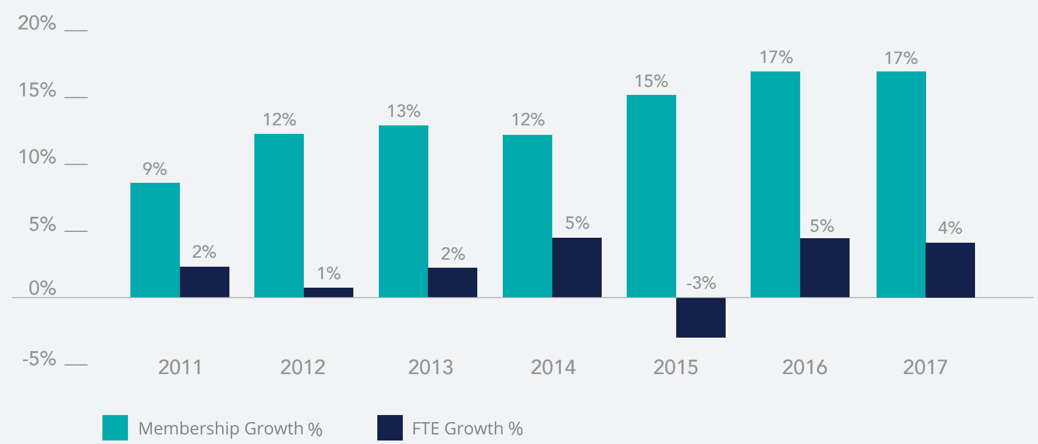
The RIPE NCC has a pension system of defined contributions with a pensionable age of 67 years, in accordance with Dutch legislation. Pension contributions increased as a result of an aging workforce and additional staff.

Pension Contribution and Wage Taxes (in kEUR)	2017	2016
Pension Contribution	1,215	1,132
Employers Taxes	1,495	1,243

Personnel Expenses account for 57% of the Total Expense for RIPE NCC in 2017.

The chart below shows the percentage growth of FTEs compared with the membership growth over time:

Membership Growth vs. FTE Growth



The RIPE NCC Executive Board does not receive remuneration or a fixed expense reimbursement. Board members are reimbursed for travel expenses incurred while attending board meetings, RIPE Meetings, RIPE NCC Regional Meetings and other Internet coordination meetings. In 2017, these costs decreased from 166 kEUR in 2016 to 160 kEUR.

Other Expenses

Housing costs were below budget and lower than 2016 levels when the RIPE NCC relocated its office. The RIPE NCC rents two additional small offices in Moscow and Dubai to host the local External Relations staff.

Office costs were 6% above 2016 and 2% above budget. Additional temporary staff were needed to cope with the extra work resulting from a 17% growth in membership.

Marketing and External Relations costs were below budget and below the 2016 expense level by 21% and 13% respectively. This is attributed to an environmental approach of printing less than in previous years as well as the lack of a Membership Survey in 2017.

Financial contributions were within budget but significantly higher than in 2016 due to a considerable budget increase in 2017 for the "Good of the Internet" initiative. In 2017, 295 kEUR was allocated to the RIPE NCC Community Project Funds, 147 kEUR to ISOC and IETF support and 25 kEUR to the Rob Blokzijl Foundation. Additional contributions were made to Internet governance organisations such as ICANN, the ITU and the IGF.

IT Infrastructure costs were on budget and 13% above 2016 due to an increased demand in rack space at server colocations.

Travel costs in 2017 were on par with 2016 and 18% higher than budget. A total of 664 trips were taken in 2017 versus 638 trips in 2016. This increase is attributed to the ongoing effort for more regional outreach in the Middle East and Eurasia regions.

Consultancy costs in 2017 were below budget but 22% higher than in 2016. In 2017, a concerted effort was put into improving the service delivery of the RIPE NCC's operations, gaining a better understanding of regulatory developments in the EU, investing in management development and strengthening the HR Department. The RIPE NCC strives to achieve a healthy balance between in-house knowledge and external expertise.

Bank charges were on budget and increased by 17% compared to 2016, which aligns to the increased growth of membership seen in 2017.

As in previous years, the amount of Bad Debts written off was less than 1% of the annual fees. This item includes an accrued amount for the outstanding invoices in 2017 at year end.

The delivery of the new RIPE NCC office at the end of 2016 resulted in high investments and caused an increased level of depreciation costs for 2017. Depreciation costs were well below budget and 87% above 2016.

Financial Result

Interest income is generated by the bank deposits and government bonds held in the RIPE NCC's portfolio. The total interest income amounted to 336 kEUR. On average, the RIPE NCC achieved just 1% return on its investments. The revaluation of government bonds was negative, mostly caused by negative exchange rate fluctuations. These factors combined caused an overall negative financial result of 215 kEUR. Interest Income of 313 kEUR is attributable to the Clearing House reserve and is excluded from corporate income tax. 23 kEUR will be taken into account for corporate income taxation.

Notes to the Balance Sheet as per 31 December 2017

Assets

Tangible Fixed Assets

Capitalised expenses for 2017 were relatively low at 949 kEUR compared to the 2,431 kEUR from the previous year when the RIPE NCC made significant investments in the new RIPE NCC office.

The disposal of assets no longer in use resulted in a net disposal of 4 kEUR, bringing the total net capital expenditure in 2017 to 945 kEUR. The total investment in 2017 was 36% below budget and 60% below the 2016 levels.

Below is an overview of the Tangible Fixed Assets per 31 December 2017 (figures stated in kEUR):

Tangible Fixed Assets per 31 December 2017 (in kEUR)	Hardware	Infrastructure	Office Equipment	Total
Purchased Costs	7,088	2,035	515	9,638
Depreciation	(5,267)	(2,016)	(469)	(7,752)
Book Value 31 December 2015	**1,821**	**19**	**46**	**1,886**
Additions	824	1,279	328	2,431
Disposals	(28)	(9)	(13)	(50)
Depreciation	(498)	(10)	(23)	(531)
Total Change in Net Book Value	**298**	**1,260**	**292**	**1,850**
Purchase Costs	4,441	1,285	448	6,174
Accumulated Depreciation	(2,323)	(5)	(111)	(2,439)
Book Value 31 December 2016	**2,118**	**1,280**	**337**	**3,735**
Additions	882	45	22	949
Disposals	(3)	(1)	-	(4)
Depreciation	(655)	(262)	(74)	(991)
Total Change in Net Book Value	**224**	**(218)**	**(52)**	**(46)**
Purchase Costs	5,278	1,329	465	7,072
Accumulated Depreciation	(2,936)	(267)	(180)	(3,383)
Book Value 31 December 2017	**2,342**	**1,062**	**285**	**3,689**

Financial Fixed Assets

The RIPE NCC's investments are managed in accordance with the RIPE NCC Treasury Statute (URL/reference). At present, the RIPE NCC only holds deposits with a maturity of less than one year. These deposits with a short maturity are reported as Cash on Hand and are effectively at the RIPE NCC's free disposal.

By 31 December 2017, the RIPE NCC held 11 different government bonds in five different currencies: EUR, CAD, AUD, USD and GBP for a value of 9,929 kEUR in addition to 4,110 kEUR in ETFs (exchange-traded funds).

The expansion of the government portfolio meets the asset mix aimed for in the RIPE NCC Treasury Statute, assuring a minimal risk strategy for the RIPE NCC's reserves.

By 31 December 2017, the RIPE NCC held the following Financial Fixed Assets (figures stated at fair value in kEUR):

Other Securities (in kEUR)	Currency	Coupon Rate	Expiration Year	Value per 31 Dec 2016	Additions	Disposals	Revaluations	Value per 31 Dec 2017
Australia	AUD	4.25%	2017	851		(831)	(20)	-
European Investment Bank	EUR	4.75%	2017	886		(850)	(36)	-
United Kingdom	GBP	5.00%	2018	790			(63)	727
United States	USD	3.13%	2019	958			(137)	821
United States II	USD	3.50%	2020	1,006			(142)	864
Finland	EUR	3.50%	2021	967			(37)	930
Austria	EUR	3.50%	2021	977			(34)	943
European Investment Bank II	EUR	2.25%	2022	1,007			(20)	987
The Netherlands	EUR	1.75%	2023	1,012			(23)	989
Canada II	CAD	2.50%	2024	958			(81)	877
Germany	EUR	1.00%	2025	1,032			(20)	1,012
Australia II	AUD	4.25%	2026		821		(31)	790
European Investment Bank III	EUR	0.50%	2027		994		(5)	989
BlackRock Euro Credit Bond Index Fund	EUR				2,004		20	2,024
Vanguard 20+ Year Treasury Index Fund	EUR				2,008		78	2,086
				10,444	**5,827**	**(1,681)**	**(551)**	**14,039**

Current Assets

Cash on Hand
Deposits included under Cash on Hand can be withdrawn on demand. All amounts in Cash on Hand are at the RIPE NCC's free disposal under the conditions set out in the Articles of Association and the Treasury Statute.

Accounts Receivable
Accounts Receivable is 717 kEUR (2016: 687 kEUR) and consists mainly of annual fee invoices outstanding at 31 December 2017 from new member applicants.
By year end, the value of invoices outstanding was 925 kEUR from which 867 kEUR related to outstanding invoices from 280 new applicants as well as 58 kEUR for outstanding invoices for 2017.

Included in Accounts Receivable are 40 kEUR of outstanding invoices from miscellaneous debtors related to an outstanding sponsorship invoice for RIPE Meetings in 2018. A Bad Debt provision is set at 1% of the Accounts Receivable for all outstanding invoices per 31 December 2017. Payments that could not be identified and attributed to any specific member were above the 2016 levels at 10 kEUR at year-end 2017. A restatement of 174 kEUR was made from Accounts Receivable to Accounts Payable for amounts prepaid by members on 31 December 2017.

Value Added Tax (VAT)
The VAT to be received from tax declarations for 2017 is 270 kEUR, lower than the 398 kEUR in 2016 when the VAT to be received was higher due to creditor invoices related to the new RIPE NCC office in December 2016.

An amount of 14 kEUR relates to VAT to be received from the Hungarian tax authorities for local VAT charged at the RIPE Meeting in Budapest in May 2017.

Miscellaneous Receivables
Miscellaneous Receivables in 2017 increased by 130 kEUR compared to 2016. Pre-payments consist of payments related to 2018 for office rent, software licenses, IT service contracts, colocation lease, travel costs, Dubai office-related costs, public transportation cards and contributions.

The Interest Receivable by 31 December 2017 is 125 kEUR, marked by low interest rate as well as lower levels of short-term deposits held for which interest is received. Other Receivables increased due to higher amount of credit card payments to be received. This item also includes prepaid 2018 health and pension contributions.

Miscellaneous Receivables (in kEUR)	2017	2016
Prepayments	827	657
Interest Receivable	125	189
Other Receivables	184	160
Total Miscellaneous Receivables	**1,136**	**1,006**

Capital and Liabilities

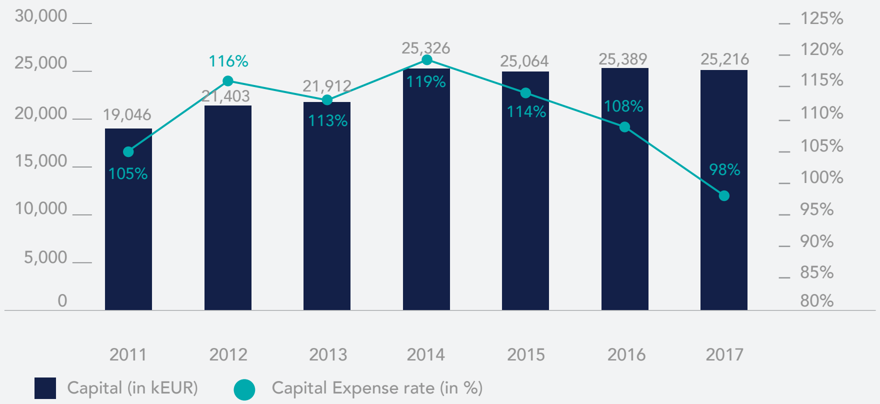
Capital

Capital consists of the RIPE NCC Clearing House and surplus or deficit for the year. Capital was reduced by 173 kEUR in 2017, decreasing the capital to 25,216 kEUR.

Movement Schedule of Capital (in kEUR)	Clearing House	Surplus/Deficit	Total
Begin Balance 1 January 2016	25,326	(262)	25,064
Addition of the Result	(262)	262	-
Result Current Year		325	325
Total Balance 31 December 2016	**25,064**	**325**	**25,389**
Begin Balance 1 January 2017	25,064	325	25,389
Addition of the Result	325	(325)	-
Result Current Year		(173)	(173)
Total Balance 31 December 2017	**25,389**	**(173)**	**25,216**

By 2017, the Capital Expense ratio decreased in comparison to 2016 from 108% to 98%, sufficient to cover the RIPE NCC's operational costs for one year.

The Capital Expense ratio is a key indicator used by the RIPE NCC to weigh the extent of Capital in relation to Expenses.



Current Liabilities

Redistribution of Member Fees

The amount allocated for redistribution in 2017 is 6,196 kEUR. This amount consists of 5,932 kEUR as well as an accumulated amount of 264 kEUR from previous redistributions not yet returned.

Redistribution	In kEUR
1 January 2015	-
Redistribution Recorded in the Statement of Income and Expenditures 2015	5,335
31 December 2015	**5,335**
Amount Allocated to Members and Invoices 2015	(4,959)
Redistribution recorded in the Statement of Income and Expenditures 2016	3,930
31 December 2016	**4,306**
Amount Allocated to Members and Invoices 2016	(4,042)
Redistribution Recorded in the Statement of Income and Expenditures 2017	5,932
31 December 2017	**6,196**

LIRs that were active on 31 December 2017 that had paid their fees in full for the year were eligible for the redistribution, this was 17,485 LIRs in total. A member with one LIR and no Independent Resources would have received EUR 359, calculated pro-rata based on the annual fee paid in 2017. A year earlier, the amount redistributed to an LIR without independent resources was EUR 279.

Creditors

The amount payable to creditors at the end of 2017 was 36% lower than 2016; the higher amount in 2016 was a result of outstanding invoices related to the new RIPE NCC office. A restatement of 15 kEUR was made from Accounts Payable to Accounts Receivable for outstanding credit notes on 31 December 2017.

Wage Taxes and Social Securities

Wage Taxes and Social Securities rose by 14% due to increased salaries and an increase in staff, resulting in higher fiscal wages by year-end 2017.

Unearned Revenues

Unearned Revenues consist mainly of unpaid sign-up fees from new members that are in the application process for LIR accounts. As of 31 December 2017, Unearned Revenues includes invoices sent to members relating to member fees for 2017 for which payment was already received.

Miscellaneous Payables

Miscellaneous Payables shows an increase in comparison to 2016, mainly due to higher Accruals levels and Miscellaneous Payable Wage Components.

Miscellaneous Payables (in kEUR)	2017	2016
Accruals	799	736
Payable Employee Expenses*	77	62
Miscellaneous Payable Wage Components	1,165	957
Total Miscellaneous Payables	**2,041**	**1,755**

Accruals include 295 kEUR for the RIPE NCC Community Projects Fund, a new initiative launched in 2017. The projects selected to receive funding were announced mid-December 2017 and will be paid in 2018. Accruals also includes a half-year estimation of the contribution for the ICANN fiscal year 2016/2017, consultancy services and a minor severance payment for departing staff at year end. Miscellaneous Payable Wage Components consists of the accrued holiday allowance and the accrued vacation days for employees. The accrued vacation days amount is based on the number of outstanding vacation days on 31 December 2017, valued at the December 2017 salary level. The total value of the accrued vacation days is 720 kEUR compared to 542 kEUR at the end of 2016, which corresponds to an increase of 231 vacation days. Miscellaneous Payables include business expenses payable to employees by 31 December 2017 which were slightly above the 2016 levels.

Items Not Shown on the Balance Sheet

The RIPE NCC has rented its Amsterdam office since the end of December 2016 and the rental agreement expires on 30 June 2026. A bank guarantee for the value of 180 kEUR was issued for this office, significantly lower than the 355 kEUR bank guarantees held at the end of 2016, when two Amsterdam offices were rented during the relocation of the RIPE NCC . The rental amount due for 2018 is 583 kEUR. The remaining total obligation for this agreement is 4,249 kEUR.

Additional lease agreements have a total obligation of 404 kEUR towards third parties for the next five years. An amount of 96 kEUR is included in the Statement of Income and Expenditure 2017 for these additional leases. There were no payments for 2018 included in the Statement of Income and Expenditure 2017 for these additional leases. The lease agreements have different set terms ranging from three to four years and have fixed annual lease payments.

On 31 December 2017, the RIPE NCC had no other financial liability or obligation towards any other party that is not reflected in the Balance Sheet. There was no capital or financial interest in any other organisation that had an impact on this financial statement.

Taxes

For 2017, the RIPE NCC is subject to corporate income tax. Any surplus or deficit will be submitted for taxation. The RIPE NCC has a tax ruling with the Dutch tax authorities that excludes the Clearing House reserve and any capital gains in the Clearing House reserve from corporate income taxation. The corporate income tax rates for 2017 are 20% up to 200 kEUR and 25% on the amount over 200 kEUR. The effective tax rate for 2017 was 0%.

No deferred tax asset is recognised for temporary differences between the valuation for tax and financial reporting purposes and carry-forward losses as it is not probable that future taxable profit will be available for set-off.

Corporate Income Tax Payable (in kEUR)	**2017**	**2016**
Corporate Income Tax Due*	0	0
-/- Paid on Preliminary Corporate Income Tax assessments		0
Corporate Income Tax Payable	**0**	**0**

**20% up to 200 kEUR; 25% on the excess*

Events after the Balance Sheet Date

No significant events occurred after the Balance Sheet date.

Notes to the Cash Flow Statement

The redistribution of the excess of membership fees and a prudent expenditure control resulted in a net Income of 42 kEUR by 31 December 2017, 23 kEUR lower than in 2016.

The Cash Flow from Operating Activities was significantly higher than 2016, caused by an increase in the membership and an increase of cash inflow following a lower redistribution of member fees of 2016 affecting the cash flow in 2017.

Other items affecting the Cash Flow from Operating Activities is a higher level of Accounts Receivables caused by an increase of new members. The decrease in Account Payables in 2017 is due to the high investment made in 2016 on the new RIPE NCC offices.

The above factors contributed to an improved working capital.

Interest income generated by the bank deposits and government bonds held in the RIPE NCC's portfolio was 336 kEUR and 16% lower than the previous year which was marked by low interest rates in the market. It should be noted that no interest is received on the exchange-traded funds held for a value of 4,110 kEUR.

The Cash Flow from Operating Activities after interest and income tax was 3,245 kEUR at year end (2016: 1,104 kEUR).

The Cash Flow from Investing Activities is marked by the investment in exchange-traded funds as well as the purchase of fixed assets during 2017, mostly realised in hardware.

The level of investments in Tangible Fixed Assets in 2017 is far below 2016 levels, marked by a high rate of investments in the new RIPE NCC office.

The Cash Outflow from Investing Activities was 5,091 kEUR by 31 December 2017, nearly twice as much as the 2,633 kEUR a year earlier. This increase was due to additional investments in Government Bonds and ETFs in 2017.

There were no financing activities affecting the cash flow.

The total Cash on Hand at year-end was 16,012 kEUR, lower than the 17,858 kEUR from 2016.

Independent Auditor's Report

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

Report on the audit of the financial statements 2017 included in the financial report

Our opinion

We have audited the financial statements 2017 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 2017, and of its result for 2017 in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

The financial statements comprise:

- The balance sheet as at 31 December 2017
- The profit and loss account for 2017
- The cash flow statement for 2017
- 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), 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 management board's report

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 the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

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 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 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 assignment 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 have detected all material errors and fraud.

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 the executive board 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, 10 April 2018

Ernst & Young Accountants LLP

signed by B. Minks

RIPE NCC

RIPE NETWORK COORDINATION CENTRE

FINANCIAL REPORT 2017