



RIPE NCC
RIPE NETWORK COORDINATION CENTRE

Financial Report 2022

Simon-Jan Haytink
CFO, RIPE NCC

Our Financial Strategy



- Not-for-profit funding model
- Our funding strategy aims to generate sufficient income so we can fulfil our obligations in a stable and predictable manner
- We are committed to maintaining a low risk profile



Financial Update

Financial Performance



- Compared to our 2022 budget*

(*2022 budget = 100%)



The Financial Story



- Income over budget (831 kEUR)
 - Membership income EUR 35.7M (Budget 34.9M)
 - Budget 2022 included expected uncertainty for membership fee at risk
- Costs under budget (990 kEUR)
 - Personnel Cost over budget (-764 kEUR)
 - Other operating expenses under budget (1,464 kEUR)
 - Depreciation under budget (290 kEUR)
- Positive operating result (1,821 kEUR)
- Positive EBITDA of (2,796 kEUR)
 - Depreciation & bad debts (975k EUR)

The Financial Story



- Positive operating result (1,821 kEUR)
- Significant negative Financial Result (-1,760 kEUR)
 - 1,614 kEUR of negative financial result is unrealised
- Surplus before taxation 61 kEUR
- Corporate Income Taxes 403 kEUR (based on fiscal result)
- Deficit 2022: -342 kEUR

No Redistribution Over 2022



+831 kEUR Income

+990 kEUR Expenses

= 1,821 kEUR Operation Result

- 1,760 kEUR Financial Result

= 61 kEUR Surplus before taxes

- 403 kEUR Corporate Income Tax

= 342 kEUR deficit over 2022

Deficit deducted from Clearing House
reserve

- **Contributing factors**

- Uncertainty about ability to collect income from Ultra High Risk Countries resulted in ~ EUR 1M less income
- Lowering of sign-up fees in 2022 from 2 kEUR to 1 kEUR, reduced 2022 sign-up fee income by EUR 1.6M
- Competitive job market and inflation
- Volatile market resulted in EUR 1.7M (5.4%) loss on Clearing House reserve
- Taxes payable on fiscal result, 403 kEUR

Update: Banks and Sanctions



- The banking environment for the RIPE NCC remains complex
 - Sanctions
 - Ultra High Risk Countries (UHRC) as defined by the banks
- No solutions yet but we continue to investigate
- Accounting: postponed payment obligation for UHRC countries
 - We are not allowed to report this income in the P&L due to uncertainty regarding the collectability of these funds (Dutch GAAP)
 - Payment obligation still stands and is recorded in the balance sheet

Balance Sheet (in kEUR)



Assets	2022	2021
Tangible Fixed Assets	2,033	1,683
Financial Fixed Assets	7,631	10,271
Total Current Receivables	3,761	2,234
Cash at Bank and in Hand	26,545	37,134
Total Assets	39,970	51,322
Capital and Liabilities		
Capital	32,132	32,474
Current Liabilities	7,838	18,848
Total Capital and Liabilities	39,970	51,322

Balance Sheet (in kEUR)



Capital and Liabilities	2022	2021	2020	2019
Clearing House	32,474	32,472	32,234	25,460
Surplus / Deficit	-342	2	238	6,774
Capital	32,132	32,474	32,472	32,234
Redistribution of members' fees	496	13,516	11,156	8,365
Other Current Liabilities	7,342	5,332	5,493	7,683
Current Liabilities	7,838	18,848	16,697	16,048
Total	39,970	51,322	49,169	48,282



Income



Income Details 2022

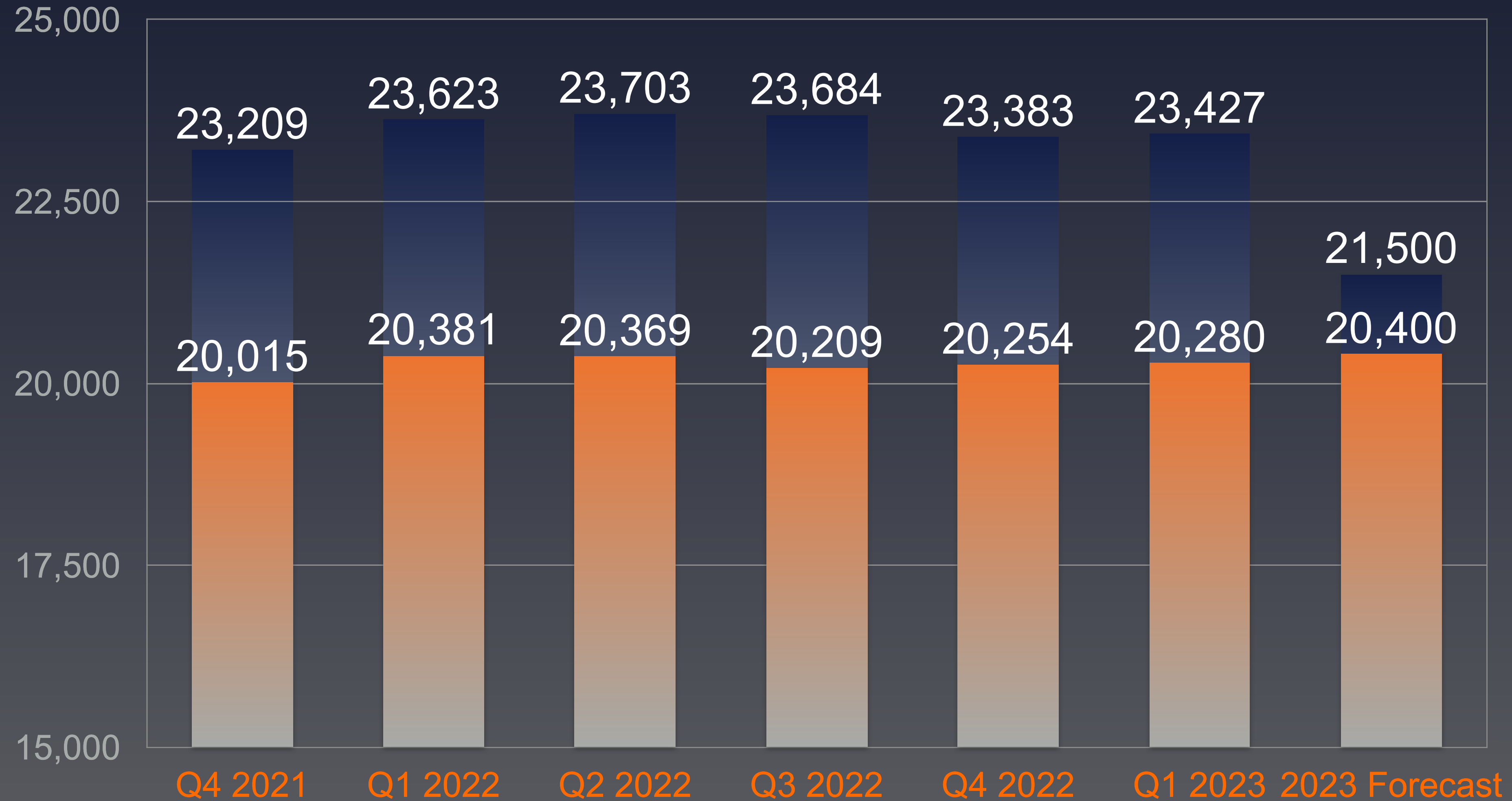
- Income: EUR 36.4M, 2% higher than budgeted
 - Excludes income from members in Ultra High Risk Countries
- Annual fees: EUR 34.1M (36.4M in 2021)
- Sign-up fees: EUR 1.6M (7.1M in 2021)
 - Sign-up fee lowered to 1 kEUR in the 2022 Charging Scheme (2 kEUR in 2021)
- RIPE Meeting income: 177 kEUR, 29% below budget
- Other income: 542 kEUR, 20% above budget
 - Consists mainly of sponsorship income



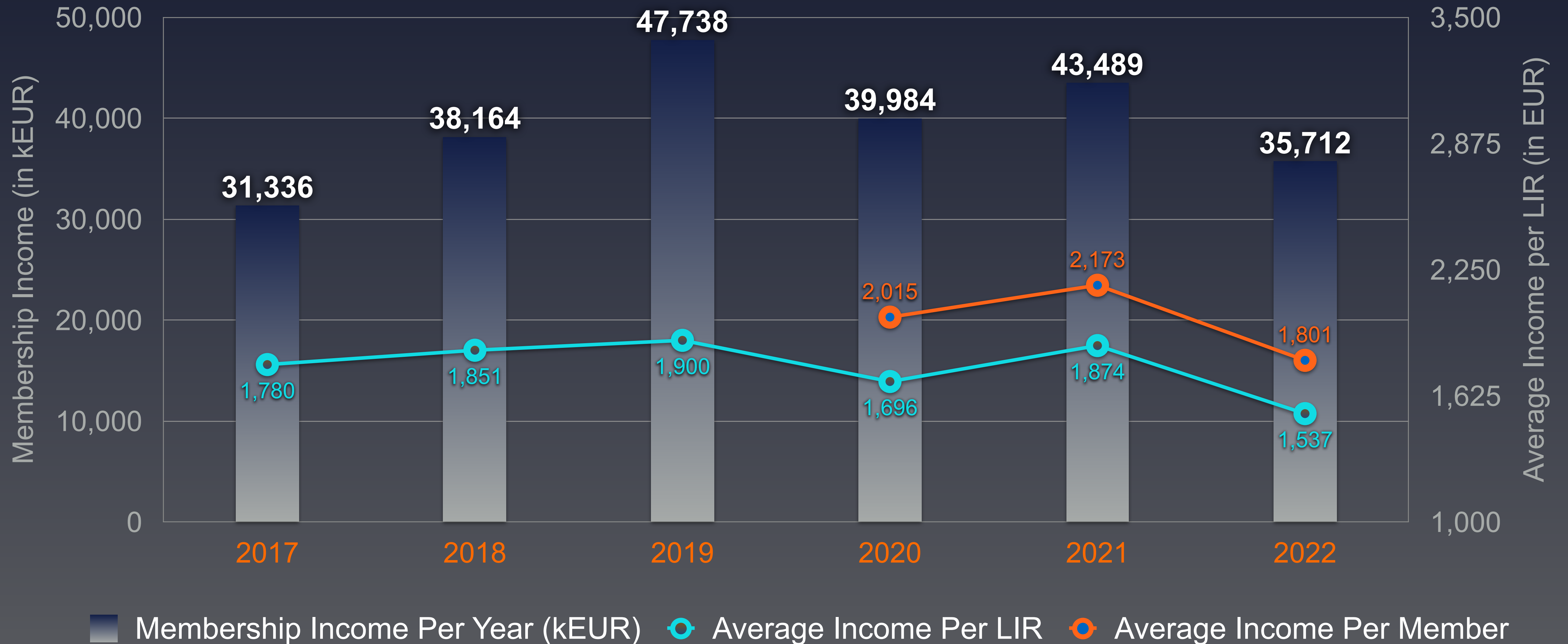
Member and LIR Details

- 20,231 members at year end
 - Net addition of 216 members, 20,015 at year end 2021
- 23,383 active LIR accounts at year end
 - 617 LIR accounts from Ultra High Risk Countries (UHRCs)
 - Net addition of 174 LIR accounts, 23,209 year end 2021
- 1,732 new LIR accounts in 2022
 - 1,637 kEUR sign-up fee income
 - Difference is explained by LIRs from UHRCs
- 1,558 closed LIR accounts in 2022
 - In line with expected consolidation

Members and LIRs



Membership Income



Membership Fees at Risk



- Ultra High Risk Countries (as defined by the Dutch banks)
 - Cuba, Iran, North Korea and Syria
 - Invoices not issued but payment obligation remains (has been postponed)
 - Sanctions related
- Ukraine
 - Invoices issued
 - Due date for 2022 and 2023 invoices extended to 30 June 2023
 - Additional extensions are possible

Membership Fees at Risk (Quantified)

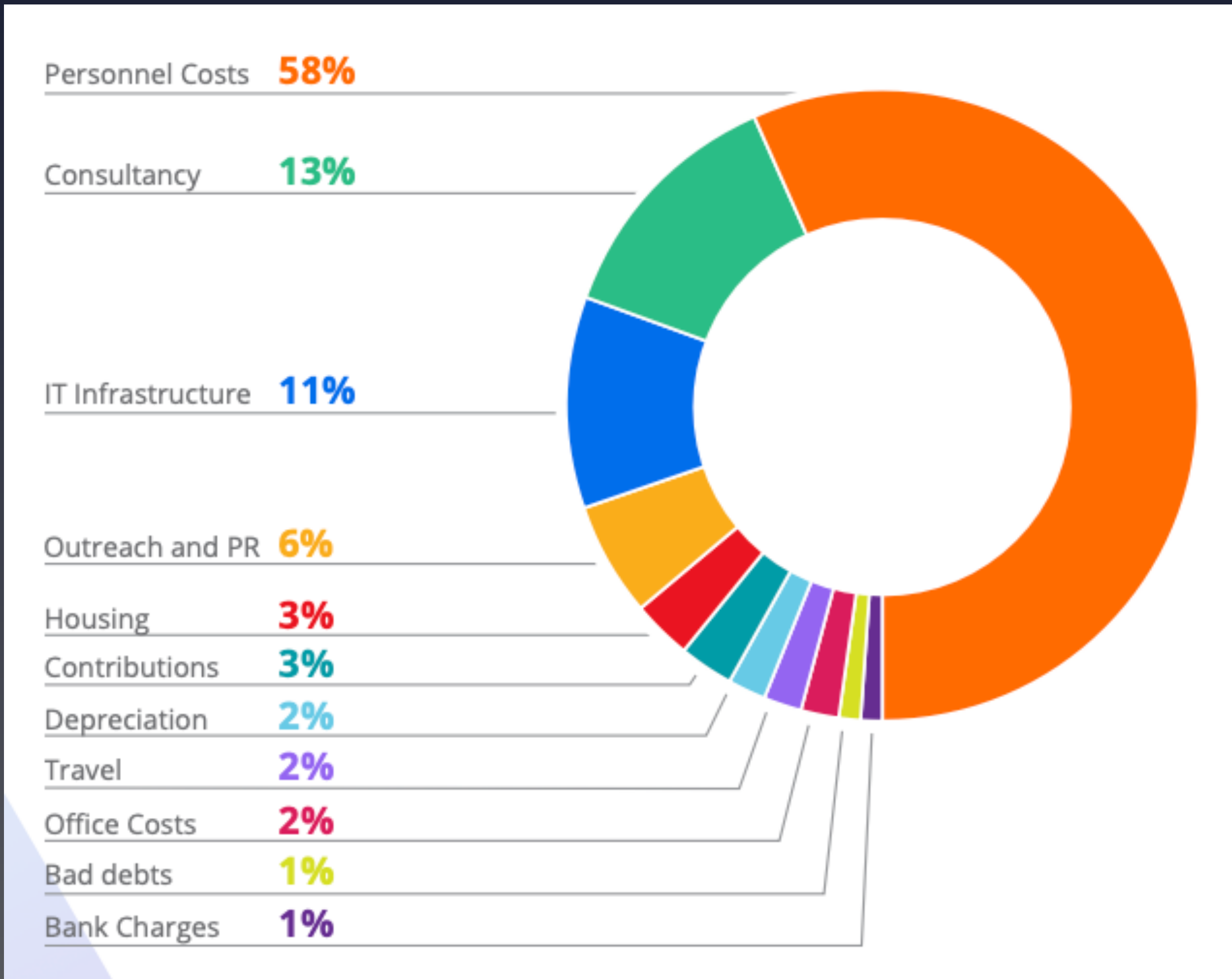


	2021	2022	LIRs Not Paid	Total EUR
'Ultra High Risk'	133 kEUR	931 kEUR	617	1,064 kEUR
Sanction related	-	26 kEUR	34	26 kEUR
Ukraine	-	102 kEUR	99	102 kEUR
Total	133 kEUR	1,059 kEUR	750	1,192 kEUR



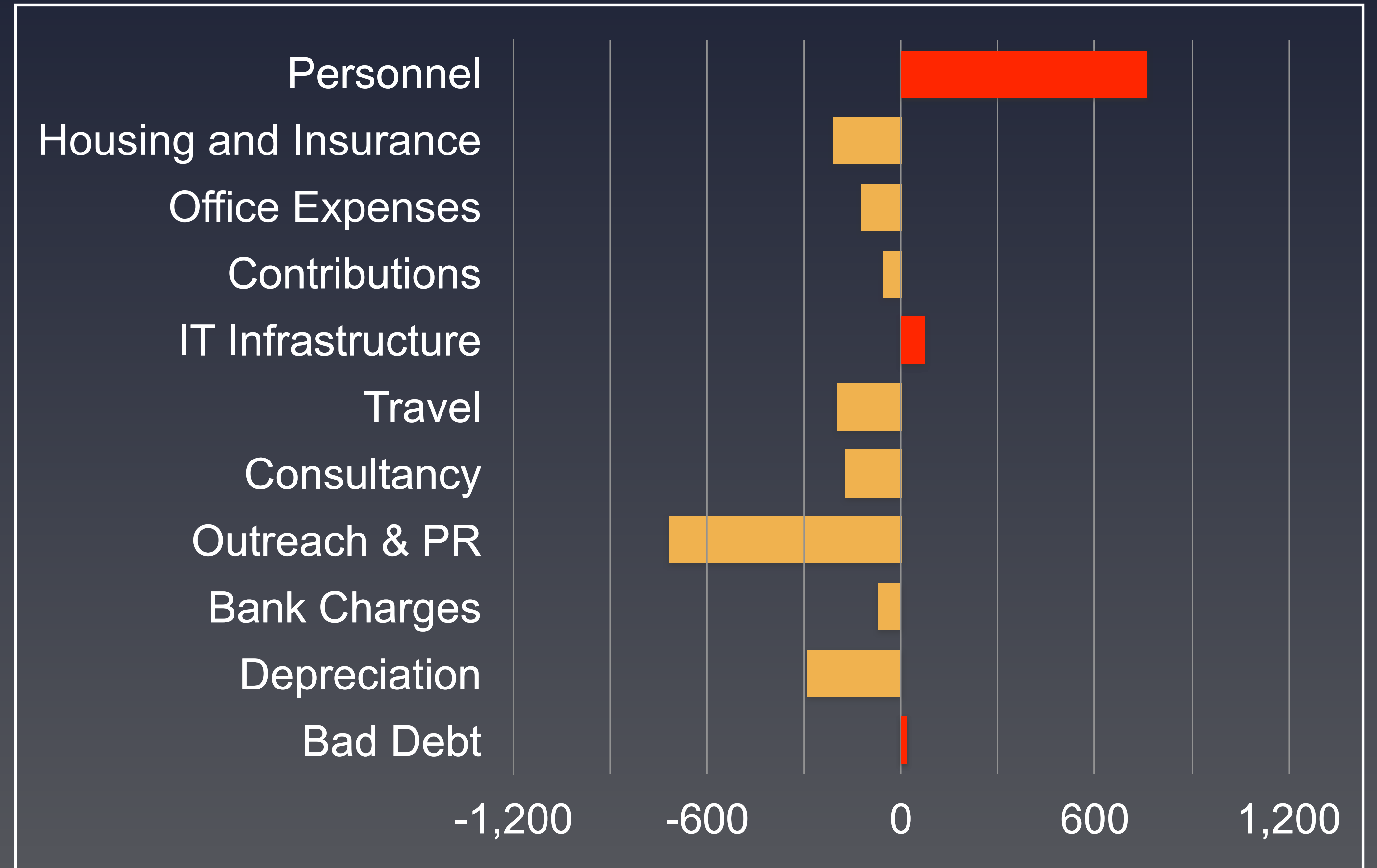
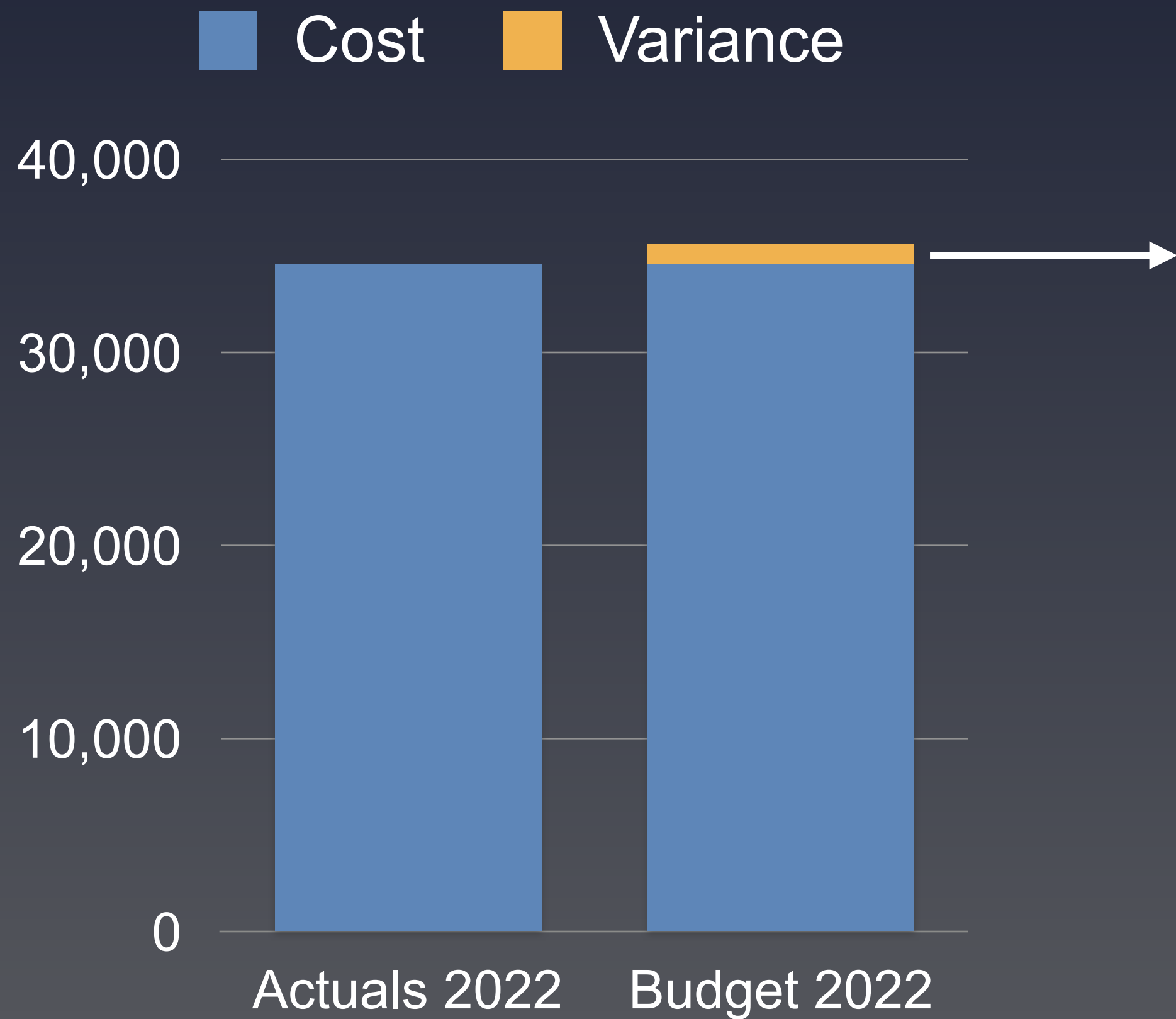
Expenditures

Cost Breakdown



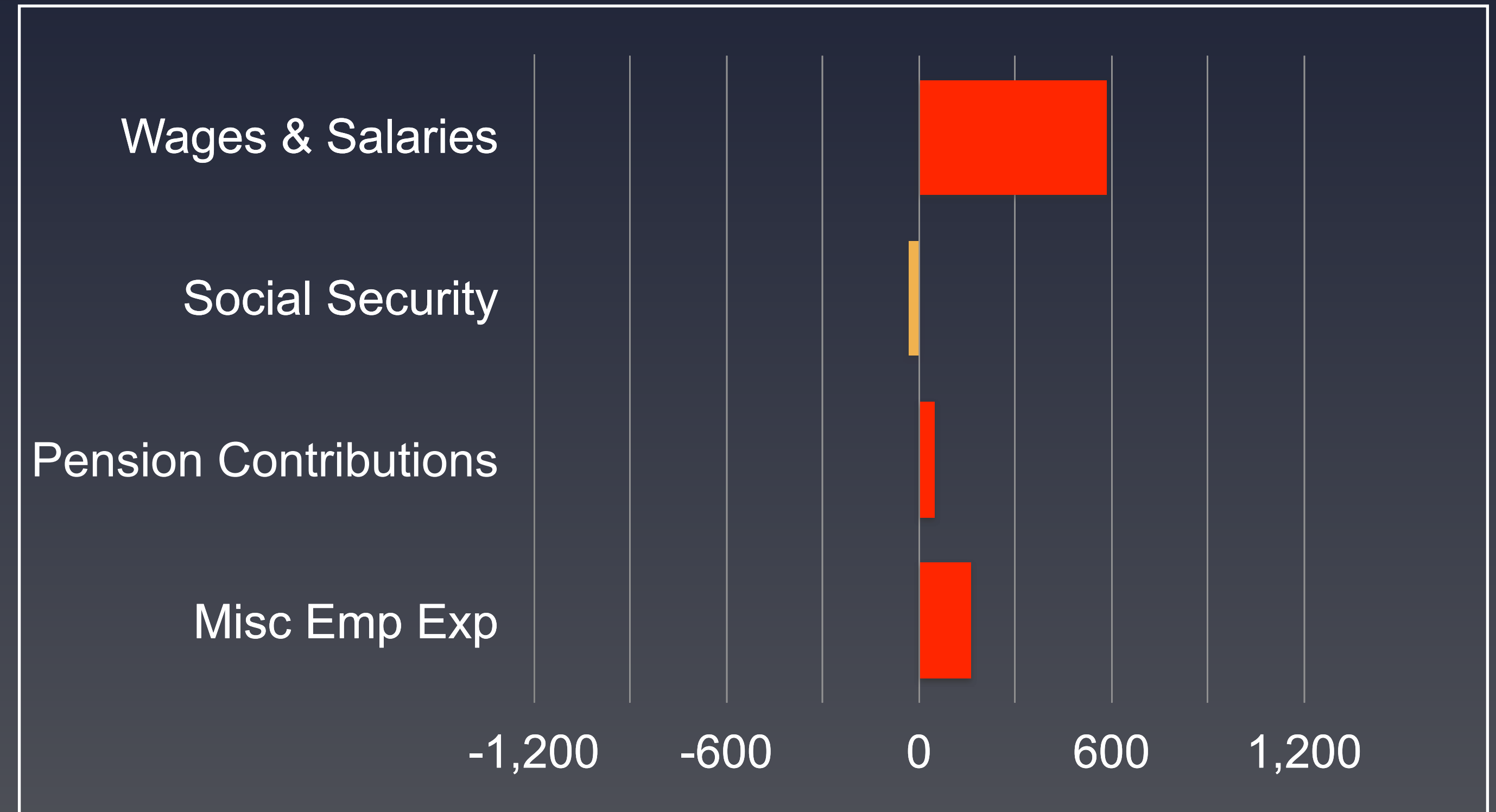
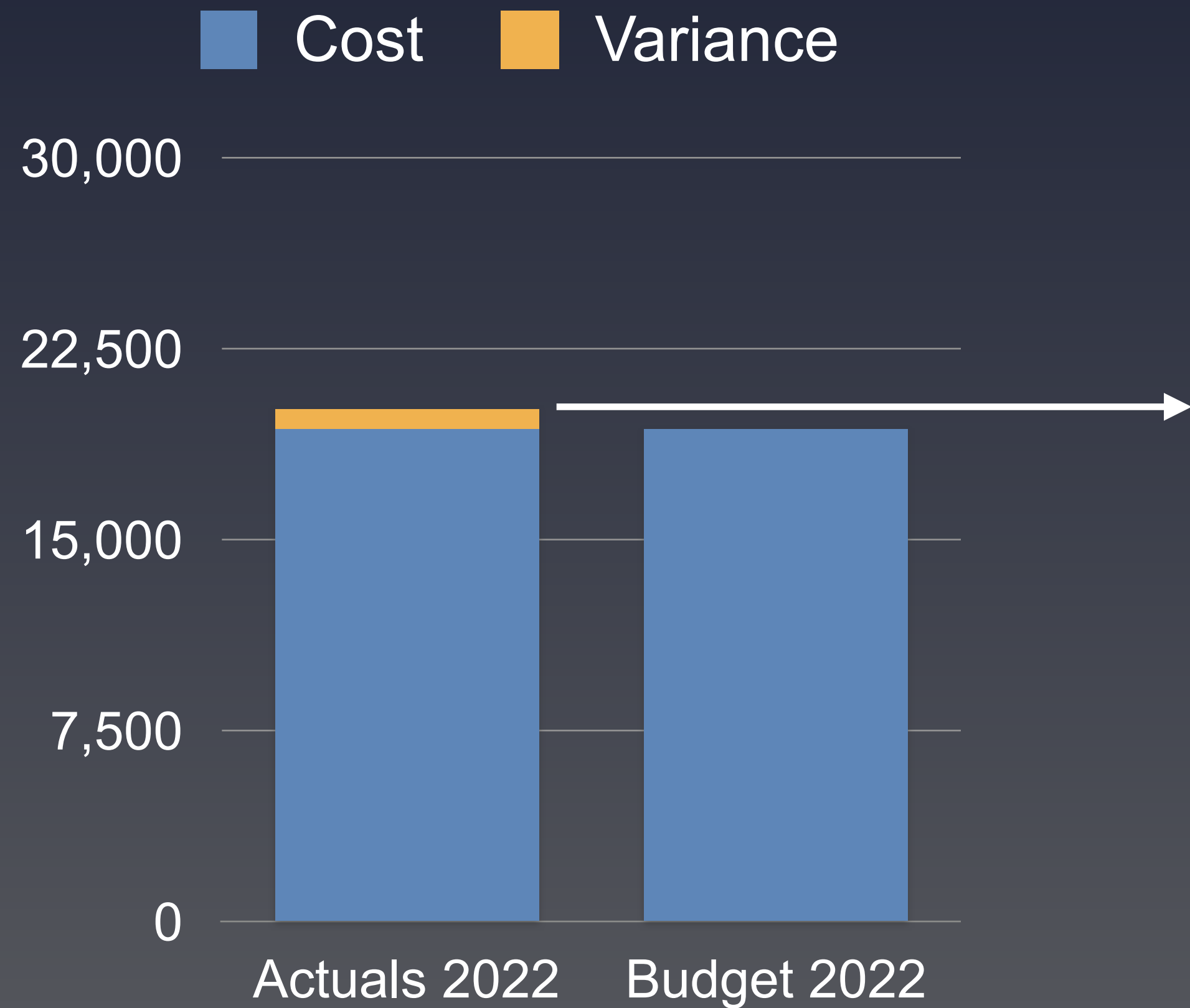
- Total expenditure for 2022 was EUR 34.6M (29,6M 2021)
 - 990 kEUR below budget (3%)
- 58% Personnel Costs
- 13% Consultancy
- 11% IT infrastructure

Budget (cost) Variance 990 kEUR under budget



Total Variance: 990 kEUR under budget

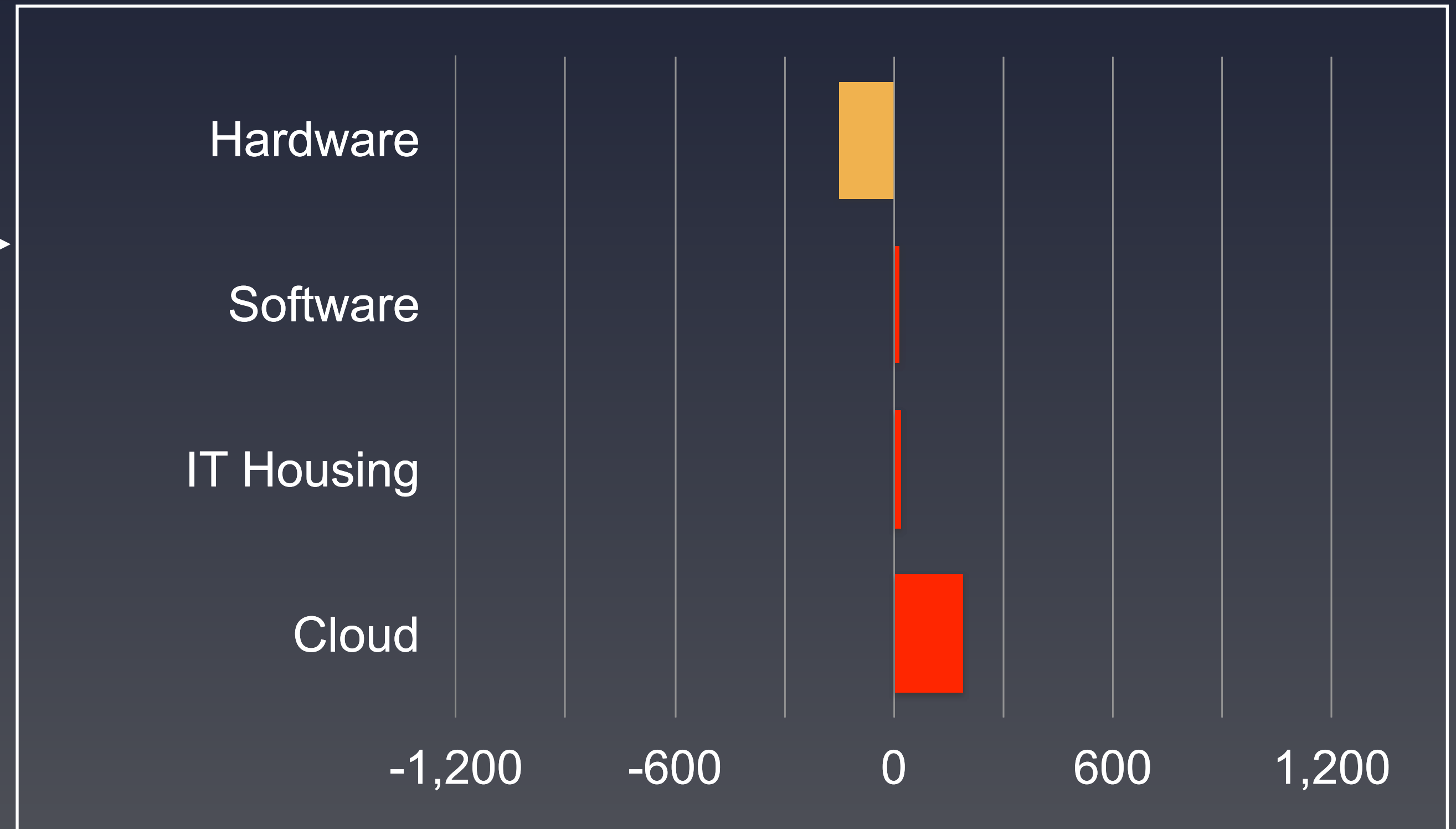
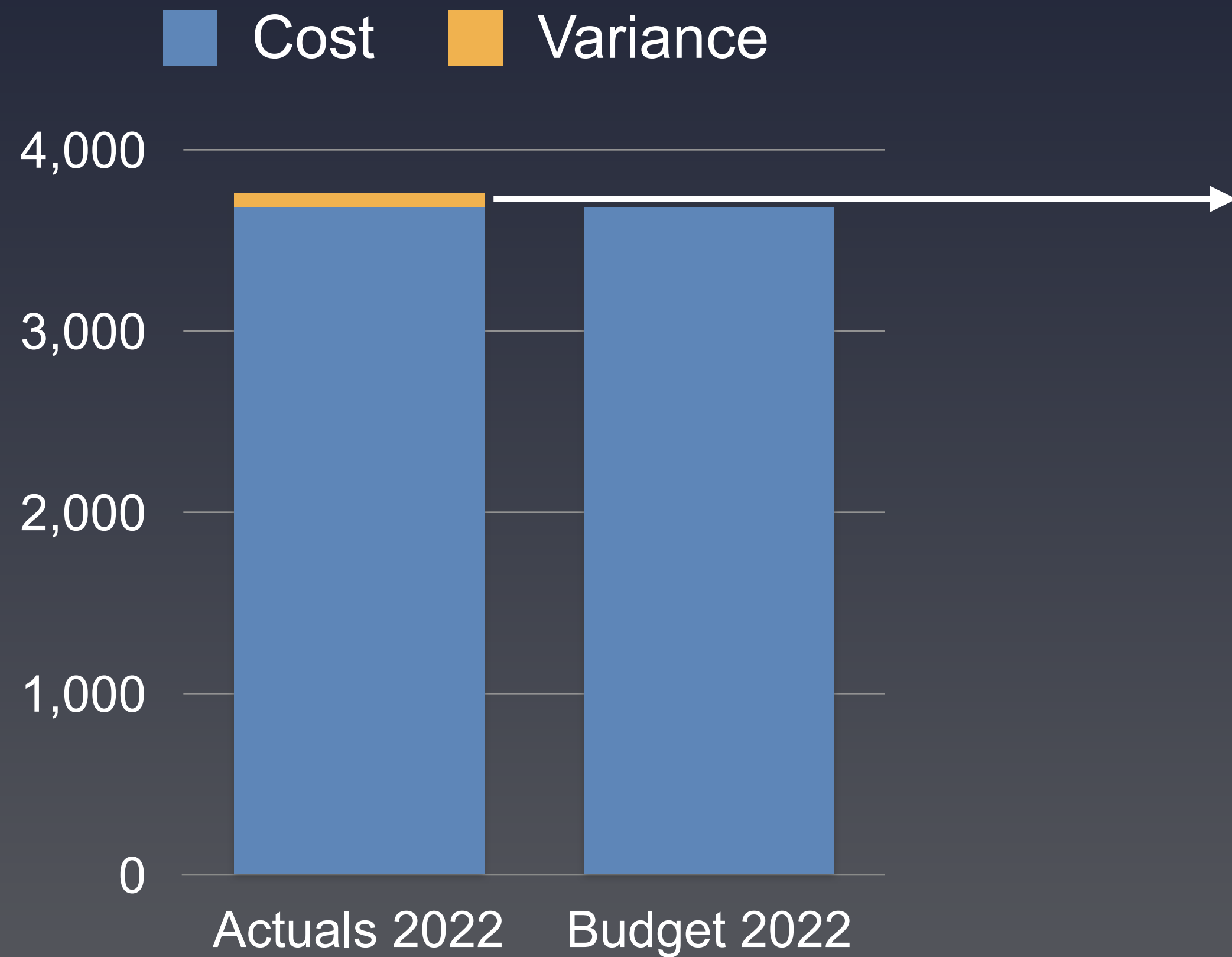
Personnel Costs (2022) 764 kEUR over budget



Total Variance: 764 kEUR over budget

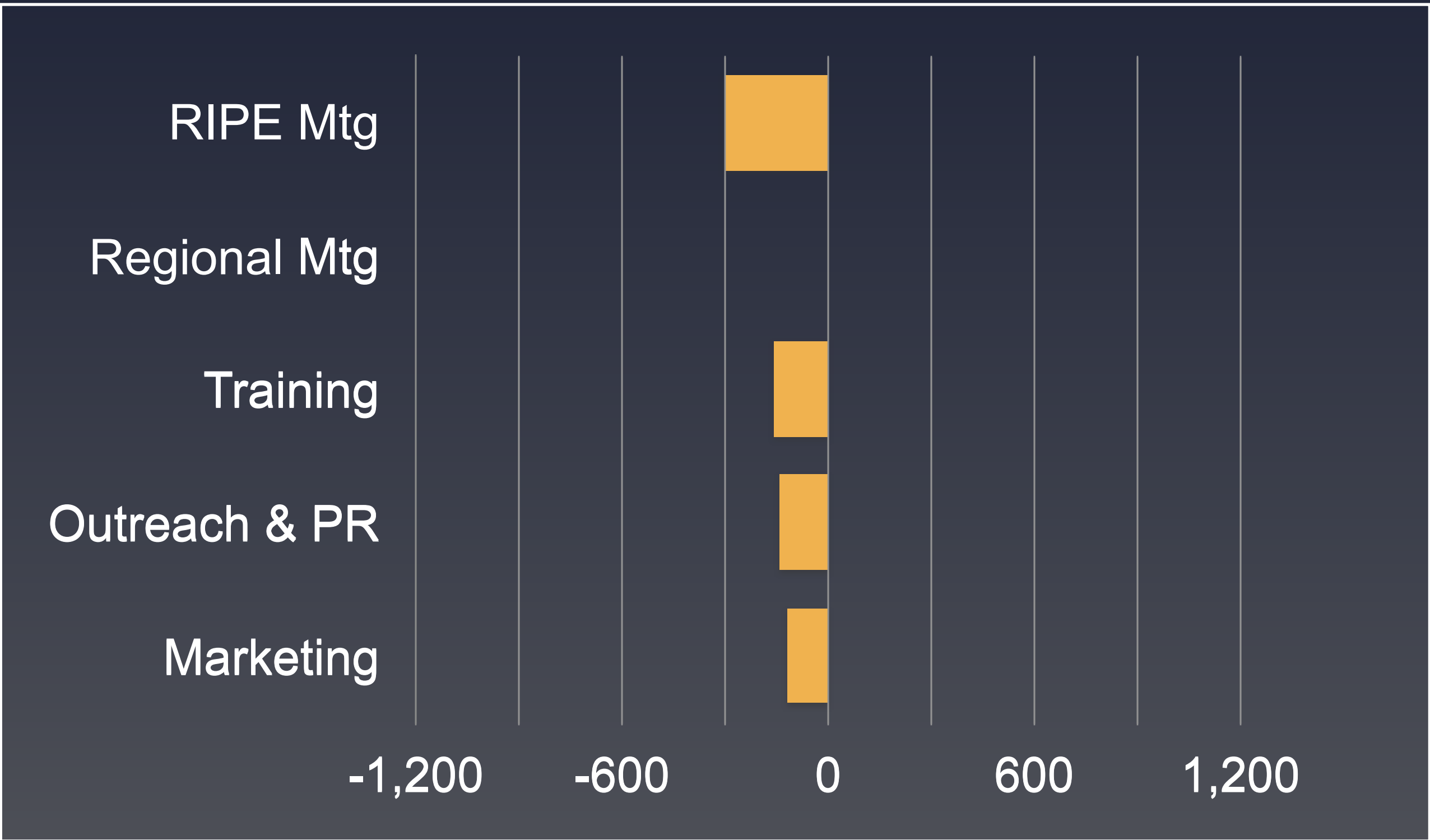
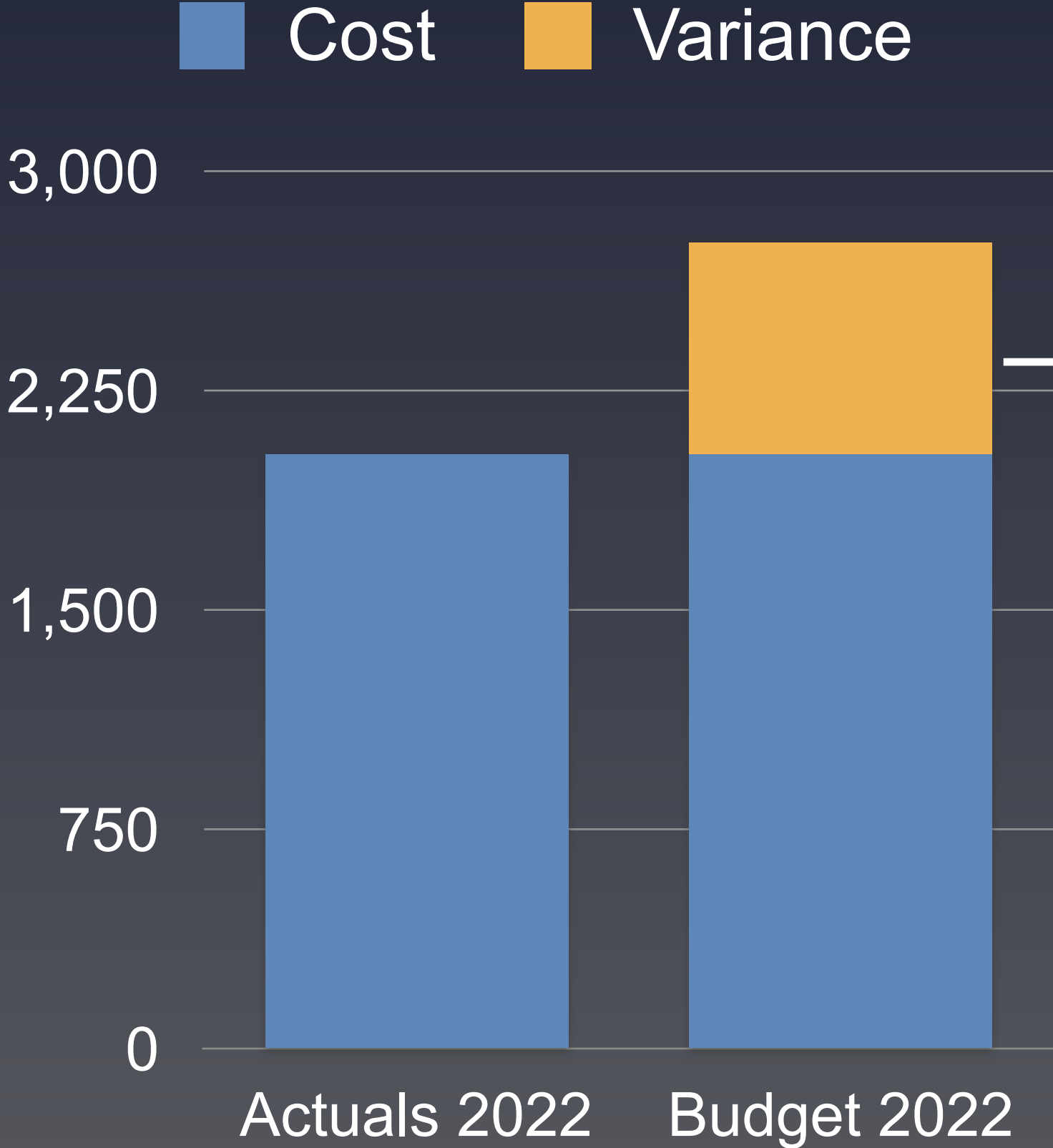
IT Infrastructure

(2022) 74 kEUR over budget



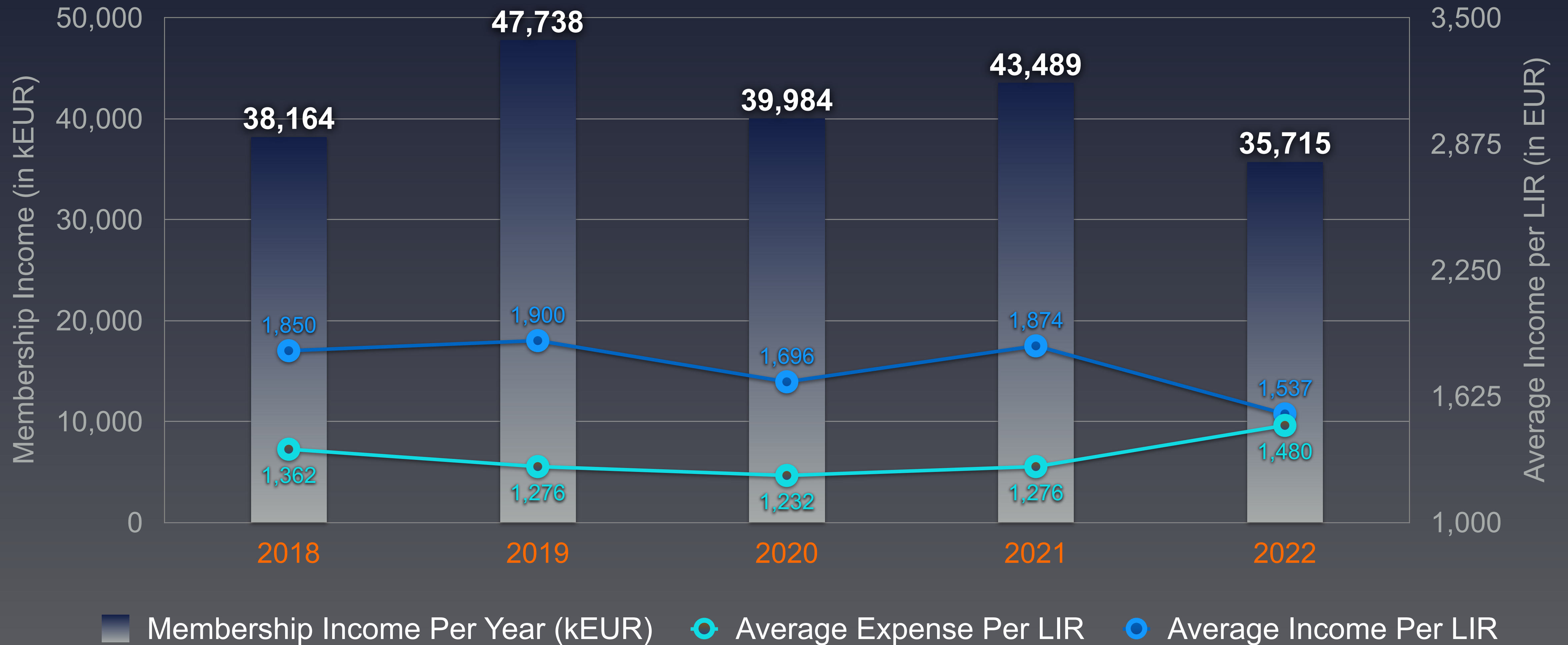
Total Variance: 74 kEUR over budget

Outreach and PR (2022) 720 kEUR under budget



Total Variance: 720 kEUR under budget

Membership Income vs Costs



Related Parties (New in Financial Report)



Related Parties

The RIPE NCC is an independent, not-for-profit membership association and has no parent company or group company. As a result, there are no entities that exercise control or joint control over the RIPE NCC and therefore it has no direct related parties.

However, certain parties are indirectly related to the RIPE NCC. Our Executive Board members are also key senior management personnel for some of our LIRs and for certain vendors.

Below are the total transactions with these companies. Please note that all transactions were conducted in the normal course of business. Also, every purchase must be made in accordance with the internal financial governance.

The total incoming transactions of LIR accounts related to our board members is 26 kEUR. The incoming transactions consist of a total of LIR account fees, applicable redistribution (according to Redistribution of Excess Contribution 2021) and any applicable VAT.

The total outgoing transactions with suppliers related to our board members amounts to 22 kEUR:

- CZ.NIC z.s.p.o.
 - 10 kEUR: Annual service fee according to DNS SW KNOT support
 - 2 kEUR: CSNOG sponsoring
- Akamai Technologies Netherlands B.V.
 - 8 kEUR: CDN for RPKI RRDP

- Peering DB
 - 2 kEUR: Sponsoring of Silver PeeringDB

Transactions include VAT if applicable.

Auditors Fees

The audit fees listed relate to procedures applied to the Association by Ernst & Young Accountants LLP and its related party HvG Law LLP. The audit fees relate to the audit of the financial statements.

	<u>2022</u>	<u>2021</u>
Audit Fees	66	50
Audit-related Fees	-	30
Tax Fees	-	7
Other Non-assurance Fees	91	-
	157	87

Signed by Raymond Jetten

RIPE NCC Executive Board Treasurer

10 March 2023

RIPE NCC

Amsterdam, the Netherlands



Treasury

Financial Income and Expenditure



- 1,760 kEUR **negative** financial result
- Result on interest income 36 kEUR **negative**
 - 55 kEUR in 2021
- Result exchange difference 110 kEUR **negative**
 - 57 kEUR positive in 2021
- Unrealised revaluation Financial Fixed Assets 1,614 kEUR **negative**
 - 459 kEUR in 2021

Financial Income and Expenditure



- Investment portfolio of EUR 7.6M (10.3M in 2021)
 - Unrealised revaluation of 1,614 kEUR negative (459 kEUR negative in 2021)
 - Interest income 49 kEUR (69 kEUR in 2021)
- Cash with banks EUR 26.5M (37.1M in 2021)
 - 85 kEUR in negative interest accrued (124 kEUR in 2021)
- Currently onboarding a financial institution to manage our investment portfolio



Taxes

Corporate Income Tax



- Effective Tax Rate 650%
- Corporate Income Tax 403 kEUR
 - 124 kEUR in 2021
- Surplus before taxes 61 kEUR
 - 126 kEUR in 2021
- Result 342 kEUR deficit
 - 2 kEUR in 2021
- Fiscal Tax Rate 23%
- Corporate Income Tax 403 kEUR
 - 124 kEUR in 2021
- Fiscal Surplus before taxes 1,728 kEUR
 - 594 kEUR in 2021

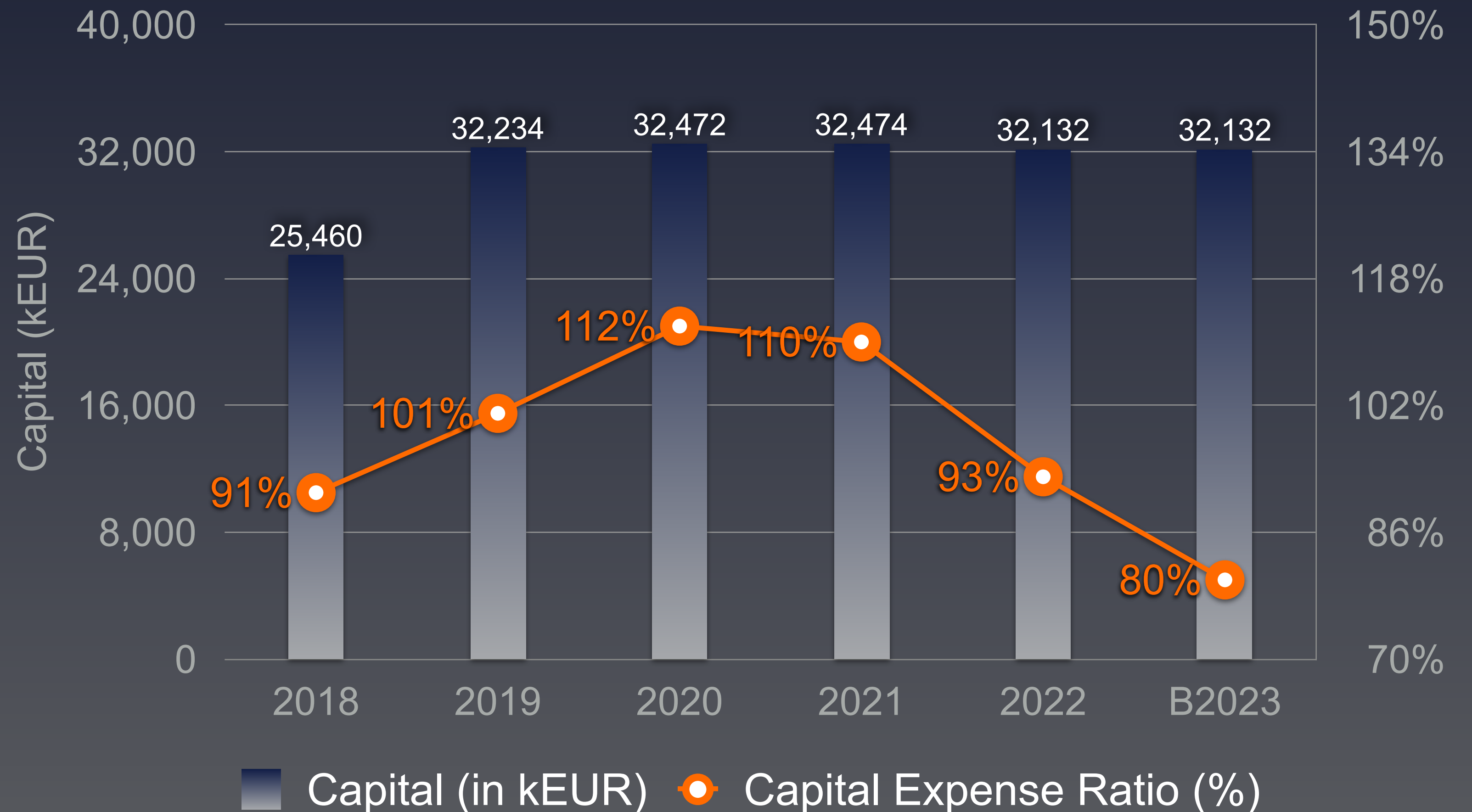


Capital and Liquidity

Capital and Liquidity



- Balanced and healthy
- Clearing House buffer of 32M EUR to respond to uncertainties
- ‘At risk’ membership fees, LIR consolidations, and inflation remain a concern
- We are solvent and in a robust financial position
- Ready for the future
- Charging Scheme 2024 Vote





2023

2023



- Our budget is EUR 40M for 2023 (income and costs)
- Expect further LIR consolidation to impact our financial stability
- At the same time, we do see a slight increase in number of members (not LIR accounts)
- Continue to engage with our banks on payment issues for members in countries impacted by sanctions and banking regulations
- Ensure we can deliver our promise to all our members
- Instability in parts of our service region remains a concern

Payment Behaviour



	2021	2022	2023	Ukraine
Payment on time (within 30 day period)	64%	58%	60%	26%
Payment after 30 day period	35%	41%	37.5%	24%
LIR account closure due to non-payment	0.7%	0.5%	N/A	0%
Outstanding at 22 May 2023		0.5%	2.5%	50%

Membership Fees at Risk (Quantified)



	2021	2022	LIRs Not paid	2023	LIRs Not Paid	Total LIRs	Total EUR
‘Ultra High Risk’	133 kEUR	931 kEUR	617	1,046 kEUR	654	654	2,110 kEUR
Sanctions related	-	26 kEUR	34	165 kEUR	107	107	191 kEUR
Ukraine	0 kEUR	102 kEUR	99	408 kEUR	231	446	510 kEUR
Total	133 kEUR	1,059 kEUR	750	1,619 kEUR	992	1,207	2,811 kEUR

2023 April P&L Figures



	2022	2023 B	2023 B Apr	2023 Apr
Income (in million EUR)	36.4	40	13.2	12.6
Expenses (in million EUR)	34.6	40	12.9	11.6
Redistribution (in million EUR)	-	-	-	-
Surplus (in million EUR)	-0.3	-	0.4	1.0
Average redistribution per LIR (EUR)	-	-	-	-
Number of LIRs	23,383	22,500	22,500	23,427
Average cost per LIR (EUR)	1,480	1,778	573	367

2023 Full Year Forecast



	2022	2023 B	2023 April	2023 FORECAST
Income (in million EUR)	36.4	40	12.6	38.0
Expenses (in million EUR)	34.6	40	11.6	38.9
Redistribution (in million EUR)	-	-	-	-
Surplus (in million EUR)	-0.3	0.1	1.0	-0.7
Average redistribution per LIR (EUR)	-	-	-	-
Number of LIRs	23,383	22,500	23,427	22,500
Average cost per LIR (EUR)	1,556	1,778	367	1,729

Unqualified or Clean Opinion from EY



We have audited the financial statements 2022 of RIPE NCC:

“In our opinion the accompanying financial statements give a true and fair view of the financial position of the RIPE NCC as at 31-December-2023, and its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code”

RIPE 87 and the Next GM



- Redistribution vote by GM
 - A negative redistribution is possible
 - Deduct or add to clearing house
 - Or redistribute the result on the invoices for 2024
- IPv4 Allocation fee vote
 - The “to be determined fee”

Recap



- The RIPE NCC remains in a stable financial position
 - Income over budget (831 kEUR)
 - Costs under budget (990 kEUR)
 - Positive operating result (1,821 kEUR)
 - Deficit of 342 kEUR over 2022, resulting in no redistribution over 2022
- But there are legitimate concerns
 - Financial Risk (decrease of income, inflation, volatile markets & membership fee at risk)
 - Legal Risk (compliance to laws & regulations)
 - Information Technology Risk (IT security)
 - Human Resources Risk (competitive job market)

Resolution 1



“The General Meeting Adopts the 2022 Financial Report”



Questions

simon@ripe.net

