



RIPE NCC
RIPE NETWORK COORDINATION CENTRE

Financial Report 2023

Simon-Jan Haytink
Chief Financial Officer, RIPE NCC

Finance Report: Corrected Typo



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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 2023 budget*

(*2023 budget = 100%)



The Financial Story



- Income under budget 38.4M EUR (1.6M EUR)
 - Membership income EUR 36.9M (Budget 37.6M)
 - Budget 2023 included income from Ultra High Risk Countries
- Costs under budget 37.3M EUR (2.7M EUR)
 - Personnel Cost over budget (-552 kEUR)
 - Other operating expenses under budget (3,195 kEUR)
 - Depreciation under budget (98 kEUR)
- Positive operating result (1 144 kEUR)
 - Depreciation & bad debts (1 117 kEUR)

The Financial Story



- Positive operating result (1 144 kEUR)
- Redistribution over 2023 (-1 100 kEUR)
- Positive Financial Result (524 kEUR)
 - 323 kEUR of financial result is unrealised
- Surplus before taxation 568 kEUR
- Corporate Income Taxes 23 kEUR (based on fiscal result)
- Surplus 2023: 546 kEUR
 - Surplus has been added to our Clearing House reserves

Redistribution Over 2023



- 1.6M EUR Income
+ 2.7M EUR Expenses
= 1 144 kEUR Operation Result
- 1 100 kEUR Redistribution
= 44 kEUR Operational Result as Redistribution
+ 524 kEUR Financial Result
= 569 kEUR Surplus before taxes
- 23 kEUR Corporate Income Tax
= 546 kEUR surplus over 2023
Surplus added to Clearing House reserves

• Contributing Factors

- Inability to collect income from Ultra High Risk Countries resulted in ~ 1.3M EUR less income
- Less income from sign up fees than budgeted, 809 kEUR compared to budget of 1 600 kEUR
- **2.7M EUR cost saving in 2023 compared to Budget 2023**
- **Cost cutting efforts are ongoing and will continue in 2024 and beyond**

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 Profit and Loss 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	2023	2022
Tangible Fixed Assets	1 774	2 033
Financial Fixed Assets	13 628	7 631
Current Receivables	4 841	3 761
Cash at Bank and in Hand	21 689	26 545
Total Assets	41 932	39 970
Capital and Liabilities		
Capital	32 678	32 132
Current Liabilities	9 254	7 838
Total Capital and Liabilities	41 932	39 970

Balance Sheet (in kEUR)



Capital and Liabilities	2023	2022	2021
Clearing House	32 132	32 474	32 472
Surplus / Deficit	546	-342	2
Capital	32 678	32 132	32 474
Redistribution of members' fees	1 432	496	13 516
Other Current Liabilities	7 822	7 342	5 332
Current Liabilities	9 254	7 838	18 848
Total	41 932	39 970	51 322



Income



Income Details 2023

- Income: EUR 38.8M 4% below budget
 - Excludes income from members in Ultra High Risk Countries
- Annual fees: EUR 36.9M (34.1M in 2022)
- Sign-up fees: EUR 809 kEUR (1.6M in 2022)
- RIPE Meeting income: 250 kEUR, 17% below budget
- Other income: 419 kEUR, 20% below budget
 - Consists mainly of sponsorship income

Member and LIR Details

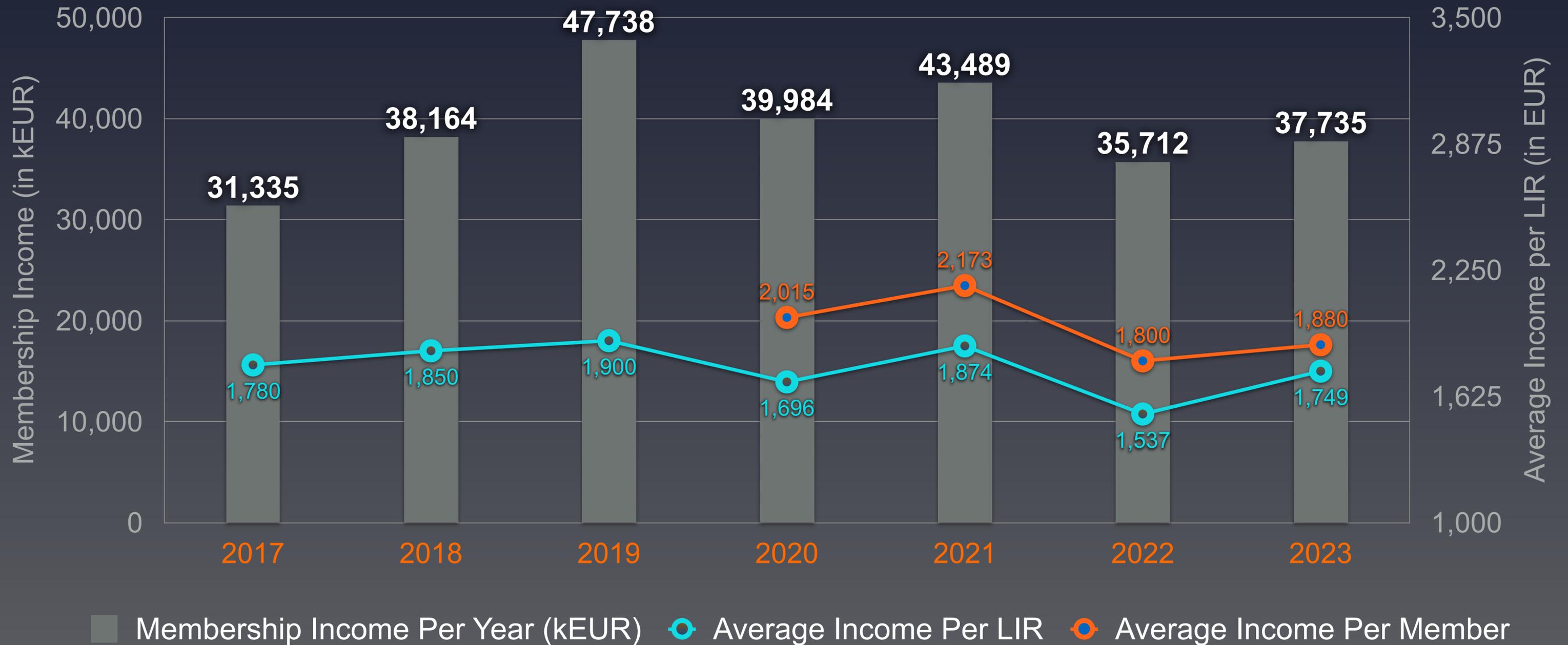


- 20 077 members at year end
 - Net reduction of 154 members, 20 231 at year end 2022
- 21 570 active LIR accounts at year end
 - 702 LIR accounts from Ultra High Risk Countries (UHRCs)
 - Net reduction of 1 813 LIR accounts, from 23 383 year end 2022
- 967 new LIR accounts in 2023
 - 809 kEUR sign-up fee income
 - Difference is explained by new LIRs from 117 UHRC and timing of opening
- 2 780 closed LIR accounts in 2023
 - In line with expected consolidation of multiple LIRs

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, 2023 and 2024 invoices extended to 31 May 2024
- Individual extensions will be possible in 2024
 - Closure will not be taken lightly and will be discussed with the Executive Board

Membership Fees at Risk (Quantified)

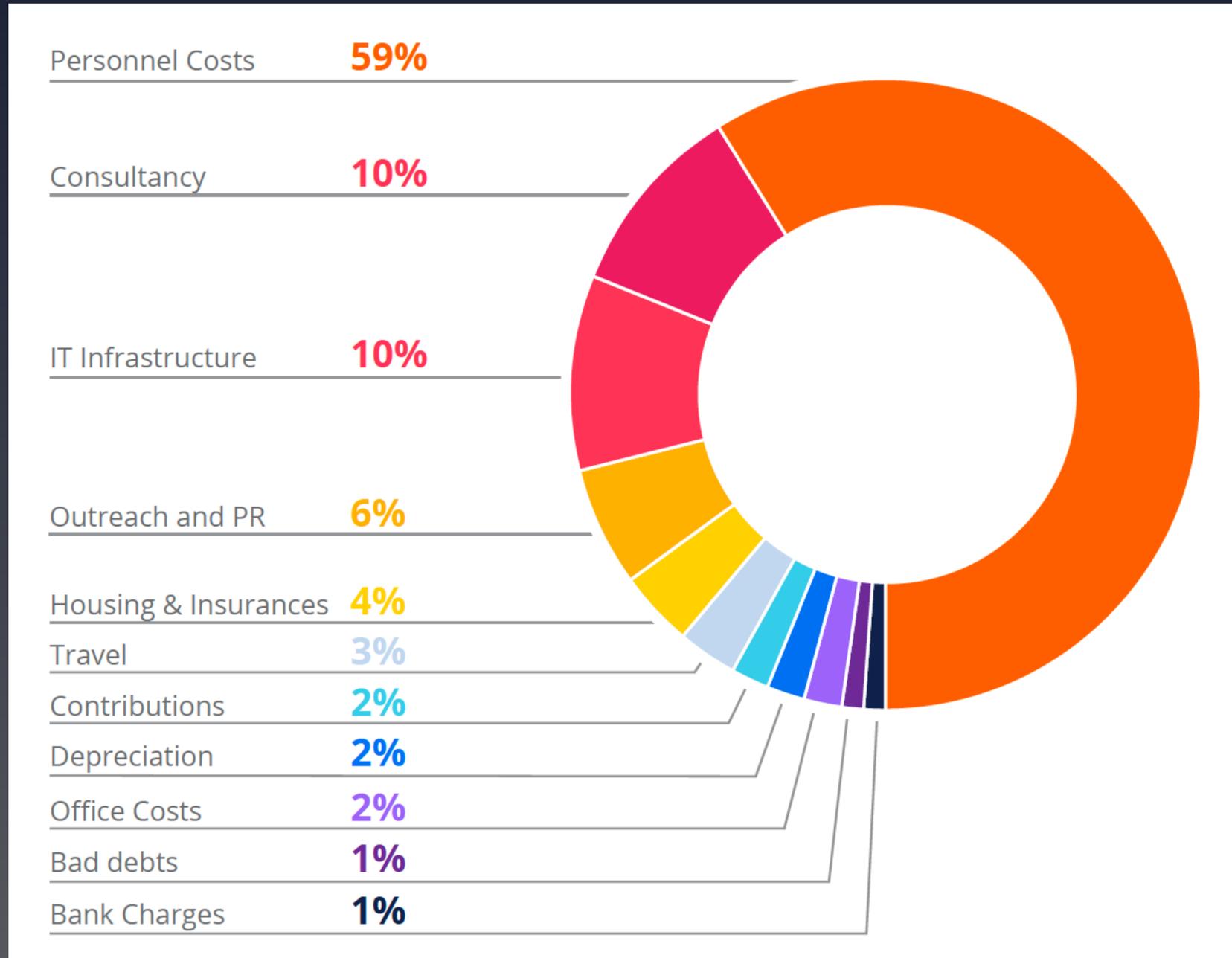


	2021	2022	2023	LIRs Not Paid	Total EUR
'Ultra High Risk'	145 kEUR	1 020 kEUR	1 249 kEUR	765	2 414 kEUR
Sanction related	-	11 kEUR	92 kEUR	67	103 kEUR
Ukraine	-	40 kEUR	104 kEUR	52	144 kEUR
Total	145 kEUR	1 073 kEUR	1 445 kEUR	885	2 661 kEUR



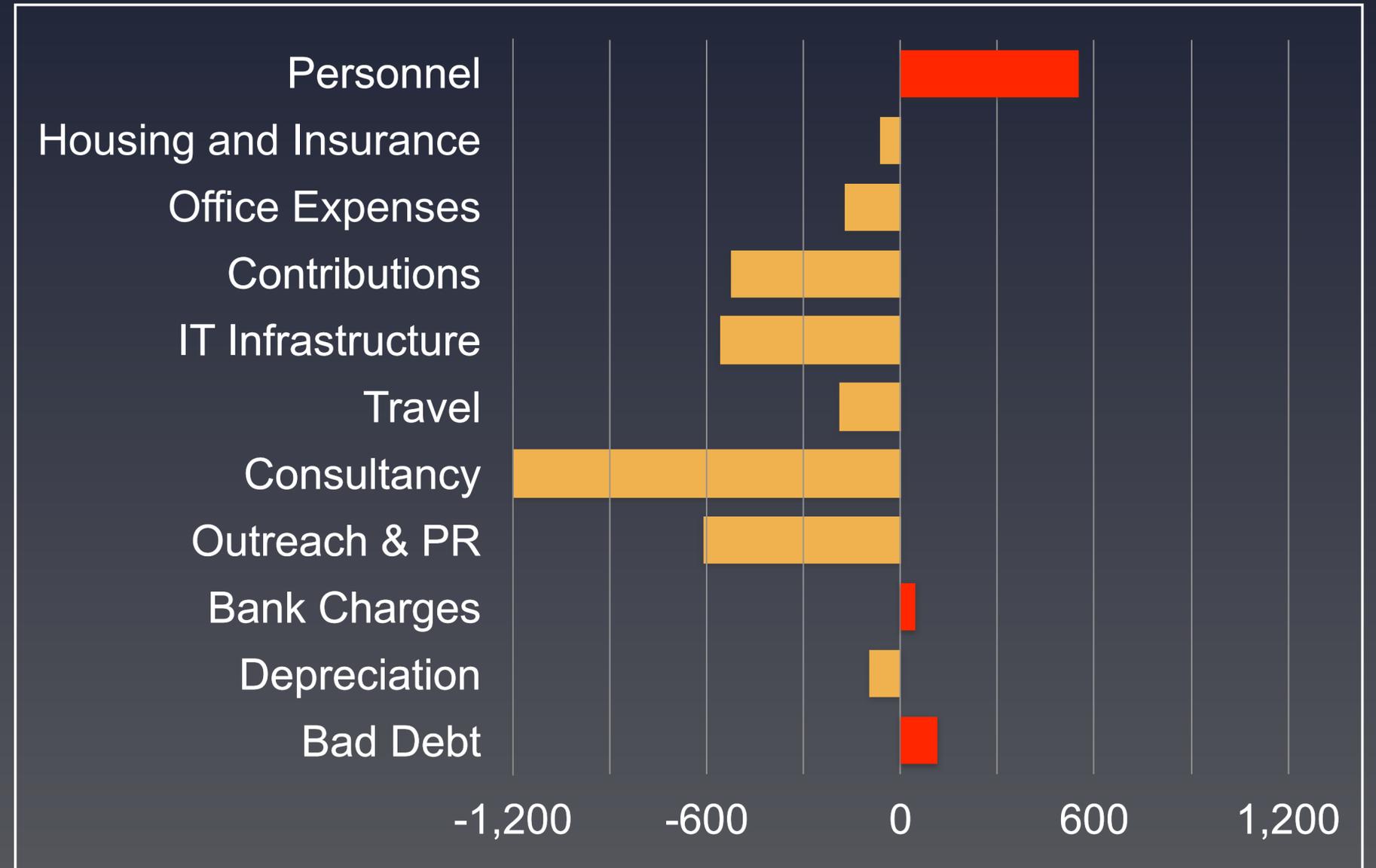
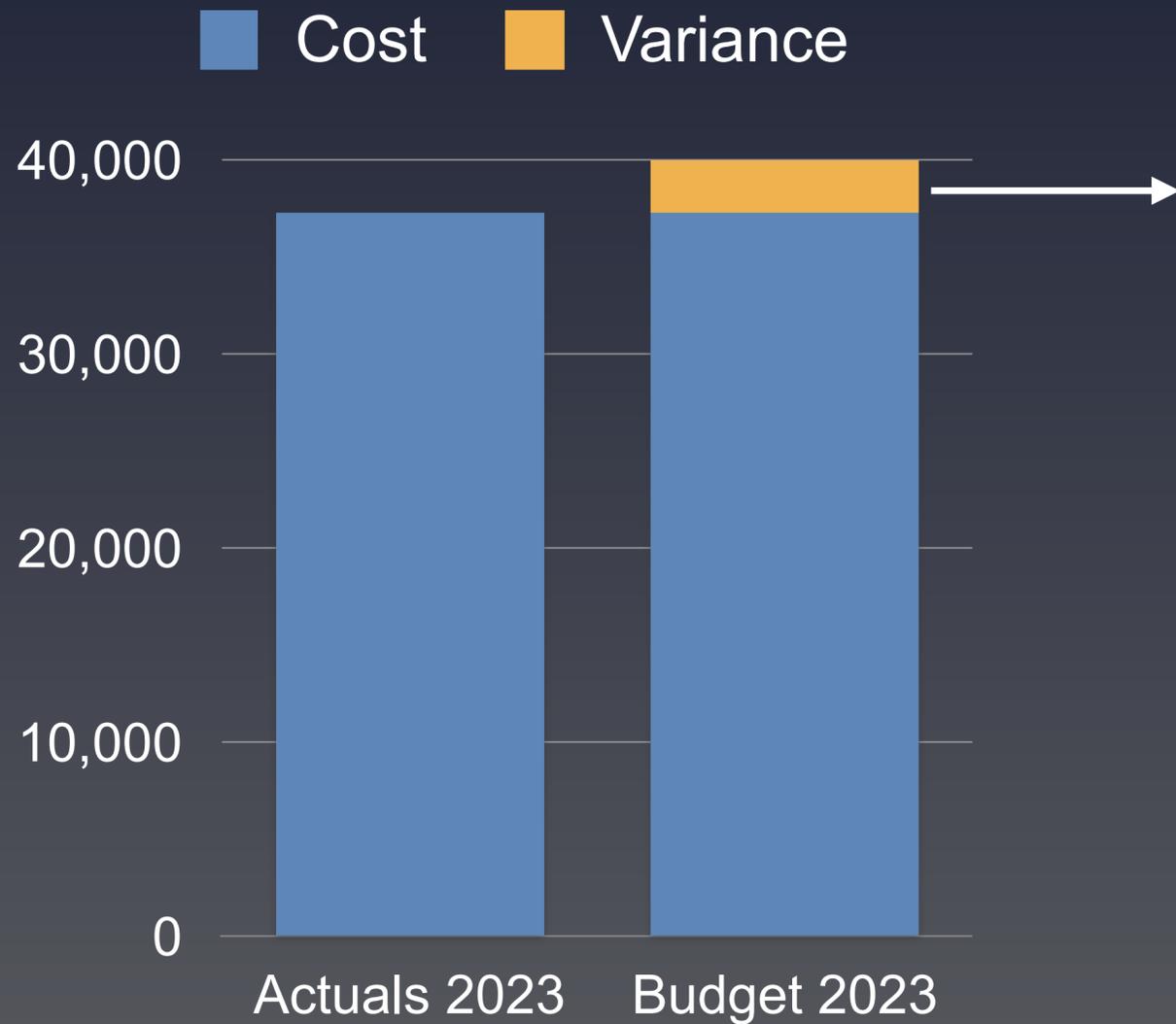
Expenditures

Cost Breakdown



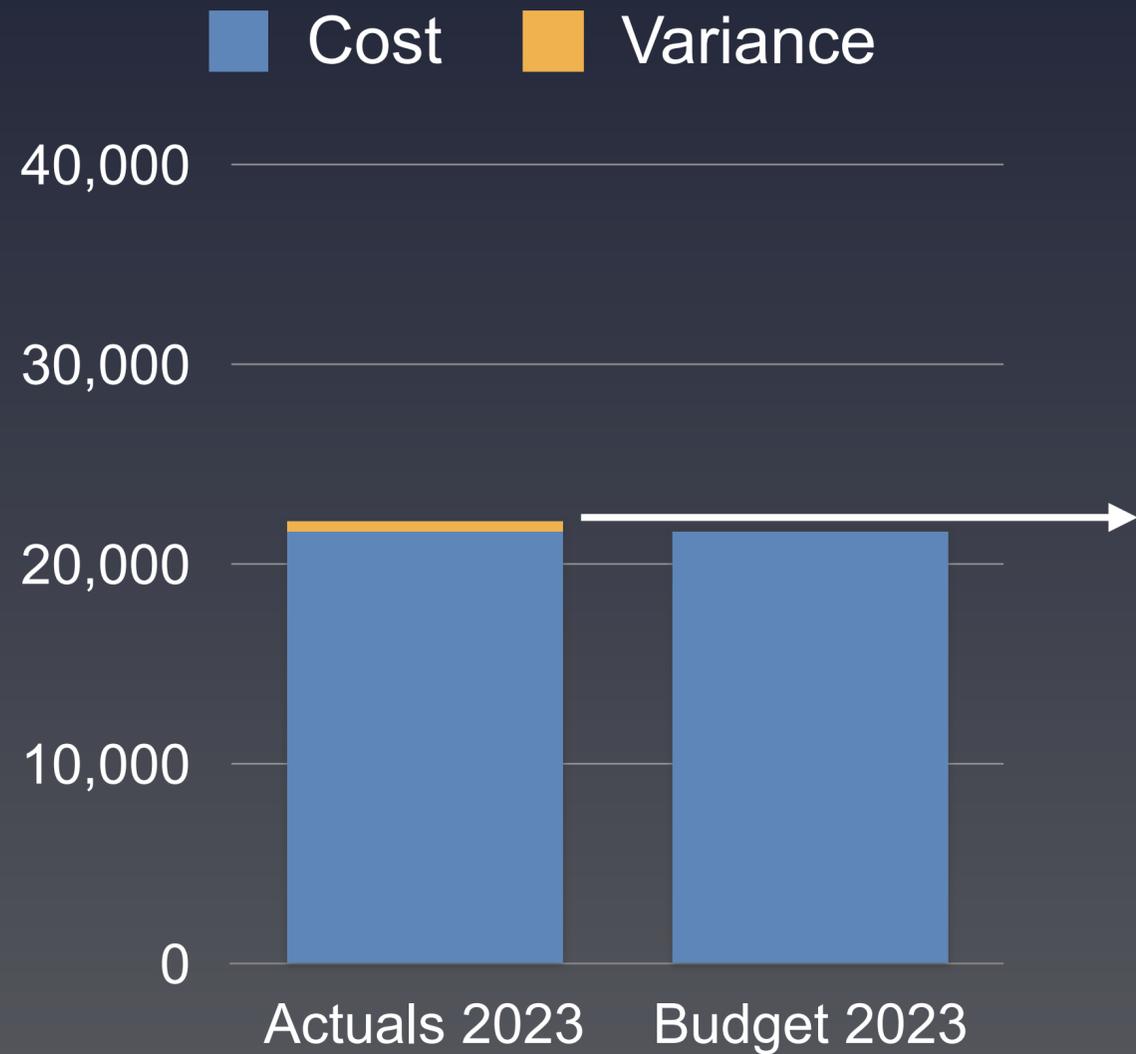
- Total expenditure for 2023 was EUR 37.3M (34.6M 2022)
 - 2 741 kEUR below budget (7%)
- 59% Personnel Costs
 - 58% in 2022
- 10% Consultancy
 - 13% in 2022
- 10% IT infrastructure
 - 11% in 2022

Budget (Cost) Variance 2 741 kEUR under budget



Total Variance: 2 741 kEUR under budget

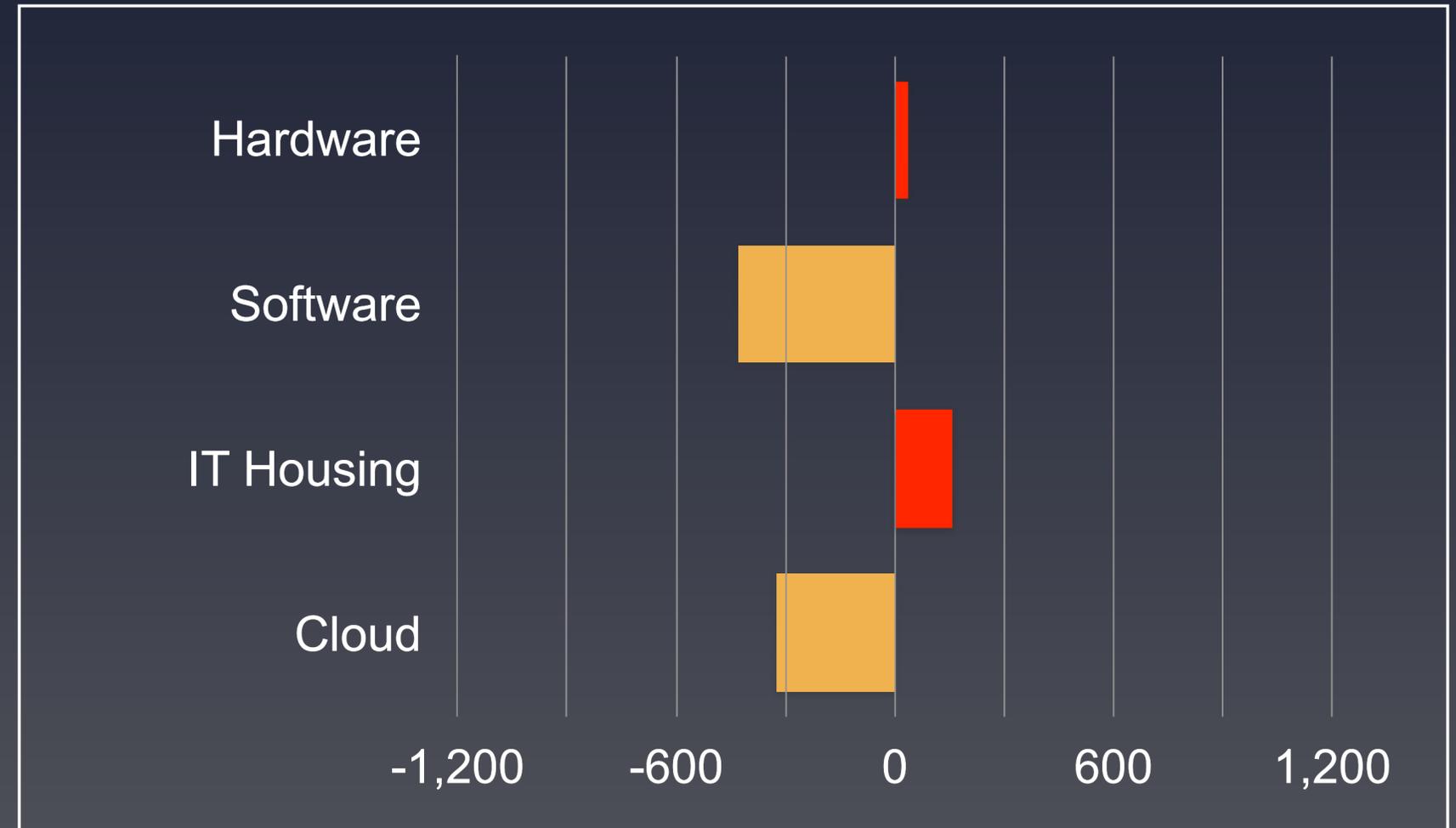
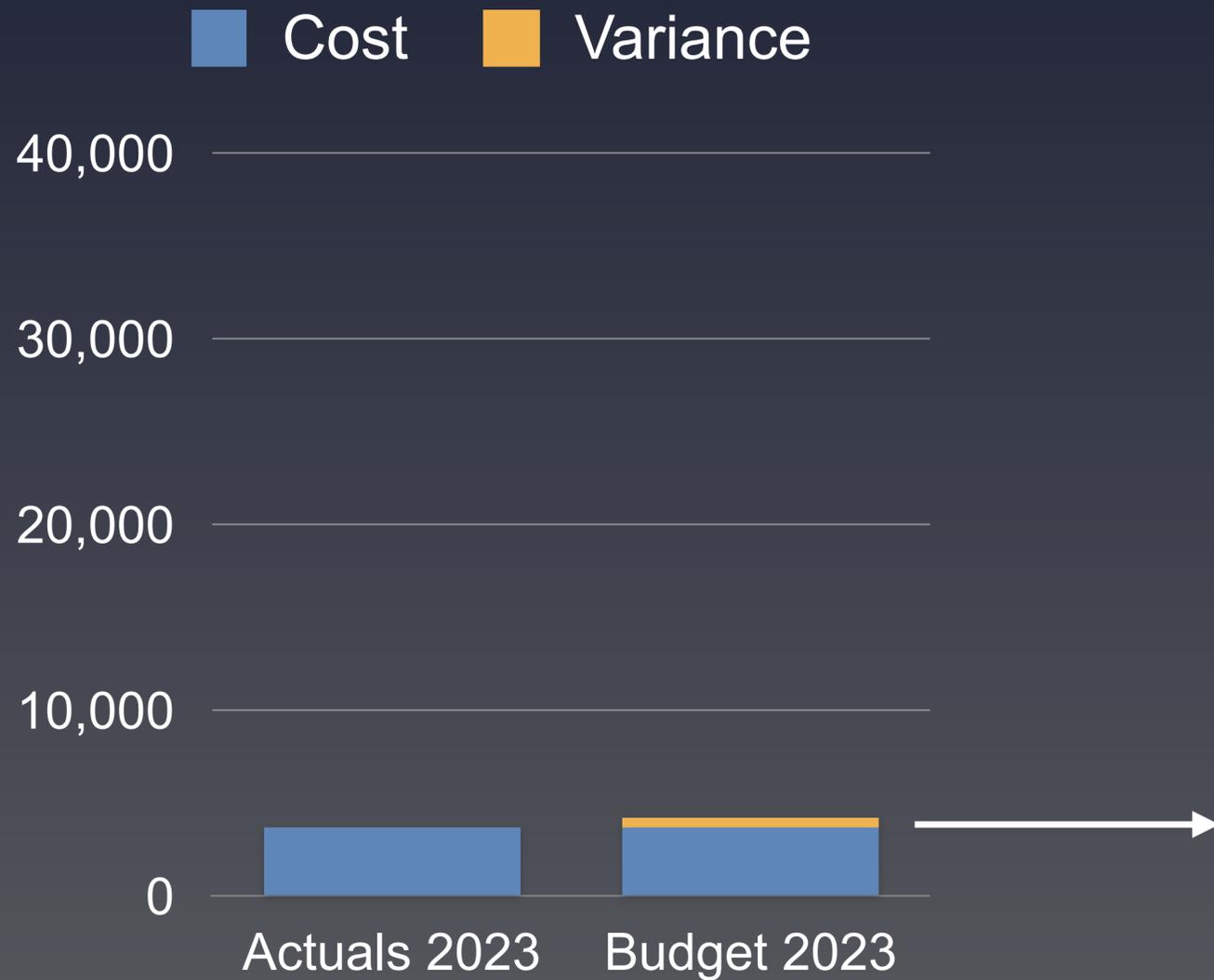
Personnel Costs (2023) 552 kEUR over budget



Total Variance: 552 kEUR over budget

IT Infrastructure

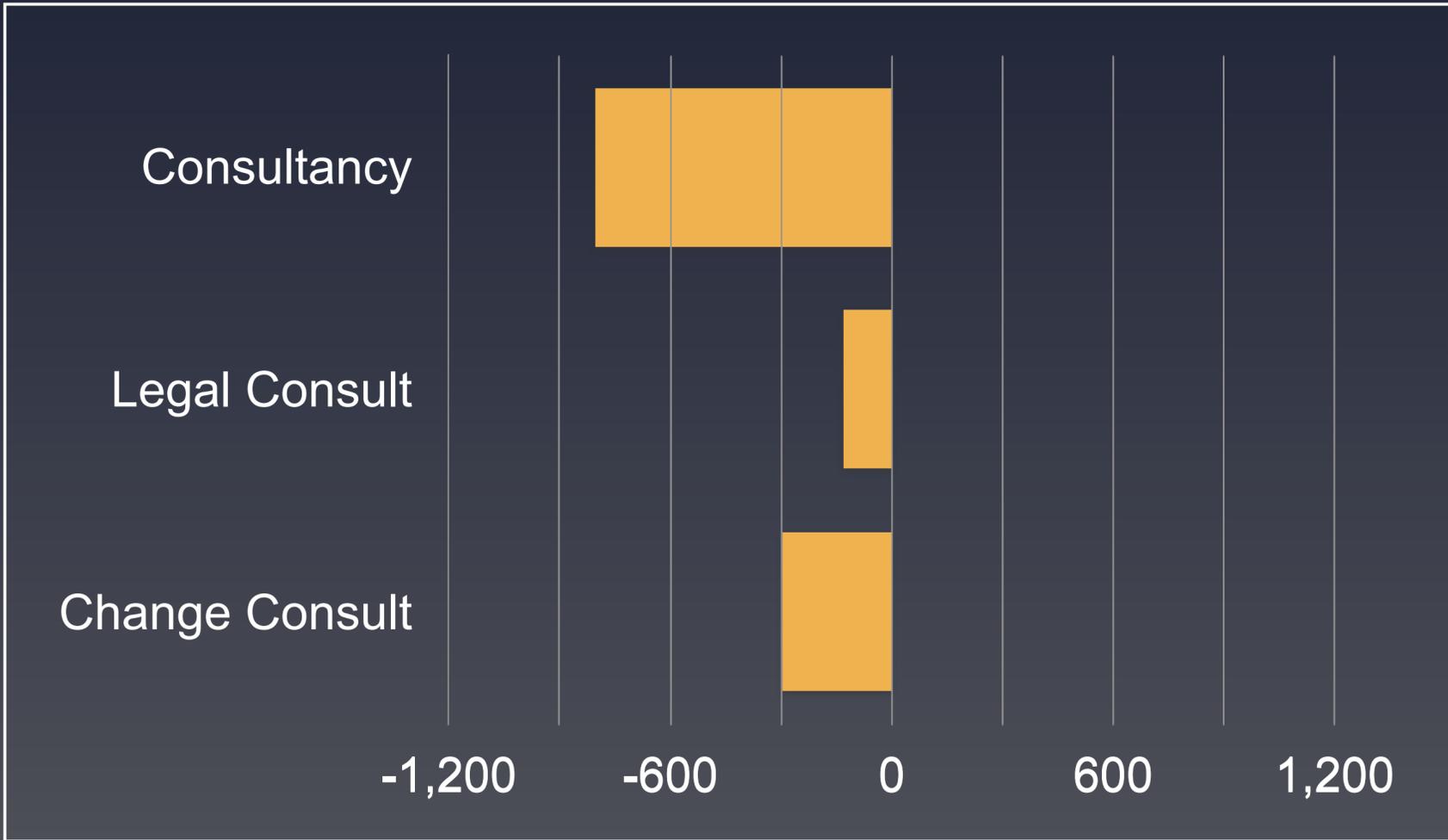
(2023) 560 kEUR under budget



Total Variance: 560 kEUR under budget

Consultancy

(2023) 1 230 kEUR under budget



Total Variance: 1 230 kEUR under budget

Outreach and PR (2023) 611 kEUR under budget



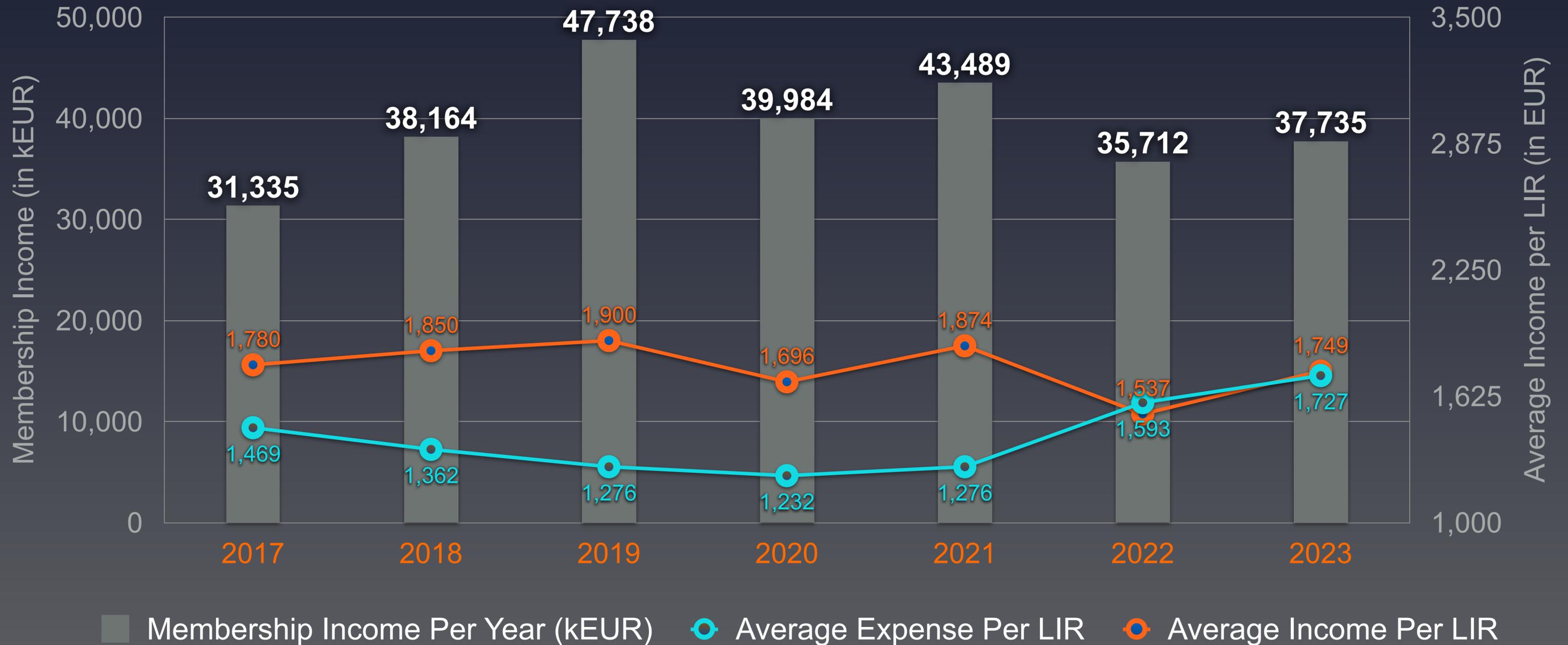
Total Variance: 611 kEUR under budget

Bank Charges and Bad Debt (2023) 159 kEUR over budget



Total Variance: 159 kEUR over budget

Membership Income vs Costs



Related Parties



under the name 'RIPE NCC Middle East FZ-LLC' in Dubai, United Arab Emirates. The RIPE NCC Middle East FZ-LLC is fully owned by the RIPE NCC.

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 45 kEUR. The incoming transactions consist of a total of LIR account fees and any applicable VAT.

The total outgoing transactions with suppliers related to our board members amounts to 51 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.
 - 32 kEUR: CDN for RPKI RRDP (Server Rental RPKI)
- ICANN
 - 5 kEUR: ICANN sponsorship of MEAC-SIG 2023

- PeeringDB
 - 2 kEUR: Sponsorship Peering DB

One of our key staff members also serves on the Board of the Rob Blokzijl Foundation, to which we contributed 50 kEUR in 2023. The RIPE NCC Managing Director also serves on the board of the Open CSIRT Foundation, to which we contributed 50 kEUR in 2023.

Auditors Fees

Expenditures for services provided by the RIPE NCC independent auditor, EY member firms, in 2023 and in 2022, are specified as follows:

	2023	2022
Audit Fees	68	66
Audit-related Fees	33	-
Tax Fees	-	-
Other Non-assurance fees	14	91
	115	157

The audit fees listed above 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.

Signed by Raymond Jetten
RIPE NCC Executive Board Treasurer
11 March 2024
RIPE NCC
Amsterdam, the Netherlands

New Section: Other Information



OTHER INFORMATION

Subsidiaries

In 2023, our office in Dubai was a branch of the main RIPE NCC legal entity established in the Netherlands. In February 2024, we finalised the set-up of a separate legal entity under the name 'RIPE NCC Middle East FZ-LLC' in Dubai, United Arab Emirates. The RIPE NCC Middle East FZ-LLC is fully owned by the RIPE NCC.



Treasury

Financial Income and Expenditure



- 524 kEUR positive financial result
- Result on interest income 268 kEUR positive
 - 36 kEUR in 2022 negative
- Result exchange difference 67 kEUR **negative**
 - 110 kEUR in 2022 negative
- Unrealised revaluation Financial Fixed Assets 323 kEUR positive
 - 1 614 kEUR in 2022 negative

Financial Income and Expenditure



- Investment portfolio of EUR 13.6M (7.6M in 2022)
 - Unrealised revaluation of 323 kEUR (1 614 kEUR negative in 2022)
 - Interest income 89 kEUR (49 kEUR in 2022)
- Cash with banks EUR 21.7M (26.5M in 2022)
 - 179 kEUR in interest accrued (85 kEUR negative in 2022)
- Successfully onboarded with our investment partner
 - Dasym Managed Accounts: <https://www.dasym.com/>
 - Transferred 10M EUR to Custodian account with UBS just before year end
 - 6.6M EUR invested before year end

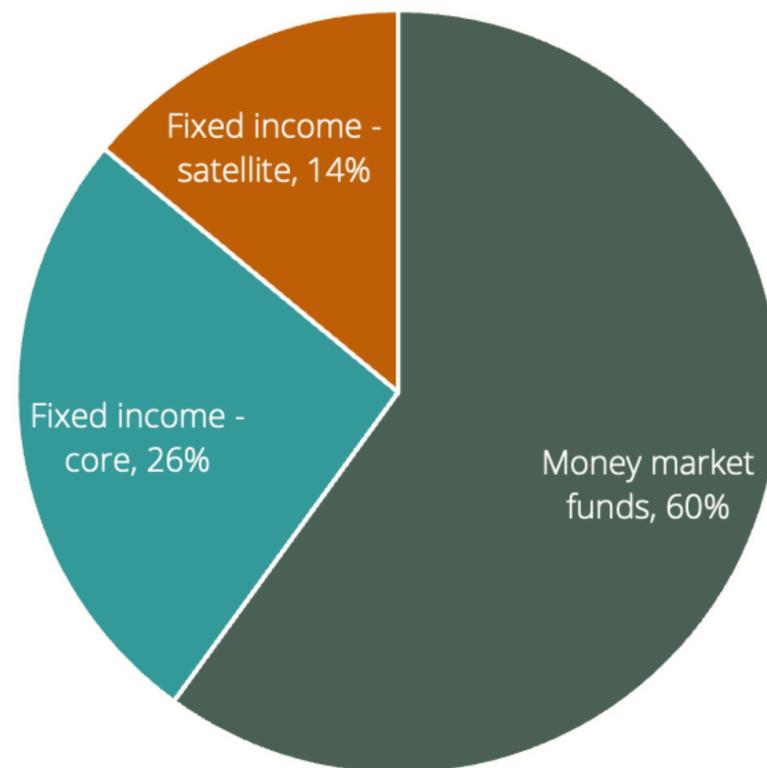
Investment Portfolio



RIPE NCC – Overview investment portfolio

Our investment portfolio is designed for an uncertain world by delivering stable returns through a focus on risk management

Investment portfolio breakdown into main categories as of March 2024



Money market funds

- Investments in short term high quality bonds issued by governments and corporates based in Western markets.
- Delivers stable positive returns.
- Moves in line with short term interest rate fluctuations with a slight delay.

Fixed income - core

- Invests in a wide range of fixed income products, has a higher risk profile than money market funds.
- More sensitive to changes in longer term interest rates and credit spreads.

Fixed income - satellite

- Invests in fixed income products that are (much) less sensitive to longer term interest rates and credit spreads.
- Offers diversification to the fixed income core bucket



Taxes

Corporate Income Tax



- Effective Tax Rate 4.04%
 - 650% in 2022
- Corporate Income Tax 23 kEUR
 - 403 kEUR in 2022
- Surplus before taxes 569 kEUR
 - 61 kEUR in 2022
- Result 546 kEUR Surplus
 - 342 kEUR deficit in 2022
- Fiscal Tax Rate 19%
- Corporate Income Tax 23 kEUR
 - 403 kEUR in 2022
- Fiscal Surplus before taxes 122 kEUR
 - 1 728 kEUR in 2022

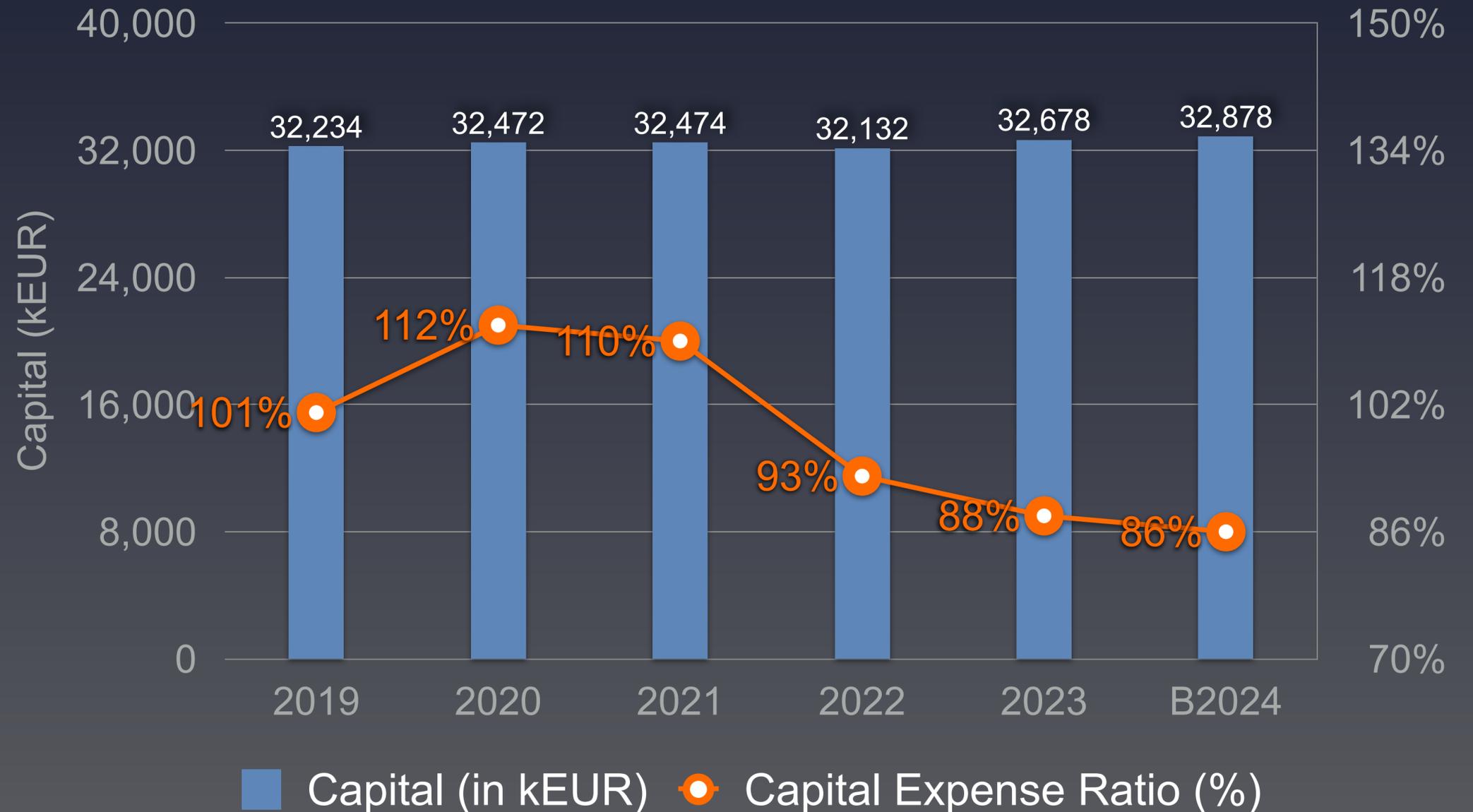


Capital and Liquidity

Capital and Liquidity



- Balanced and healthy
- Clearing House buffer of 32M EUR to respond to uncertainties
- ‘At risk’ membership fees, LIR consolidations, inflation, and decreasing income remain a concern
- We are solvent and in a robust financial position
- Ready for the future
- Charging Scheme 2025 vote



Unqualified or Clean Opinion from EY



We have audited the financial statements 2023 of the 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 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code”



2024

2024



- Our budget is EUR 38M revenue and 38.2M for 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
- Instability in parts of our service region remains a concern
- Charging Scheme major topic for discussion and has impact on the future of the RIPE NCC and our community

Payment Behaviour



	2021	2022	2023	2024	Ukraine
Payment on time (within 30 day period)	64%	58%	60%	63%	44%
Payment after 30 day period	35%	41.85%	39.07%	35%	27%
LIR account closure due to non-payment	0.7%	0.5%	0.7%	N/A	N/A
Outstanding at 20 May 2024		0.15%	0.23%	2.0%	29%

Membership Fees at Risk (Quantified)



	2021	2022	2023	2024	LIRs Not Paid	Total LIRs	Total EUR
'Ultra High Risk'	145 kEUR	1 020 kEUR	1 249 kEUR	1 166 kEUR	727	727	3 580 kEUR
Sanctions related	-	11 kEUR	92 kEUR	268 kEUR	166	166	371 kEUR
Ukraine	0 kEUR	40 kEUR	104 kEUR	204 kEUR	116	403	348 kEUR
Total	145 kEUR	1 071 kEUR	1 445 kEUR	1 638 kEUR	1 013	1 294	4 299 kEUR

2024 April Profit & Loss Figures



	2023	2024 B	2024 B Apr	2024 Apr
Income (in million EUR)	38.4	38.0	12.3	11.6
Expenses (in million EUR)	37.3	38.2	12.3	11.5
Redistribution (in million EUR)	-1.1	-	-	-
Financial Result (in million EUR)	0.5	0.4	0.1	0.05
Surplus (in million EUR)	0.5	0.2	0.1	0.1
Average redistribution per LIR (EUR)	54	-	-	-
Number of LIRs	21 570	21 500	21 500	21 436
Average cost per LIR (EUR)	1 727	1 777	572	536

2024 Full Year Forecast



	2023	2024 B	2024 Apr	2024 FORECAST
Income (in million EUR)	38.4	38.0	11.6	35.8
Expenses (in million EUR)	37.3	38.2	11.5	38.2
Redistribution (in million EUR)	-1.1	-	-	-
Financial Result (in million EUR)	0.5	0.4	0.05	0.6
Surplus (in million EUR)	0.5	0.2	0.1	-1.8
Average redistribution per LIR (EUR)	54	-	-	-
Number of LIRs	21 570	21 500	21 436	20 000
Average cost per LIR (EUR)	1 727	1 777	536	1 901

RIPE 89 and GM



- Redistribution vote by GM, based on forecast for 2024
 - A negative redistribution is possible
 - Deduct or add to Clearing House
 - Or redistribute the result on the invoices for 2025

Recap



- The RIPE NCC remains in a stable financial position
 - Income under budget (1 633 kEUR)
 - Costs under budget (2 741 kEUR)
 - Positive operating result (1 144 kEUR)
 - Redistribution over 2023 (1 100 kEUR)
 - Surplus of 546 kEUR over 2023, added to Clearing House reserves
- But there are legitimate concerns
 - Financial Risk (decrease of income, inflation, volatile markets and membership fee at risk)

Resolution 1



“The General Meeting Adopts the RIPE NCC Financial Report 2023”



Questions

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