

"A New Agenda"
Annual Report 2015

June 2016

afnic

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1. Editorial



*Emmanuel Sartorius
Afnic Chair*

A New Agenda

This year's annual report is entitled "A New Agenda". It marks a special moment for our association. After several difficult years, Afnic has reported a positive consolidated net income, and is starting to rebuild its reserves.

This result is an encouragement to continue to move forward and adopt a new agenda.

In terms of the organization of our association, a study was undertaken in 2015, involving all the members of the association, the aim being to carry out a major revision of our articles of association in order to modernize them. The reform prepared throughout the year will be presented to members at an extraordinary general meeting in June 2016.

With these "groomed" articles of association our association will, I am sure, be better armed for change in the coming years, especially in its ability to fully represent the diversity of the French Internet community.

The reform of the colleges constituting our association was the subject of heated discussion between members as well as on the board of trustees. How do we want all the French stakeholders in the digital economy to invest in our association? What should we do in order for them to come together in colleges clearly representing their respective affinities? These issues still lie ahead of us, but they were opened in 2015, and we are now in working order to face them.

2015 was the year of the effective establishment of the Afnic Foundation for Digital Solidarity. It represents a major commitment for our association, not only with respect to the State, but with respect to the entire French Internet community, now and in the future. Because the challenge for us, through the Foundation, is to help that community grow, using solidarity so that new members who are currently excluded may join us.

Another strong signal sent to the French digital ecosystem was the launch last December of the publication as *opendata* of the data relating to the *.fr* TLD. That is another way of sharing the value residing in *.fr* data with digital technology users and stakeholders.

The *.fr* TLD developed in 2015 with the establishment of new features that bring it even closer to the best market standards: multi-year registration, and automatic renewal. All of these changes are designed to simplify the lives of users and registrars alike.

Our gTLD business has finally reached maturity. The *.paris* and *.ovh* gTLDs celebrated their first anniversary this year, giving a good indication of the strength of this new activity, which is significantly reducing its losses and each year is making a greater contribution to the revenue and influence of our association.

A new cycle of innovation, of improvement in our products and our practices, and in the diversification of our activities can now begin.

2. 2015 Highlights

January

The Afnic Industry Report on Domain Names shows that the *.fr* TLD had 2,853,406 domain names on 31 December 2014, an increase of 5.06% in 2014. This performance continues to be higher than that of the French market (+ 4.9%), the world market (+ 4.3%) and the European market (+ 2.2%) allowing Afnic to begin 2015 on a good footing.

February

For the third year in a row, the *.fr* TLD was present at the Paris Trade Fair for Entrepreneurs, this time with two Afnic registrars, OVH and Amen. Two workshops were organized for entrepreneurs on the stand, with the theme: "Selecting an online address for your business: asking the right questions"

Afnic and .SE, the Swedish Internet registry combined to launch Zonemaster a new DNS checking tool that can be used to enhance the security and resiliency of the Internet and designed to become the international standard for verifying the correct configuration of the DNS (<http://www.zonemaster.net/>).

On February 16, the second phase of the opening for registration of domain names with 1 and 2 characters under the *.fr* TLD (known as the "*landrush* ") was launched with a special price starting at EUR 15,000 for the first week and gradually decreasing to reach the usual rates for domain names under the *.fr* TLD in March.

March

The first edition of "ADR trends", the acronym for alternative dispute resolution procedures, was published. It enables a quarterly review of dispute resolution procedures by Afnic. The first edition showed that in 58% of cases, the measures requested by the applicants were accepted, and only 0.5% of more than 600 decisions by Afnic since 2011 have been subject to judicial review.

On March 11, the registration of domain names with 1 and 2 characters under the *.fr* TLD was opened to all at the usual rates.

On March 12, Afnic organized extraordinary consultative committee of Afnic, open widely to non-members of Afnic and bringing together some fifty participants to present the work of two international working groups on

- The establishment of a new multi-stakeholder mechanism for supervising the root [Internet Assigned Numbers Authority (IANA)], instead of the Government of the United States;
- The establishment of new mechanisms to enhance the accountability and the balance of power within the Internet Corporation for Assigned Names and Numbers (ICANN), as part of this transition.

April

From 30 March onwards, domain names under the *.fr* TLD can be registered for up to 10 years. This new feature will now allow loyal holders of the national namespace to avoid having to think about renewing their URL every year.

Afnic was elected to the bureau of the Transition Numérique Plus association, the reference partner for the promotion of the *.fr* TLD among French SMEs and SOHos.

On April 10, Afnic signed with the Fondation de France the agreement creating the Afnic Foundation for digital solidarity.

May

On May 7, the *.fr* TLD became a partner of the "open du web" event to reward the best talent in development, system administration, web-design, SEO / SEM, and community management, through the organization of online challenges in which hundreds of young designers and computer scientists confront each other in Paris, Lille, Bordeaux and Tunis.

June

On June 2, Afnic organized an "Internet solidarity" workshop as part of the second French forum on Internet governance.

On June 3, the *.fr* TLD held a stand at Lyon-Rhône-Alpes Trade Fair for Entrepreneurs with the registrars Amen and Safebrand and once again organized two workshops on choosing an Internet address.

Afnic was presented with its EFQM diploma "Recognized for Excellence" certification at 4 star-level by the general delegate of the European Foundation for Quality Management France.

July-August

On July 9, the Afnic Scientific Council days were held, open to all. The theme was "What measurements can be made on the Internet, and for what scientific and technical purposes?" <https://www.afnic.fr/medias/documents/JCSA/programme-JCSA15.pdf>

September /October

Afnic published the fourth report of the Internet Resilience Observatory in France, with French National Agency for the Security of Information Systems (ANSSI).

http://www.ssi.gouv.fr/uploads/2014/10/rapport_observatoire_2014_en.pdf

The *reussir-en.fr* campaign to promote the usage of *.fr* TLD among SMEs / SOHOs and young people was revived on the social media, providing the framework for the *.fr* TLD to participate in all the professional events and trade shows.

From 6 to 8 October *reussir-en.fr* held a stand at the Paris Micro-Enterprise Trade Fair, with the registrars Safebrand, Namebay and KeepAlert / Prodomaines.

On October 7, during a ceremony on the sidelines of the General Assembly of the Council of European National Top Level Domain Registries (CENTR) Afnic was doubly rewarded:

- Best R&D project for Zonemaster, with the *.SE*
- Contributor of the year for Mathieu Weill and Lise Fuhr (*.dk*) for their work on the transfer of the IANA function.

<https://centr.org/awards2015>

November

The *reussir-en.fr* campaign was awarded the 1st prize in the Communication Trophies 2015.

December

Afnic opens its «Opendata» service for the *.fr* TLD, giving everyone a comprehensive overview on the activity of the *.fr* namespace, accessible from its website or on data.gouv.fr

3. The Association

In 2015, associational activity was marked by the holding of five meetings of the board of trustees to which was added the strategic seminar in September devoted to Afnic's vision for the *.fr* TLD in the coming years. Three consultative committee meetings, one of which was extraordinary, among other things allowed discussion to continue on the reform of ICANN, to provide a technical roadmap for registrars and discuss the development of Afnic governance.

The Afnic board of trustees worked to implement the recommendations of the operational audit it had commissioned in 2014, and in particular prepared a reform of the Afnic articles of association, which is designed to clarify the respective responsibilities of the board of trustees, the President and CEO, as well as allow greater stability of the board, by organizing its partial renewal every two years.

If the Extraordinary General Meeting of June 2016 approves these proposals, the statutory organization of Afnic will be stronger, clearer, and will support future developments of the association, including the reorganization of its colleges, which remains to be done.

While the majority of members consulted agree that the distinction between registrars and users no longer makes it possible to properly segment the different types of members in the Association, a broad consensus on the most appropriate segmentation in the future has yet to be found.

Also as part of its work on the Association and boosting membership, the Board decided to align the 2015 membership fees of registrars on those of corporations. This has helped to lower the membership fees for registrars to a significant degree.

In 2015 as in other years the Consultative Committees studied various operational issues, validating the technical roadmap of Afnic (see below Technical developments of the *.fr* TLD). Our members were also able to discuss three overarching themes for the future, namely the reform of our articles of association as outlined above; the reform of ICANN in the context of the transition to the oversight of the IANA function, and the vision of our association for the *.fr* TLD in the coming years.

With regard to the transfer of the IANA function, an extraordinary consultation committee meeting, that is to say, open to all (members or not) was organized with representatives of ICANN and working groups developing the proposals for this transition. Mathieu Weill, co-chair of the working group on the reform of ICANN, was able to present the progress in the work which, since then, has concluded with the adoption by the ICANN Board of the proposals to enhance the balance of powers and the establishment of independent reviews.

With regard to the vision of the *.fr* TLD, new factors for action and the strategic positioning of Afnic were discussed within the association. Afnic will now position itself as a player in online presence. This is a novelty as much as a logical conclusion to the work undertaken for the last two years on the promotion of the *.fr* TLD with *reussir-en.fr* campaign. Our association now wants to put forward the following values of the *.fr* TLD: simplicity, innovation and attractiveness, as well as exemplarity. Afnic wants to make the national namespace the benchmark tool for French people and all web-based structures to develop their online presence.

4. Growth and further development of new features of the .fr TLD

The .fr TLD continued to grow in 2015, with an increase of 3.2% over the year. This performance, although lower than in 2014 (5%), is still higher than the average performance for European ccTLDs (2.7%).

In a sluggish growth environment for the industry of domain names, in 2015 this performance is essentially due to two factors:

- On one hand, the erosion in the number of domain names creations is limited from one year to the next. 2015 saw the number of new creations drop by 27,000 units (against a decrease of 40,000 the previous year).
- Furthermore, the renewal rate of .fr TLD remained at a high level, with a score of 81.7% for renewed domain names (against 81.4% in 2014).

Representing a sign of an increase in the competitiveness of the organization of Afnic, **the production cost of a domain name under the .fr TLD continued to decline from 3.60 euros in 2014 to 3.50 euros in 2015.**

The campaign "reussir-en.fr" was prolonged in 2015, with new objectives:

- Strengthening the content strategy, expanded to the online presence of issues and no longer that of domain names alone
- The creation of a monthly newsletter aimed at entrepreneurs and start-ups, the "La Box Réussir en .fr"
- The development of partnerships with new stakeholders in online presence

With more than 100,000 visitors on the reussir-en.fr website, nearly 1,000 subscribers to the La Box Réussir en .fr and the conclusion of 27 new partnerships to improve the visibility of the .fr TLD, the campaign is gaining momentum and gaining ground in the French digital landscape.

With regard to the developments and new features of the .fr TLD, 2015 was marked by the finalization of opening the registration to domain names under the .fr TLD with 1 or 2 characters, but also through the establishment of multi-year registration and by opening the data of the .fr TLD via the opendata.afnic.fr portal, which aggregates critical .fr data and makes them available in a reusable format. As a result, all the data related to the lives of domain names under the national namespace are available to the public, except for holders' personal data.

The technology roadmap for .fr TLD was generally respected in 2015, with major changes such as simplifying domain name registration and the operations required of registrars involving domain names.

As a result, in connection with the implementation of the multi-year registration, the calendar expiry date of the domain name has replaced the old "anniversary date" and the automatic renewal of domain names has been implemented.

The drive to simplify and standardize technical operations under the .fr TLD will continue in 2016.

5. New TLDs: consolidation

While at year-end 2015, all of the new TLDs (14) managed by Afnic on behalf of its gTLD customers were in the root, this new Afnic business approached cost effectiveness after three years of investment.

The "premium" domain name program for the .paris gTLD was launched in the second half of 2015, with a system of auctioning specially developed for the city of Paris, making it possible to allocate domain names with high added value at market prices to players. As a result, at the end of 2015, nearly 200 domain names had been allocated.

For our first gTLD customers, the end of 2015 was an important test with the first campaign to renew domain names registered during the namespace launches. This was the case for the .ovh and .paris gTLDs. With a few months' hindsight, the first renewals are encouraging. Indeed, at year-end 2015, the total number of domain names managed by Afnic on behalf of its gTLD customers was 70,900 domain names, a drop of only 2,000 registrations.

If this decline in the portfolio of managed domain names may seem surprising, it should be remembered that we had no hindsight on the renewal rate for new TLDs after one year. The effect of curiosity with the launch of the .paris namespace or the launch of the .ovh on a free basis could have raised concerns about a greater drop in the number of registration after the first annual renewal. On the contrary, the virtual stability in the stocks of domain names across all the gTLDs shows that these new namespaces are well-founded and have a retention capacity that should be confirmed in the coming years.

With the most substantial IT developments for gTLDs now behind us, 2015, therefore, saw stabilization in income coupled with lower expenses for this activity, bringing it closer to cost effectiveness. For example, our losses were halved between 2014 and 2015.

6. Internet governance: A year marked by the World Summit on the Information Society and the IANA stewardship transition

In 2015 Afnic continued its work as leader of the French Internet community on issues related to global Internet governance.

The transfer of the IANA function, already mentioned, mobilized a great deal of energy, especially through the involvement of Mathieu Weill, Afnic CEO, as co-chairman of the " *accountability*" working group, in charge of making proposals for the reform of ICANN.

Another important milestone in 2015 was the December meeting at the United Nations Headquarters, to assess and propose appropriate action after the World Summit on the Information Society.

Although this event was reserved for governments, Afnic, which initiated in 2015 a partnership with the French Institute of International Relations (IFRI), nonetheless played an important role in its preparation.

A conference bringing together twenty experts (academics, entrepreneurs, representatives from civil society, the private sector and government) was held on 23 November, a few days before the WSIS +10, to take stock of the progress made ten years after the adoption of the Tunis agenda.

This initiative, unique in France, helped fuel the French position for the New York meeting and highlight progress as well as the blocking factors for achieving the ambitions of the international community in the fight against the digital divide.

7. Afnic supported in its operational excellence and security initiative

In January 2015, Afnic was awarded by AFNOR the “Recognized for Excellence” certification at 4 star-level of the ¹ European Foundation for Quality Management.

This certification, which reinforces the operational excellence initiatives launched by Afnic in 2008, illustrates the progress made by our organization in recent years.

All the operational processes of Afnic are now subject to a continuous improvement initiative, which aims to increase the satisfaction of all our stakeholders.

Following the completion of a first carbon audit in 2013 and the recognition of its operational excellence initiative, Afnic took action during 2015 to prepare for the ISO 27001 certification audit of its IT security management system.

With this new phase of its certification, Afnic has completed all the commitments made on the occasion of its appointment as registry for the .fr TLD, in terms of security and resilience.

¹ <https://www.afnic.fr/fr/l-afnic-en-bref/presentation/excellence-1.html>

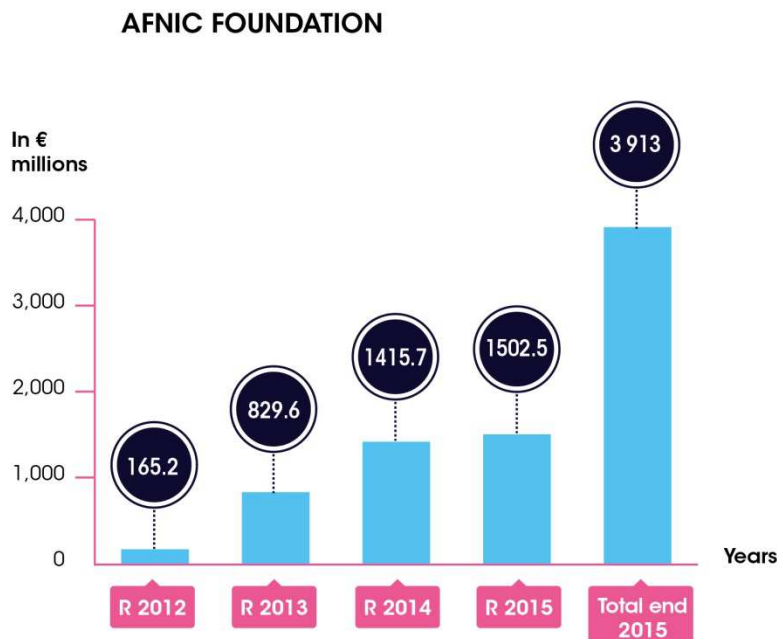
8. Afnic foundation for digital solidarity: a project come true

On April 10, 2015, Afnic signed the agreement with the Fondation de France creating the Afnic Foundation for digital solidarity. The foundation, which our association wanted in order to collect the profits generated by our business as the registry for the .fr TLD, is designed to support projects and initiatives using digital technology to serve solidarity, integration, and economic development. A further objective is to participate in a better understanding of the ways in which digital exclusion works, and to propose remedies to ensure that the Internet remains an opportunity for all.

With an executive committee chaired by Jean-Michel Hubert, and consisting of representatives of our association and suitably qualified persons, the Foundation geared up to launch a first call for projects early in 2016.

To supervise the work, prepare the calls for projects and examine the replies, a team led by Denis Pansu (Port parallèle) and Isabel Toutaud, Afnic Legal Affairs Director, was recruited.

The creation of the Foundation enabled the release of all the funds that Afnic had reserved.



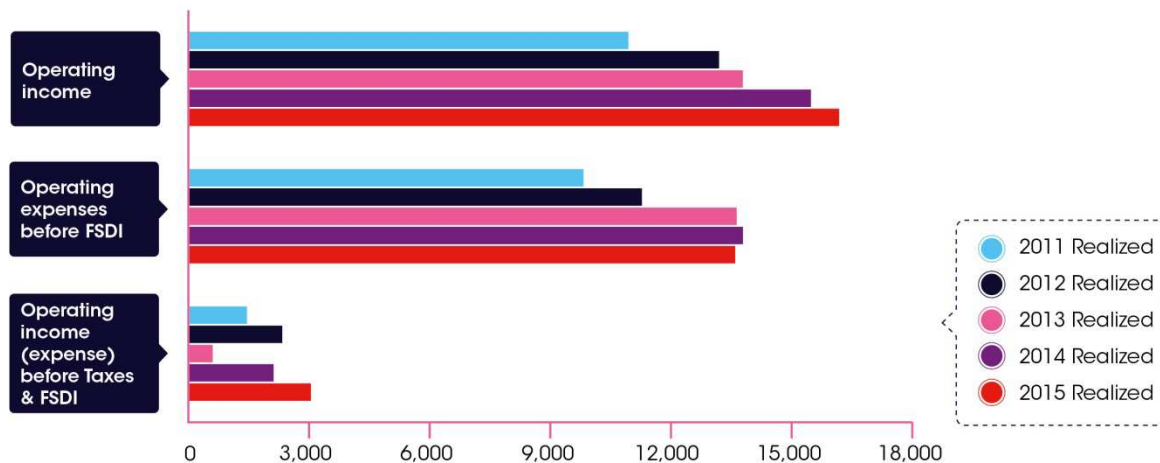
The total payment of 3,913,000 euros will be reached after approval of the accounts for fiscal 2015 by the General Assembly in June 2016. The Foundation will announce the initial list of projects it will finance in June 2016.

9. Budget control allowing Afnic to report a net accounting profit again

After two years marked by strong investment and a net accounting loss, Afnic this year began to replenish its reserves and see the two years of efforts in cost control rewarded.

Pre-tax operating income for the Afnic Foundation stood at 3.019 million euros. It surpasses by 30% the result for 2011, our best year for five years.

CHANGE IN Afnic OPERATING INCOME AND EXPENSES SINCE 2011



Afnic sales totaled 15,733,495 euros, up 4.7%, or an increase of 710,300 euros compared with 2014. The continued growth of the *.fr* TLD and the development of our gTLD activities, including our non-recurring activities in addition to flat fees, contributed to this result, which is aligned with the budget growth target for turnover in 2015.

The allocation of expenses by activities follows the analytical accounting procedure in June 2012, which was amended in 2014 in accordance with the recommendations made in 2013 by the Mazars firm of chartered accountants.

In 2015, gTLDs represented 9% of the Association's turnover. This share should continue to grow in 2016 and 2017 without exceeding 15%.

The significant improvement in the earnings for the gTLDs which has divided the operating loss in half since 2014 is the determining factor in Afnic's return to a net accounting profit. Once past the period of heavy investment in time, which corresponded to the implementation

of the gTLD services, this business has now entered an operational phase, with standardized processes and a significant decrease in the peaks in activity that we underwent previously.

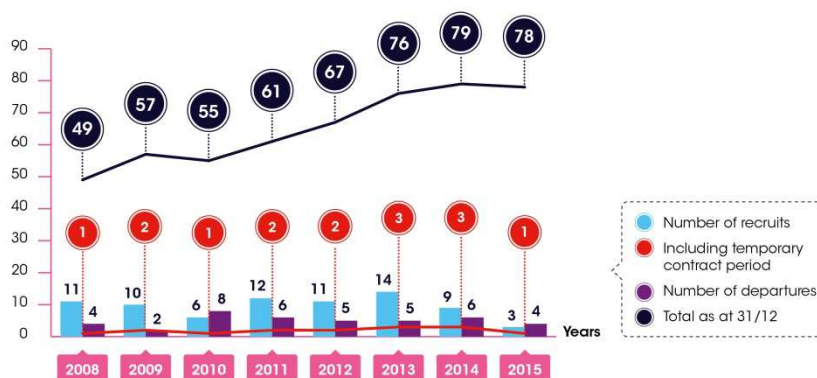
The work involved in cost control and the development of gTLD turnover will continue in the coming years to allow this business to achieve financial viability.

Total operating expenses stood at 13,185,279 euros, 536,636 euros lower than in 2014.

After three years of effort and action taken by all of our employees, the impact of cost control could be fully measured in 2015. It is now an integral feature of the Afnic corporate culture. It is important to note that part of the savings also comes from the cancellation of a number of events and demonstrations after the terrorist attacks in January and November 2015.

Regarding personnel costs, the workforce stabilization policy launched in 2014 only to replace staff departures, resulted in a headcount at year-end 2015 of 78 employees, despite the fact we had 3 arrivals and 3 departures in 2015. The growth in personnel costs was contained at 2%. The increase is consistent with pay rises and costs in French trade associations in the engineering, digital, studies and consulting professions (Syntec), and growth in Afnic turnover.

CHANGE IN THE NUMBER OF EMPLOYEES
(Including fixed-term contracts and cooperative training)



The most significant variations in expenses from one year to the other are:

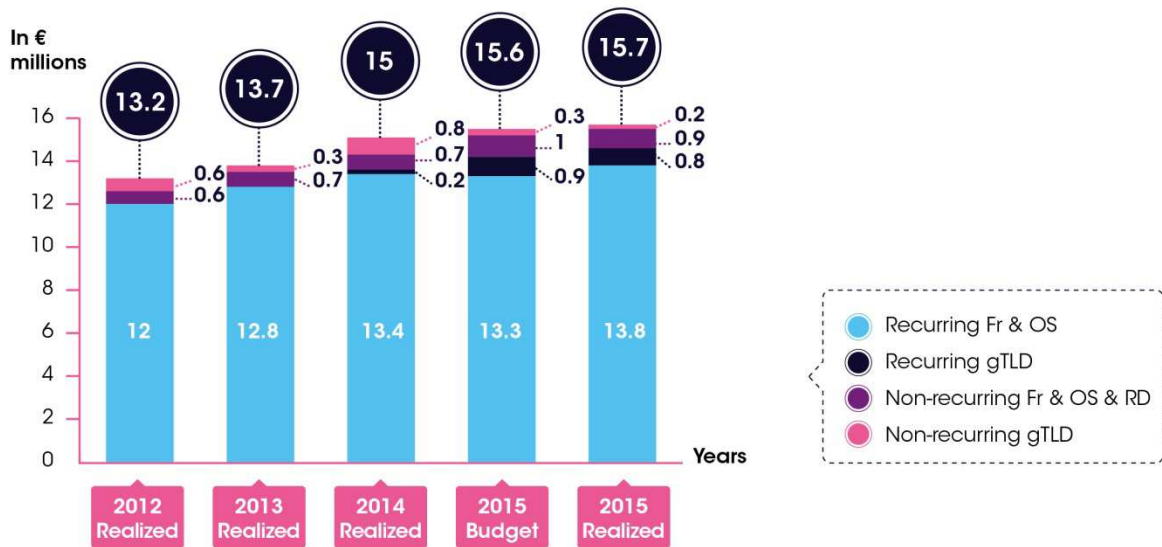
The external costs of the Information Systems Division, which posted an increase of 3.2% in spending was reported, explained by higher connectivity costs and the commissioning of a new anycast node. Maintenance costs and depreciation and amortization also increased following the investments made to strengthen the security and stability of the .fr TLD.

The reduction in legal fees is explained by the change in provider and re-internalization of records, but also by the reduction in the number of customer disputes.

The significant drop in communication / marketing costs is due on the one hand to the unfavorable context for organizing events in Paris, and on the other hand, the renegotiation engaged early in 2015 with contractors working on reussir-en.fr, which enabled better cost control.

Finally, there was a decrease in extraordinary charges linked to the fact that in 2014, Afnic bore the costs associated with the move to its new premises (including a double rent for a few months).

BREAKDOWN OF TURNOVER



An organization at the service of all its stakeholders



Mathieu Weill
Afnic CEO

The objective of returning to a balanced budget that Afnic had set for 2015 has been achieved. It is a source of satisfaction for all of Afnic's teams, who have spared no efforts to implement a genuine corporate culture of cost control. But we could not have achieved that aim if, collectively, we had simply contented ourselves with spending less and better.

In the context of a domain name market which our president, Emmanuel Sartorius, stated was mature as early as last year, we had to seek new revenue so that Afnic had the means for its development, and continue to invest in the resilience and security of the infrastructure it manages.

The development, albeit modest for its first year, of Afnic's consultancy business for gTLD registries, and soon even some ccTLDs, reflects our aim to meet the needs of new stakeholders on our market, and share our experience with some of our counterparts.

Above all, our consultancy business demonstrates our ability to remain attentive to all of our stakeholders, in order to best meet their demands and expectations.

This is no doubt one of the assets that enabled us to be recognized this year for excellence in our quality approach by the EFQM Foundation.

To serve our stakeholders also means taking to heart our assignment to lead the French Internet community. The year was a rich one from the point of view of debate on the governance of the Internet, with consequent advances in the organization of the transfer of the IANA function and ICANN reform. Afnic has been fully involved in this work and its feedback, first of all by co-chairing the working group on the reform of ICANN, then by organizing or taking part in seminars, symposia and webinars to discuss with all of the stakeholders the best ways to strengthen ICANN checks and balances and its accountability with respect to the global Internet community.

In 2015, Afnic's technical teams worked hard to offer the new features announced to our registrars, both for the .fr TLD and gTLDs, for example with the launch of the premium operation on the .paris namespace. We are entering a new era for the Association, involving the regular commissioning of new services, and no longer "major openings" fundamentally revising our Charter and registration system. Gaining agility is a gradual, but real process, which depends on the close ties that we continue to build day by day through the sales management with our customers and users.

We cannot report on 2015, however, without mentioning the new vision for the *.fr* TLD, built with our members and coordinated by our marketing teams, to make the *.fr* TLD the benchmark tool for the online presence of French people.

As you can see, this annual report is much more than just a balance sheet. Every action we have carried out, every success, big or small, helps us consider the next. For that reason, backed by the successes of 2015, we can adopt a new agenda for the *.fr* TLD, for all of our customers and, more generally, to better serve all of our stakeholders.

Financial Report (Annex)

Simplified Balance Sheet

In k€	31/12/2015 Net	31/12/2014 Net
Assets		
Non-current assets	2 625	2 838
Operating receivables	4 742	5 201
Cash at bank & in hand	13 638	10 112
TOTAL ASSETS	21 005	18 151

In k€	31/12/2015 Net	31/12/2014 Net
Liabilities		
Equity	6 070	6 259
Profit (loss) for the year	316	-188
Regulated provisions	368	455
ACCUMULATED SURPLUS	6 754	6 525
PROVISIONS	171	30
DEBT	14 080	11 596
TOTAL LIABILITIES	21 005	18 151

Simplified income statement

In k€	31/12/2015	31/12/2014
Turnover	16 100	15 420
Other income	56	34
OPERATING INCOME	16 156	15 454
Other purchases and external expenses	4 667	5 040
Duties, taxes and similar payments	434	402
Salaries, wages and payroll taxes	7 441	7 180
Other expenses including depreciation	2 532	2 568
OPERATING EXPENSES	15 073	15 190
OPERATING INCOME (EXPENSE)	1 083	264
FINANCIAL INCOME (EXPENSE)	240	242
EXTRAORDINARY PROFIT OR LOSS	1	-279
Employee profit-sharing	308	220
Corporation tax	700	195
PROFIT OR LOSS	316	-188

Evolution des fonds associatifs

CHANGE IN ACCUMULATED SURPLUS SINCE 2012

