"For a trustworthy, inclusive Internet"

Annual Report 2018

May 2019

afnic

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1. Editorial   "For a trustworthy, inclusive Internet"

Mr. Emmanuel Sartorius
Afnic Chair

The task our association has set itself is to "contribute to the development of a secure and stable Internet, open to innovation, and in which the French Internet community plays a leading role." I believe that our work in 2018 allowed us to illustrate that commitment, plus the necessarily social dimension of .fr which must not be forgotten, that is now possible through the work of the Afnic Foundation for Digital Solidarity.

Security and stability first of all, because we are well aware that our role as registry of .fr involves substantial requirements in terms of continuity of service, improving the resilience of our infrastructures, and strengthening the confidentiality and integrity of the data we handle on behalf of French citizens and market participants.

This feature of our work is rarely put forward, but 2018 gave us an opportunity to illustrate it because of the considerable impact of regulatory developments concerning the whole of the domain name market:

- The effective implementation in May 2018 of the General Data Protection Regulation (GDPR) provided us with an opportunity to play our part in the efforts dedicated to raising the awareness of Internet market participants, in France and abroad, about the importance of data protection. Afnic was ready for the GDPR, as was .fr, since 2006, one of the few TLDs worldwide to protect each individual's data. This is now the case with all the TLDs that we manage on the technical level, and improvements have also been made to .fr with the appointment of an Afnic Data Protection Officer (DPO);
- The finalization by France of the transposition of the "NIS" directive, designed to strengthen the security of information systems on a European scale. Within this framework, national registries have a role to play that is recognized by the European Commission and the legislator. This recognition goes hand in hand with an increase in security requirements, largely anticipated by our teams, and which is part of the approach initiated in 2014 to obtain ISO 27001 certification for the basic services we provide with .fr.

The focus was equally given to innovation, meanwhile, with an accentuated effort on Afnic R&D. On topics as diverse as the Internet of Things, Blockchain, data analysis, detection of fraudulent use of the DNS, in 2018 Afnic published, funded research, validated "proofs of concepts" and strengthened its partnerships with the academic world. The success of the Scientific Council Day last July was another illustration.

How can we ensure that the French Internet community plays a leading role in all of this? That part of our task, sometimes the most difficult to illustrate in concrete terms, even if it is central to the work of our association, was materialized through the efforts made by Afnic to ensure the Internet Governance Forum of Paris a success.

The choice of public authorities to rely on us to harness and coordinate the energy of the much-vaunted French Internet community to host more than 140 countries in Paris last November was a perfect illustration of the central role played by our association on the fundamental issue of the development in Internet governance.

Whether with .fr or the geographic TLDs managed by Afnic in which the French regional authorities have decided to put their trust, 2018 was one of sustained growth. .fr is seen as an essential tool for the online presence of VSEs / SMEs, as evidenced by the strong partnership established between the government initiative *France Num* and our *Réussir-en.fr* program. The good financial health of Afnic in all of its business lines allowed the association to continue to finance the work of the Afnic Foundation for Digital Solidarity, which now plays a key role in the field of digital solidarity in France. At the same time, we continued to make significant investments to modernize and adapt the services we offer to our clients (registrars and registries), by continuing to redesign our registration system.

As you can see, Afnic's work covers many areas and issues. Domain names are our core business, but our usefulness and expertise are expanding in scope. This is what makes Afnic unique and what has made so exciting the adventure that began for me in 2013 at the head of its board of trustees. My term ending with the next general meeting, I should like to express my gratitude to the trustees who have, with the two Chief Executive Officers appointed during my term of office and all the staff of the association, not to mention its members, who have helped to develop Afnic.

2. 2018 Highlights

January - March

Like every other beginning of the year, Afnic published its annual study on the health of .fr. 2017 was an excellent year for .fr with a 6% increase in create operations over the previous year and 5.2% growth. The market share of .fr increased by 0.7 points in 2017 to 36.4%, its highest level ever.

In February, after the regional editions, Afnic via *Réussir-en.fr* attended the Paris Trade Fair for Entrepreneurs. Afnic's experts advised leaders of VSEs / SMEs on the development of their activity on the Internet in hands-on workshops and show them *Réussir avec le web*, a self-assessment tool for their online presence and a simple, personalized action plan provided free of charge that we launched in late 2017.

With more than 2,000 companies assessed and twenty partnerships signed in a few months (trade unions and professional federations, chambers of trade and commerce, start-ups, registrars, communication agencies, website creators, media, etc.), the success of *Réussir avec le web* demonstrated the real need of VSEs / SMEs to understand the issues at stake with digital technology, to have concrete advice in order to take effective action, and to have support.

Afnic published the instruction booklet "50 tips to build your online presence" which provides VSE / SME managers with practical, strategic recommendations to boost their activity on the Internet. Backed by its experience in providing support since 2014 in particular through *Réussir-en.fr* and its presence in the field, in this guide Afnic has compiled an effective method to build a successful online presence, step by step.

April - June

In April, Afnic became the technical registry operator of the *.museum*, a TLD launched in 2001 by the Muse Doma Association created by ICOM (The International Council of Museums). Afnic has taken new measures to make the TLD accessible to a wider audience. To develop and head a community of *.museum* ambassadors, Afnic created and now facilitates the *welcome.museum* site and the social networking pages of the TLD.

Also in April, Afnic summarized in a guidebook all the questions received as part of the implementation of the GDPR, providing all the keys to understanding the new regulations. From the autumn of 2017 onwards, Afnic played a pioneering role in informing and training Registrars on the new GDPR regulations.

Organized each year in May, the Afnic Forum brought together for its 3rd edition all the stakeholders in the French Internet (leaders, executives, specifiers, institutions, VSEs / SMEs, innovators, project initiators, etc.) to exchange and share their experiences around the common theme "Meeting the digital challenges of tomorrow", in particular that of digital transformation.

In early June, the study of the global domain name market in 2017 revealed an overall market growth of 1.2% for the year (vs. 7.1% in 2016). At year-end 2017, the global market for domain names represented 342 million namespaces.

Afnic also reported the results of its 2017 customer survey, which once again revealed a very high satisfaction rate for the quality of its services, with 97% of registrars satisfied.

On June 8, the Annual General Meeting of Afnic renewed 2 elected members of the board of trustees: a users' representative and a registrars' representative. Mr. Frédéric Guillemaut, Associate Director and representative of Safebrands, was elected by the registrars' college, and Mr. Benjamin Louis by the users' college.

July - September

In early July, the 10th annual Afnic Scientific Council (JCSA) Day was held at Telecom ParisTech on the theme of "Human Rights and Protocols: How can the technical architecture of the Internet have an impact on human rights?" The event opened for the first time to themes that go beyond strictly technical topics to explore and provide avenues for thought on the values of human rights and the Internet.

Afnic and IIS, its Swedish counterpart, published a new major release of *Zonemaster*, a Domain Name System (DNS) validation tool to improve the security and resiliency of the Internet infrastructure.

At the same time, a new issue paper "The DNS: the naming solution of the Internet of Things, the point of view of Afnic" was published, exploring the possibilities of using the DNS in the naming conventions of connected objects (IoT).

In mid-July, Afnic explained in a white paper the many benefits of personalized Internet extensions or *.brand* TLDs with practical advice. In the white paper, Afnic, which has accompanied several of its clients (*.sncf, .leclerc, .mma*, etc.) in setting up ambitious projects around *.brand* TLDs, shares the many opportunities offered by these custom domain extensions and underlines the challenges faced by organizations starting such a business venture.

At the end of July, Afnic expanded its Executive committee with the appointment of Benoît Ampeau as new Director of Partnerships and Innovation and the recruitment of Hervé Martin, as Director of Human Resources, Quality of Work Life and Legal Affairs.

In September, *Réussir-en.fr* signed an exclusive partnership with Agence France Entrepreneur (AFE) to help entrepreneurs build their presence on the Internet. The Agence France Entrepreneur (AFE) is a government agency tasked with promoting entrepreneurship in France and providing information, guidance and preparation for companies to create, take over or transfer businesses.

October - December

In December, Afnic presented the 1st edition of its barometer of the online presence of French VSEs / SMEs based on the data of the *Réussir avec le Web* tool. 94% of the respondents consider their presence on the Internet to be indispensable or useful for their activity. By Internet presence they mean having websites (76%) and being on the social networks (74%) are of equal importance. The majority of respondents (91%) have their own domain name and among the selected extensions, .fr (52%) and the *.com* (40%) are the two undisputed leaders. The human and financial resources devoted to ensuring their Internet presence generally remain modest and the return on investment is poorly perceived. There is still a major need to support the digital transformation of companies in France and explain its benefits.

Résultats de l'étude
Réussir avec le Web
(septembre 2017 – août 2018)

From 12 to 14 November, Paris hosted the World Internet Governance Forum at UNESCO. Under the auspices of the United Nations, the Forum was opened by the President of the French Republic, the Secretary-General of the United Nations and the Director-General of UNESCO. It brought together more than 3,000 participants from every continent with a common goal: to find consensual ways to regulate and self-regulate the Internet on a global scale. Afnic, through its Chief Executive Officer, co-chaired the organizing committee of this event alongside Ambassador Martinon.

3. The Association

In 2018, the association's activity was marked by the holding of five meetings of the **Board of Trustees** to which was added the strategic seminar in September.

The Afnic Board of Trustees worked on developing and overseeing the deployment of Afnic's strategy, in particular through its committees.

The assessment of the overall risks of the association, the monitoring of finances, the analysis of its contracts and commitments, and changes in registry policy made necessary, in particular by the implementation of the General Data Protection Regulation (GDPR), were central to the committees' concerns.

The members met in February 2018 in an **extraordinary general meeting** to adopt an amendment to the Articles of Association.

Two **Users' and Registrars' consultative committee** meetings resulted in the validation and support for the implementation of Afnic's technical roadmap, in discussions on the development plan of .fr based on the assessment for the last 5 years and the objectives for 2019-2023 validated by the government on which Afnic wishes to work in close conjunction with its members.

Afnic's customers and members were also solicited through a special working group set up to help identify the priorities of our registry and registrar customers in order to include them in the development roadmap for our new infrastructure as part of the Avenir Project.

The **International College** held its annual meeting, focused two main themes: the automation of African ccTLDs and the promotion of national digital identity.

During the **ordinary general meeting** held in June, the members elected two trustees: Benjamin Louis, whose mandate was renewed, as representative of the Users' College and Frédéric Guillemaut as representative of the Registrars' College.

Two other trustees joined the board in 2018: Aurélie Gracia Victoria, appointed in January 2018 as representative of the Ministry of Electronic Communications, and Romain Bonenfant, appointed in October 2018 as representative of the Ministry for Industry

4. .fr continued to grow and remains one of the most dynamic European extensions

With 3,305,296 names at 1 January 2019, .fr grew by 4.4% in 2018 and had a very good renewal rate of 83.9%. That growth of course was driven by the favorable economic environment, but it is important to note that .fr was still above the average for European ccTLDs in 2018. The growth of .fr was also higher than that of the French domain name market (which stood overall at 2.1%). The national TLD has therefore increased its share of its domestic market.

That dynamic was accompanied by a build-up in the promotion of .fr, which has focused on the following:

- The awareness of VSEs / SMEs through the *Foliweb* program and Afnic's presence at trade fairs, enabling us to have direct contact with more than 16,500 VSEs / SMEs, and provide them with practical workshops, advice and tools to develop their online presence.
- Through partnerships and the more than 5,000 respondents to the questionnaire registered at the end of 2018, *www.reussiravecleweb.fr* allows the Association to gain a better understanding of how these companies view their Internet system. The first lessons have shown that this segment of registrants prefers .fr (52%) to the *.com* (40%).
- The significant increase in the number of partnerships with our registrars involving promotional operations for .fr. This trend, which continues to develop year after year, is now a tool in its own right for promoting .fr, and has a direct impact on the vitality of domain name creations.
- Afnic was also involved in launching the *www.francenum.gouv.fr* platform, becoming one of the first activators and providing content, which are among the most visited pages of the site.

5. Business outside ".fr": development of the customer portfolio and consolidation of the consultancy business

2018 marked a rebound for business outside .fr with a rise in sales of nearly 8% driven by growth in the stock of domain names and a significant increase in our consultancy business.

Afnic's takeover of the management of the *.museum*, a legacy generic extension, ie which existed before the launch of the new TLDs in 2012, took several months, between the renegotiation of the contract binding *.museum* to ICANN and the revision of the registry policies made necessary in order to relaunch the TLD.

The *.museum* illustrates the strengths of Afnic in the generic TLD market. The registry that chose Afnic is an association based in Paris with whom we have strong values in common. The *.museum* has a policy focused on the meaning of the TLD, and recognition of the specific nature of its holders (the museum world). Its business model is not based solely on the search for volume, but on the recognition of the utility, within the DNS, of a recognizable space for museums and museum work throughout the world. Finally, Afnic's work is not limited to the technical management of the TLD, even if it remains essential. Our association, in the partnership with MuseDoma, the registry of the *.museum*, provides advice and support to boost the TLD while maintaining its core values. The controlled opening of the *.museum* and the negotiation with ICANN and then with the network of accredited registrars were all good examples of the offering from Afnic, which aims to be much more than just a technical registry operator, by making available to its customers its experience in terms of TLD marketing, and registry policy.

In the same spirit, for the first time Afnic became a technical manager on behalf of a foreign ccTLD, that of Senegal *.sn*.

Again, our mere positioning as a technical operator would not have been enough to convince our partner NIC.SN; it also took our experience in technical roll-overs, but especially the long shared history of Afnic and its Senegalese counterpart made this new business line possible, one in which our association comes with an offer that is unique on the market. Its main features are:

- Absolute respect for the sovereignty of the foreign registry, which benefits from a guarantee of recovery, when it wishes, of all the technical management of its ccTLD, by the establishment within the country of the registry's legally binding database;
- The relationship between the registry and the distribution network, if facilitated by the tools provided by Afnic, is entirely in the hands of the foreign registry;
- Afnic's offer includes a definitive technical roll-over, with installation, automation and team training, to the registry. It is up to the registry to decide the best period for the technical roll-over.

The new gTLDs opened and managed by Afnic (geographic TLDs such as the *.paris, .bzh, .alsace, .corsica*, to which must be added the *.ovh* brand TLD have seen their growth restart in 2018. In this regard, the experience of Afnic in 2018 in strengthening the promotion and communication of the *.paris* seems to have borne fruit, the Parisian geoTLD having crossed the bar of 20,000 registrations before the end of the year, while continuing to benefit from a very good renewal rate.

The registry consultancy business focused on helping the Burkinabe registry set up its automation. After Mauritania, Burkina Faso is the second country that has called on Afnic for the modernization of its ccTLD. This support task, which took place throughout 2018 was set up in partnership with a Burkinabe company, TSI.

6. Afnic at the heart of global Internet governance

In 2018, Paris was the capital of Internet governance, hosting at UNESCO the 12th edition of the World Internet Governance Forum from 12 to 14 November.

Opening of the IGF by the President of the Republic, Mr. Emmanuel Macron

The forum, decided within the framework of the World Summit on the Information Society, is designed to bring together all the stakeholders in the public, private, associative, academic and technical spheres to analyze the challenges and opportunities related to the development of the Internet on a global scale.

In May 2018, the President of the Republic officially announced the decision of France to host this forum for the first time. In the following weeks, an organizing committee was set up, headed by Afnic, appointed alongside the Ministry of Foreign Affairs, represented by Ambassador Martinon.

In its role of co-facilitator and co-financier of the event, Afnic was backed by a committee constituted by civil society (Internet Society (ISOC) France, Renaissance numérique, la villa numéris), the private sector (Orange, Linagora, Qwant), public authorities [French National Council for the Digital Economy, Directorate-General for Enterprise (DGE)], as well as the French Electronic Communications and Postal Regulatory Authority (ARCEP).

More than 3,000 participants from 143 countries gathered in 171 working sessions and worked on developing messages for the international community on the following topics:

- - Cybersecurity, trust and privacy;
- - Development, innovation and economic issues;
- - Digital inclusion and accessibility;

- Emerging technologies;
- The development of the governance of the Internet;
- Human rights, gender equality and youth;
- Media and content;
- The technical and operational issues of the Internet.

Coordinated by the future ambassador for the Digital Sector, Henri Verdier, a work co-published by Afnic, ISOC France, the National Council for the Digital Economy (CNNUM) and Renaissance numérique and entitled "messages from Paris" summarizing all the debates that took place during the forum[1].

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[1] **https://igf2018.fr/wp-content/uploads/2018/11/WIP-Paris-Messages-.pdf**

7. The Afnic Foundation for Digital Solidarity: 117 projects supported and 2.73 million euros distributed in 3 years

2018 winning projects

The Afnic Foundation continued its work in favor of digital inclusion, and has established itself in the French landscape of solidarity stakeholders, thus illustrating the highly specific nature of .fr, which alone finances all the work of the Foundation chaired by Jean-Michel Hubert and placed under the auspices of the Fondation de France.

This year, again, several hundred files were submitted and finally 47 projects were selected representing a total of 904,000 euros.

Inclusion, employment, education, training and citizenship were the leading themes in 2018 and for the first time, 6 projects dedicated to women were selected.

Within 2 years, 22 digital or training workshops, 9 new mobile applications or software systems, 7 websites and platforms will have emerged for isolated people, for whom digital technology is a tool facilitating access to rights and their inclusion in today's digital society, or to improve the daily lives of people who are socially insecure.

To close 2018 and celebrate its three years of existence, the Afnic Foundation had an appointment like the previous two years with dozens of project initiators, federations, foundations and other structures involved in social inclusion for a Digital Solidarity day in Paris in the presence of Mr. Mounir Mahjoubi, Minister of State for the Digital Sector and Ms. Salwa Toko, President of the French National Council for the Digital Economy.
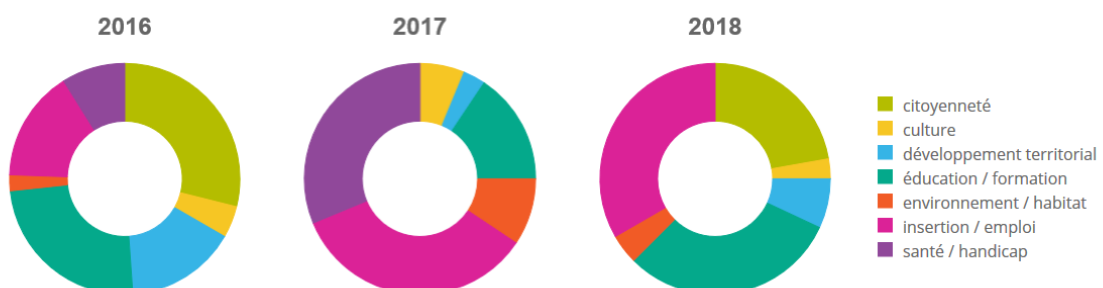
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Minister of State for the Digital Sector Mounir Mahjoubi opens the day

The morning was followed by accelerator workshops on emblematic topics such as the holding digital workshops, the development of training, digital e-learning and project management platforms.

Scope of the projects funded for 3 years:

Thématiques des projets soutenus

2016   2017   2018

- citoyenneté
- culture
- développement territorial
- éducation / formation
- environnement / habitat
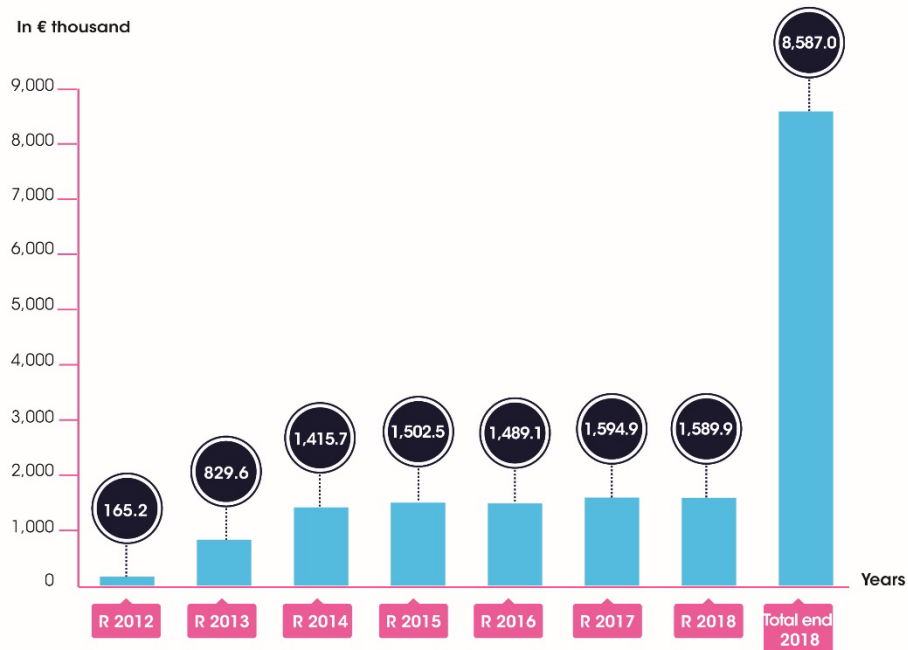- insertion / emploi
- santé / handicap

For the record, Afnic donates to the Foundation 90% of the profit generated from its business as the registry for .fr.

Growth in the sums allocated by Afnic to the Foundation since 2012:

AFNIC FOUNDATION

In € thousand

8. A solid financial situation, on *.fr* and "non-*.fr* business".

For 2018, Afnic recorded growth of 3.5% of its total turnover, amounting to €17,131,000.

The net book income stood at 639,000 euros, an increase of 19.8% compared with the previous year.

Total Revenue 2018 breaks down as follows:

- Turnover *.fr* amounting to €15,408,000, an increase of 3.2% compared with 2017
- GTLD and consulting revenue of €1,134,000, up 8% from 2017
- Overseas France sales amounting to 230,000 euros, down 3.4% compared with 2017.

Once adjusted for the payments due to Paris City Hall on the *.paris*, as well as those due to our Burkina Faso partner for the consultancy assignment for the *.bf*, operational turnover amounts to

16,771,506 euros, an increase of 3.4% compared with 2017.

Change in operating income and expenses since 2011 (in k€)
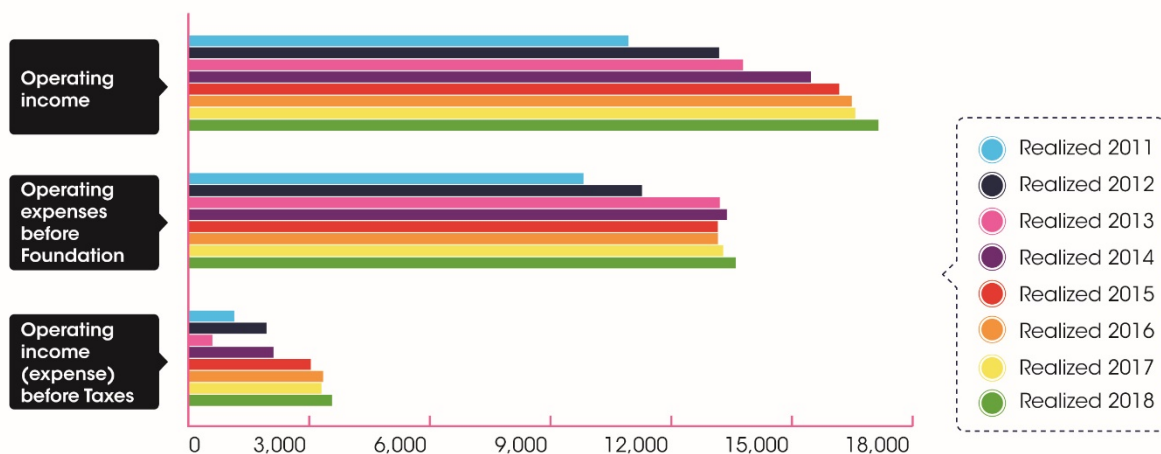
Analysis of the 2018 financial year

The stock of registrations under .fr was up 4.4% from 2017, with 3,305,296 *.fr* domain names as at 31 December 2018. The renewal rate stands at 83.9% instead of the forecast 82.9%.

The turnover of .fr was down by 1.5% compared with the budget initially established for 2018 mainly due to the relatively slack number of create operations compared with initial forecasts. Additional *fr* services were stable compared with 2017.

French Overseas TLDs continue to decline, but the decrease was less important than feared and the related turnover, although declining, was slightly higher than initial forecasts.
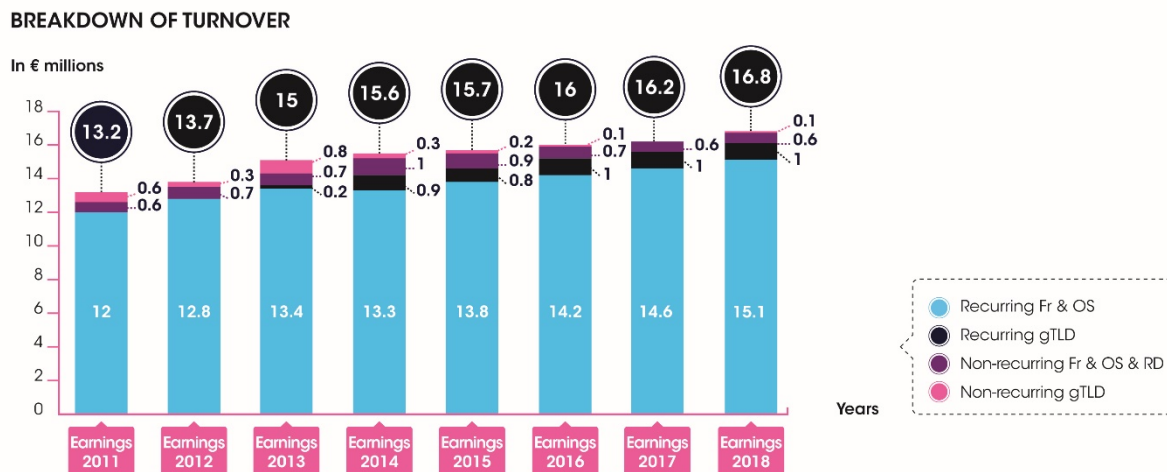
On the gTLD side and in terms of consultancy business, 2018 marked an upswing with an increase of 84,078 euros in turnover, including an additional 52,534 euros generated by consultancy business.

In 2018, one TLD was withdrawn, and one, the *.sn*, was added.

The graph below shows over several years:

- The development in Afnic's turnover
- The weight of .fr, French overseas extensions, and gTLDs

Breakdown of turnover since 2011.

BREAKDOWN OF TURNOVER

In € millions

Legend:
- Recurring Fr & OS
- Recurring gTLD
- Non-recurring Fr & OS & RD
- Non-recurring gTLD

Total Afnic operating expenses (including repayments from Paris City Hall and TSI) amounted to €15,575,000, an increase of 1.85% compared with fiscal 2017. The charges were nevertheless below the initial forecasts.

The highlights of 2018 per expense item are:
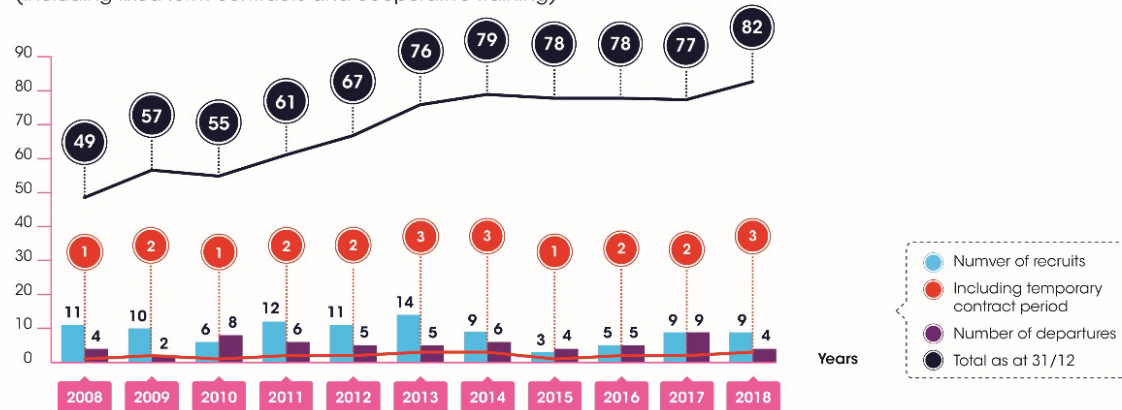
- Personnel costs: a turnover of 3.9%, returning to the standards of previous years with the exception of 2017 (11.5%). The offsetting of the recruitment plan kept staff costs close to 2017 levels. As the recruitment plan was completed in the last months of the year, Afnic's workforce stood at 82 employees, including 3 professional training contracts as of December 31, 2018.

- Information system management external expenses: an increase in expenses of 5% (143,721 euros) explained mainly by an increase in the use of outsourcing +146,261 euros compared with 2017, to achieve the web developments for new products.
- 2018 marked the launch of the Avenir project with the delivery of the Minimum Viable Product (MVP) and outsourcing services for € 103,025.
- Communication / marketing costs increased (+68,207 euros) compared with 2017, due to the Internet Governance Forum event but remained stable in the other services.
- Cross-business expenses increased by 3.2% (+107,114 euros), mainly due to the increase in the allowance for doubtful accounts on the gTLD extension of 130,279 euros.

Change in headcount since 2008

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

Legend:
- Numver of recruits
- Including temporary contract period
- Number of departures
- Total as at 31/12

Financial Report (Annex)

Simplified Balance Sheet

In € thousand	31/12/2018	31/12/2017
Assets		
Non-current assets	1,658	1,935
Operating receivables	4,456	4,357
Current assets	17,160	16,756
TOTAL ASSETS	**23,274**	**23,048**

In € thousand	31/12/2018	31/12/2017
Liabilities		
Accumulated surplus	7,479	6,946
Profit (loss) for the year	639	533
Regulated provisions	86	228
EQUITY	8,203	7,707
PROVISIONS	192	175
DEBT	14,878	15,166
TOTAL LIABILITIES	**23,274**	**23,048**

Simplified income statement

In € thousand	31/12/2018	31/12/2017
Turnover	17,131	16,555
Other income	110	117
OPERATING INCOME	17,241	16,672
Other purchases and external expenses	5,138	4,936
Duties, taxes and similar payments	401	427
Salaries, wages and payroll taxes	7,462	7,353
Other expenses including depreciation	2,575	2,576
OPERATING EXPENSES	15,575	15,292
OPERATING INCOME (EXPENSE)	1,666	1,380
FINANCIAL INCOME	94	97
EXTRAORDINARY PROFIT OR LOSS	105	277
Employee profit-sharing	383	373
Corporation tax	843	849
PROFIT OR LOSS	**639**	**532**

Change in accumulated surplus

CHANGE IN ACCUMULATED SURPLUS SINCE 2011

In € thousand

	R 2011	R 2012	R 2013	R 2014	R 2015	R 2016	R 2017	R 2018
Total	5,692	6,800	6,259	6,070	6,386	6,945	7,478	8,117
Working capital reserve	5,692	6,783	6,148	5,802	5,951	6,345	6,701	7,164
Precautionary reserve		18	111	268	435	600	777	954

Legend:
- Working capital reserve
- Precautionary reserve

Years