

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017**  
(Expressed in US Dollars)

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
CASH AND BANKS (Notes 2.2 and 2.8)		
Cash	783	768
Banks	884.179	818.879
	884.962	819.647
SHORT TERM INVESTMENTS (Note 2.2, 2.9 and 5)		
Investments	5.009.974	4.078.416
Interest Receivable	29.052	25.402
	5.039.026	4.103.818
ACCOUNTS RECEIVABLES (Nota 2.2, 2.8)		
Trade Receivables	414.751	1.428.816
Allowance for Doubtful Accounts	-	(15.529)
	414.751	1.413.287
OTHERS RECEIVABLES		
Other Receivables (Note 9)	519.231	139.608
<b>TOTAL CURRENT ASSETS</b>	<b>6.857.970</b>	<b>6.476.360</b>
<b>NON CURRENT ASSETS</b>		
Fixed Assets (Note 2.10 and Annex)		
Cost of Acquisition	4.743.878	4.219.080
Accumulated Amortization	(1.179.568)	(1.002.297)
	3.564.310	3.216.783
INTANGIBLES (Note 2.10 and Annex)		
Cost of Acquisition	322.140	322.140
Accumulated Amortization	(292.212)	(266.488)
	29.928	55.652
<b>TOTAL NON CURRENT ASSETS</b>	<b>3.594.238</b>	<b>3.272.435</b>
<b>TOTAL ASSETS</b>	<b>10.452.208</b>	<b>9.748.795</b>
<b>OFF BALANCE ACCOUNTS (Note 7)</b>	<b>272.166</b>	<b>160.008</b>

The Notes and the Annex attached are an integral part of these Financial Statements.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017**  
(Expressed in US Dollars)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
COMMERCIAL DEBTS (Note 2.11)		
Account Payable	209.161	232.992
OTHER DEBTS(Note 2.12)		
Provisions for Employee Benefits	397.419	319.553
Benefits for Staff Retirement	56.817	50.036
Advanced Collections	383.083	342.655
Other Debt	46.248	50.797
	<u>883.567</u>	<u>763.041</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>1.092.728</b>	<b>996.033</b>
<b>TOTAL LIABILITIES</b>	<b>1.092.728</b>	<b>996.033</b>
<b>EQUITY</b> (Note 2.15)		
RETAINED EARNINGS		
Prior Year's Results	8.752.762	7.740.487
Comprehensive Result of the Year	606.718	1.012.275
	<u>9.359.480</u>	<u>8.752.762</u>
<b>TOTAL EQUITY</b>	<b>9.359.480</b>	<b>8.752.762</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10.452.208</b>	<b>9.748.795</b>
<b>OFF BALANCE ACCOUNTS</b> (Note 7)	<b>272.166</b>	<b>160.008</b>

The Notes and the Annex attached are an integral part of these Financial Statements.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED AS OF DECEMBER 31, 2017**  
(Expressed in US Dollars)

	<b>For the year ended as of December 31, 2017</b>	<b>For the year ended as of December 31, 2016</b>
<b>OPERATING REVENUES</b>		
Net Operating Revenues (Note 8)	7.400.892	6.896.346
	<u>7.400.892</u>	<u>6.896.346</u>
<b>OPERATING EXPENSES</b>		
Salaries and Personnel Expenses (Note 11)	(2.944.337)	(2.462.882)
Travel Expenses (Staff, Board and Commissions)	(820.400)	(846.826)
Cooperation, Contribution and Memberships	(309.680)	(323.194)
Professional Fees and Hired Services	(568.214)	(587.992)
Outreach Costs	(474.299)	(267.082)
Travel Expenses (Fellows and Exhibitors)	(266.681)	(299.318)
Fixed Assets Depreciation (Annex)	(234.548)	(223.488)
Building Maintenance and Utilities	(222.479)	(192.480)
Communication Expenses	(173.292)	(138.428)
IT Maintenance Services	(154.660)	(159.539)
Training Expenses	(88.927)	(58.815)
Doubtful Accounts	-	2.471
Other Operating Expenses	(125.464)	(102.843)
	<u><b>(6.382.981)</b></u>	<u><b>(5.660.416)</b></u>
<b>OTHER RESULTS</b>		
Other Incomes	24.313	7.315
Other Expenses	(4.692)	(4.826)
	<u><b>19.621</b></u>	<u><b>2.489</b></u>
<b>FINANCIAL RESULTS</b>		
Interest and Bank Expenses	(31.351)	(21.759)
Collecting Fees	(83.542)	(54.304)
Interest Income	114.847	115.376
Discounts Granted	(371.540)	(346.189)
Differences of Investment Valuation	(43.084)	99.094
Foreign Currency Translation	(16.144)	(18.362)
	<u><b>(430.814)</b></u>	<u><b>(226.144)</b></u>
<b>NET INCOME OF THE YEAR</b>	<u><b>606.718</b></u>	<u><b>1.012.275</b></u>
Other comprehensive results	-	-
<b>COMPREHENSIVE INCOME OF THE YEAR</b>	<u><u><b>606.718</b></u></u>	<u><u><b>1.012.275</b></u></u>

The Notes and the Annex attached are an integral part of these Financial Statements

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED AS OF DECEMBER 31, 2017**  
(Expressed in US Dollars)

	Capital	Reserves	Retained Earnings	Total Equity
<b>1. BEGINNING BALANCES</b>				
RETAINED EARNINGS				
Accumulated Results	-	-	7.740.487	7.740.487
<b>Balances as of January 1, 2016</b>	-	-	<b>7.740.487</b>	<b>7.740.487</b>
<b>2. MOVEMENTS OF THE YEAR</b>				
Comprehensive Income of the Year	-	-	1.012.275	1.012.275
<b>Subtotal</b>	-	-	<b>1.012.275</b>	<b>1.012.275</b>
<b>3. ENDING BALANCES</b>				
RETAINED EARNINGS				
Retained Earnings	-	-	8.752.762	8.752.762
<b>Balances as of December 31, 2016</b>	-	-	<b>8.752.762</b>	<b>8.752.762</b>

	Capital	Reserves	Retained Earnings	Total Equity
<b>1. BEGINNING BALANCES</b>				
RETAINED EARNINGS				
Accumulated Results	-	-	8.752.762	8.752.762
<b>Balances as of January 1, 2017</b>	-	-	<b>8.752.762</b>	<b>8.752.762</b>
<b>2. MOVEMENTS OF THE YEAR</b>				
Comprehensive Income of the Year	-	-	606.718	606.718
<b>Subtotal</b>	-	-	<b>606.718</b>	<b>606.718</b>
<b>3. ENDING BALANCES</b>				
RETAINED EARNINGS				
Retained Earnings	-	-	9.359.480	9.359.480
<b>Balances as of December 31, 2017</b>	-	-	<b>9.359.480</b>	<b>9.359.480</b>

The Notes and the Annex attached are an integral part of these Financial Statements.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)**  
**STATEMENT OF CHANGES IN CASH FLOW**  
**FOR THE YEAR ENDED AS OF DECEMBER 31, 2017**  
(Expressed in US Dollars)

	<b>For the year Ended December 31,2017</b>	<b>For the year Ended December 31,2016</b>
<b>1. Cash Flow from Operating Activities</b>		
Comprehensive Income of the Year	606.718	1.012.275
<b>Adjustments:</b>		
Fixed Assets Depreciation	234.548	223.488
Modification to the Initial Amount of Accumulated Results	-	(81.540)
Constitution / (Reversal) Allowance of Doubtful accounts	-	(2.471)
Income from sale of Fixed Assets	(16.592)	3.425
<b>Changes in Assets and Liabilities</b>		
Increase of Commercial Debts and Other Debts	618.913	680.260
Increase of Accounts Receivables and Other Current Assets	96.695	104.552
<b>Net Cash Flow Used in Operating Activities</b>	<b>1.540.282</b>	<b>1.939.989</b>
<b>2. Cash Flow from Investment Activities</b>		
Increase of Investments	(935.208)	(1.189.139)
Sales of Fixed Assets	253.120	6.053
Increases in Fixed Assets	(792.879)	(273.452)
<b>Net Cash Flow Used in Investment Activities</b>	<b>(1.474.967)</b>	<b>(1.456.538)</b>
<b>3. Cash Flow from Financial Activities</b>		
Bank Loans Paid	-	(12.360)
<b>Net Cash Flow Used in Financial Activities</b>	<b>-</b>	<b>(12.360)</b>
<b>4. Cash Increase</b>	<b>65.315</b>	<b>471.091</b>
<b>5. Cash and Cash Equivalents at the Beginning of the Year</b>	<b>819.647</b>	<b>348.556</b>
<b>6. Cash and Cash Equivalents at the End of the Year</b>	<b>884.962</b>	<b>819.647</b>

The Notes and the Annex attached are an integral part of these Financial Statements.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

**NOTE 1 - BASIC INFORMATION ABOUT THE INSTITUTION**

**Juridical Nature and General Information of the Institution**

Latin America and Caribbean Network Information Centre (LACNIC), with registered office in Rambla República de Mexico 6125, Montevideo - Uruguay, is a nongovernmental non-profit-making organization, incorporated on July 27, 2001 in the city of Montevideo, Uruguay.

It started operations on 1st April 2002. Its founding members are: Asociación Hispanoamericana de Centros de Investigación y Empresas de Telecomunicaciones (AHCJET), Cámara Argentina de Bases de Datos y Servicios en Línea (CABASE), Comité Gestor Internet Brazil (CG-Br), Federación Latinoamericana y Caribeña para Internet y el Comercio Electrónico (ECOMLAC), Foro de Redes de América Latina y el Caribe (ENRED) y NIC México (NIC-Mx).

The object of the Institution includes the following activities:

1. To manage the space of IP addresses and other related resources to the benefit of the Internet community for the region of Latin America and the Caribbean (LAC).
2. To provide services of registration of IP addresses, ASN, inverse resolution and related resources, with the purpose of enabling and facilitating communications through computer networks.
3. To represent and to promote all viewpoints and interests of the region before those international organizations, within the area of its jurisdiction.
4. To cooperate in the growth of the Internet in the region.
5. To give assistance to the Latin American and Caribbean community in the development of procedures, mechanisms and standards for the efficient allocation of Internet resources.
6. To promote educational opportunities to its members in technical and political areas of its jurisdiction.
7. To propose and to develop public policies in the area of its jurisdiction.

LACNIC has the benefits established by Decree 334/970 dated 14th July 1970, which exempts this kind of Institutions from employer's contributions to the social security. Besides, Law Nº 13.179 gives all employees of international non-profit organizations the option of choosing the Uruguayan social security system.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Applied Accounting Standards**

The Institution has presented its Financial Statements in accordance with General Accepted Accounting Principles established by Decree 291/014 and others complementaries.

Decree 291/014 establishes that Financial Statements for periods beginning on or after January 1, 2015 should be duly prepared according to International Financial Reporting Standards for Small and Medium Size Entities (IFRS for SME) adopted on that date by the International Accounting Standards Board, translated into Spanish and published by the Auditoria Interna de la Nación.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

The adoption of this standard had no significant impact on the presentation of the Financial Statements of LACNIC.

Presentation standards are contained in Decree 408/16.

On December 26, 2016, Decree 408/016 was passed, repealing Decrees 103/991 and 37/010. It establishes the rules of presentation to be applied by the issuers of Financial Statements included in the provisions of Decree 291/014 and its subsequent amendments, with some exceptions. These provisions govern the years closed as of the publication of said decree, being mandatory for the entity in the next financial year.

The Financial Statements include the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in stakeholder's equity, and the Statement of Changes in Cash Flow and explanatory notes.

Additionally, an annex is presented with the conciliation between the values in books initially and at the end of the exercise of property, plant and equipment and intangible assets held by the institution is presented.

In the Statement of Financial Position its presented assets and liabilities according to whether they are considered current and non-current. An asset or liability is considered current when their realization or expiration occurs within one year.

Corresponding to the Statement of Financial Position figures, the Statement of Comprehensive Income, the Statement of Cash Flows and Changes in Equity at December 31, 2016, are presented only for the purpose of his comparison by those of December 31, 2017.

Some figures for the year ended as of December 31, 2016 were reclassified in the previous Financial Statement in order to make them comparable with those of the current year and to facilitate their comparison.

## **2.2 General Criterion of Valuation of Assets and Liabilities**

The Financial Statements are prepared on the conventional basis of the historical cost (American Dollars with the exception of those that are expressly detailed).

## **2.3 Functional currency, foreign currency and presentation currency of the Financial Statements.**

### **2.3.1 Functional currency and of presentation.**

The Financial Statements have been elaborated attending to the concept of functional currency defined by the International Financial Reporting Standards for Small and Medium Size Entities (IFRS for SME) in the section 30<sup>th</sup>.

The above mentioned section establishes that the functional currency is that of the economic principal environment in which it produces the entity. The economic principal environment is that one in which the company generates and uses the cash.

According to the Standard that currency will be able to be considered to be a functional currency:

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

- In which funds of the activities of financing are generated (this is, which corresponds to the instruments of debt and assets issued),
- In which the amounts received for the operation activities are received,
- In which the purchases are financed,
- Which influences mainly the costs of labor, materials and other costs for producing the goods or supplying the services (it shall often be the currency in which they name and liquidate such costs).

LACNIC's Board agrees that the US Dollar is his functional currency.

The accounting records are kept simultaneously in Uruguayan Pesos, which is the legal currency in Uruguay, and in US Dollars.

### **2.3.2 Transactions in foreign currency**

The operations in foreign currency are translated into US Dollars depending on market prevailing exchange rates at the date of effecting the transactions.

Balances of assets and liabilities in Uruguayan pesos are valued at the prevailing exchange rate at year end (1 USD = \$ 28,807 as of 31.12.2017 and 1 USD = \$ 29,340 as of 31.12.2016).

The balances of assets and liabilities in Euros are expressed taking into account the current arbitration at year end (1 USD = Euros 0,83 al 31.12.2017 y 1 USD = Euros 0,9499 al 31.12.2016).

The accumulated balances are stated at their historical value determined in US dollars; transactions in currencies other than the functional currency are recorded at the exchange rates prevailing at the date of the transactions.

Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency are included in the Comprehensive Income Statement, under Financial Results, Foreign Currency Translation.

The balances of assets and liabilities in foreign currencies (other than the functional currency) at balance sheet date are disclosed in Note 10.

### **2.4 Financial Instruments**

According to LACNIC's current investment policy, the use of derivatives or hedging instruments is not allowed.

Non-derivative financial instruments include cash and cash equivalents, trade receivables, other receivables, trade payables and other payables.

They are classified as follows:

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**

- a) Cash and cash equivalents (excluding temporary investments), accounts receivable and other receivables are valued at amortized cost using the effective method, less any impairment loss when applicable,
- b) Temporary investments valued at fair value reflecting changes in the Statement of Comprehensive Income, Financial Income chapter, Differences of Investment Valuation,
- c) Commercial, financial and other payables, which are classified as financial liabilities measured at amortized cost.

Non-derivative financial instruments are initially recognized at fair value, in the case of instruments not at fair value through profit or loss, costs directly attributable to the transaction.

After initial recognition, non-derivative financial instruments are measured as described below:

- The instruments classified as loans and other receivables and financial assets held to maturity are valued at amortized cost using the effective interest method, less any impairment loss where applicable.
- The instruments classified as financial liabilities measured at amortized cost are valued at amortized cost using the effective interest method

## **2.5 Impairment Losses**

### **2.5.1 Financial Assets**

A financial asset is reviewed at each balance sheet date for the purpose of being able to determine the existence of objective evidence of impairment, in which case that imply its recognition.

If the carrying amount of the financial asset exceeds the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset; the difference would imply recognition of impairment affecting profit for the year in which it has been identified. This loss shall be subject to revision to the extent that a recovery operates in the recoverable amount.

If in the future, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized occurred, is recognized in profit or loss a reversal of an impairment loss previously recognized.

As of December 31, 2017, there are no adjustments to be carried out by this concept.

### **2.5.2 Non-Financial Assets**

Fixed assets and other non-current assets with finite useful lives are tested for impairment whenever events or changes occur in circumstances indicate that their carrying amount may not be recoverable.

If it is identified that the carrying amount exceeds the recoverable amount (the higher of net realizable value or value in use), the difference would imply recognition of impairment affecting results of the period in which it was identified. This loss will be reversed to the extent that operates a recovery in the recoverable amount.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

As of December 31, 2017, there are no adjustments to be carried out by this concept.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

**2.6 Concept of Capital**

The result has been determined on the basis of the variation which has had during the year considered exclusively as capital investment in money.

**2.7 Cash Flow Statement**

For the Cash Flow Statement funds are defined as the cash and bank balances. The accompanying Cash Flow Statements were prepared using the indirect method, which includes the reconciliation of net income for the year to cash provided by operating activities.

**2.8 Cash and Banks and Credits**

The cash and banks, and credits are initially recognized at fair value and then measured at amortized cost, less an allowance for impairment.

Credits are shown at their respective nominal values. In the case of sale credits they are shown net of the provisions for bad debts.

**2.9 Temporary Investments**

The Board of LACNIC has adopted a conservative investment philosophy prioritizing the preservation of capital and liquidity.

As of December 31, 2017, all securities have an investment grade credit rating.

Temporary Investments are valued at market value and are presented in detail in Note 5 at the closing date of the Financial Statements.

**2.10 Fixed and Intangible Assets**

Fixed and intangible assets are presented at their acquisition value.

Depreciation is calculated by the straight – line method according to the estimated useful life of the respective assets. The judgment of the Institution is to depreciate its fixed assets the following month of its incorporation.

The depreciation loss is shown under the chapter Operating Expenses.

The main annual depreciation rates used are:

Office Equipment	10,0%
Communication Equipment	20,0%
Computers	33,3%
Other Equipment	33,3%
Vehicles	10,0%
Real Estate (Building)	2,0%
Software	33,3%

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

Assets liable for depreciation are reviewed for impairment always provided that there are circumstances indicating that the net accounting balance will not be recovered. As of December 31, 2017, no adjustments appear that should be made for this reason.

**2.11 Payable accounts and sundry debts**

Payable accounts and sundry debts are recognized initially at fair value. Subsequently are shown at amortized cost, as indicated in Note 2.4.

**2.12 Employee benefits**

Obligations for employee benefits are recognized in liabilities against the result of the period in which it accrues.

**2.13 Provisions**

Provisions are recognized when LACNIC has a present obligation as result of past events, and it is probable the organization must settle that obligation.

Provisions are determined as the best estimate made by LACNIC on the outlay to be incurred to settle the obligation at the reporting date, discounted to present value where the effect is material.

**2.14 Account assignment or recognition of income and expenses criteria**

The different profit and loss concepts are accounted according to the accrual basis, considering the time they are generated or incurred, independently of the time that are perceived or disbursed.

**2.15 Equity**

Net results arise from the difference between the assets of opening and closing, considering movements that do not come from the Income Statement.

**NOTE 3 - ACCOUNTING ESTIMATIONS**

The direction of the Institution has made different estimates and assumptions concerning the valuation and presentation of assets and liabilities for the purposes of preparing the Financial Statements in accordance with General Accepted Accounting Principles in Uruguay, so that actual results may differ from estimates.

The Institution has made estimates of uncertainty in the application of policies are the allowance for doubtful accounts and the estimated useful lives used for fixed assets depreciation.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

**NOTE 4 - RISK MANAGEMENT POLICY**

The Institution has a Risk Management Methodology. It includes the identification, assessment, treatment and monitoring of the risk that affect the organization, as well as the potential impact on the Financial Statements.

The Financial Statements do not include adjustments derived from the financial and economical situations of the country and of those places where the investments are located. Consequently, they do not include any contingency about it neither the eventual volatility of those investments.

No provisions have been made for eventual restrictions to Cash and Cash Equivalents availability that could be issued.

The main risks affecting the Institution's activities are:

**4.1 Market Risk**

LACNIC is theoretically exposed to the following market risk factors:

**a. Exchange Rate**

The Institution is exposed to the variation in the exchange rate of the Uruguayan Peso (other than the functional currency). The foreign currency risk arises from commercial transactions and from assets and liabilities kept in foreign currency. As mentioned in Note 2.4, LACNIC does not make any coverage of such risk through derivate instruments.

To manage their risks of currency other than the functional currency, usually the institution aims to neutralize the asset and liability positions maintained. In Note 10 there is a summary of debit and credit balances in foreign currencies.

For the year ended December 31, 2017, US Dollar had strengthened 10% against Uruguayan Peso (main foreign currency), holding other variables constant, the profit for the year would have been lower by approximately USD 22.500.

**b. Interest Rate**

LACNIC does not have assets and liabilities that are exposed to variations in interest rates.

**4.2 Credit Risk**

The main financial assets are made up of Credits for Sales. Credits for Sales are fragmented in several debtors.

The Institution has established control processes and mechanisms which ensure a proper risk management.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

**4.3 Liquidity Risk**

The Liquidity Risk implies not being able to cover short-term liabilities with the liquid assets.

The Institution has enough liquid assets in first-rate banks, in liquid temporary investments, and in accounts collectable so as to face all committed current liabilities. As of December 31, 2017, LACNIC has balances in liquid assets amounting to USD 884.962, whereas working capital amounts to USD 5.765.242.

**NOTE 5 – TEMPORARY INVESTMENTS**

As of December 31, 2017 the Institution kept the following securities:

Securities		Nominal Value	Market Value(USD)
US TREASURY	USD	586.000,00	584.441
US TREASURY	USD	215.000,00	214.958
GLN EIB (European Investment Bank)	USD	215.000,00	214.473
NTS State of Qatar	USD	200.000,00	210.630
BAYER	USD	200.000,00	200.100
US TREASURY	USD	200.000,00	199.766
US TREASURY	USD	200.000,00	199.204
GLN Development Bank Of Japan	USD	200.000,00	197.590
US TREASURY	USD	160.000,00	158.846
Morgan Stanley	USD	150.000,00	157.965
General Electric	USD	150.000,00	151.905
Wal-Mart Stores	USD	150.000,00	149.760
MTN Macquire Bk	USD	150.000,00	149.423
US TREASURY	USD	149.000,00	148.259
PROVINCE OF ONTARIO	USD	125.000,00	123.900
BANK OF CHINA	USD	100.000,00	105.200
NTS Apple Inc	USD	100.000,00	100.180
HOME DEPOT INC	USD	100.000,00	100.042
CITIGROUP INC	USD	100.000,00	99.990
DEERE JOHN CAP	USD	100.000,00	99.878
PFIZER INC	USD	100.000,00	99.211
US TREASURY	USD	100.000,00	98.989
Bank of Montreal	USD	95.000,00	95.020
3 7/8 BC SANTANDER 12	USD	90.000,00	93.483
ALIBABA GRP 14	USD	90.000,00	92.921
STARBUCKS CORP	USD	85.000,00	85.020
TOYOTA MTR	USD	67.000,00	67.675
WELLS FARGO	USD	63.000,00	62.567
JPMORGAN CHAS	USD	60.000,00	60.990
MICROSOFT	USD	61.000,00	60.923
JPMORGAN CHAS	USD	60.000,00	60.365
KRED WIEDERAUF	USD	62.000,00	59.815

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

JEFFERES GROUP INC NEW FIXED (50,000)	USD	50.000,00	50.410
US TREASURY	USD	49.000,00	49.182
APPLE INC	USD	40.000,00	40.642
GOLDMAN SACHS GROUP	USD	40.000,00	40.173
JPMORGAN CHASE & CO	USD	40.000,00	39.997
ROYAL BK CDA MEDIUM TERM	USD	40.000,00	39.855
<b>Securities</b>		<b>Nominal Value</b>	<b>Market Value(USD)</b>
KIMBERLY CLARK CORP	USD	39.000,00	39.398
CISCO SYS INC	USD	38.000,00	39.233
VISA INC	USD	38.000,00	38.557
PROCTER & GAMBLE	USD	39.000,00	38.054
Medco Health Solutions I	USD	30.000,00	31.131
COCA COLA CO	USD	30.000,00	29.973
MICROSOFT CORP	USD	30.000,00	29.884
<b>TOTAL USD 31.12.2017</b>			<b>5.009.974</b>

As of December 31, 2016, the Institution kept the following values:

<b>Securities</b>		<b>Nominal Value</b>	<b>Market Value(USD)</b>
US TREASURY	USD	586.000,00	588.198
NTS USA	USD	250.000,00	251.973
NTS State of Qatar	USD	200.000,00	220.000
GLN EIB (European Investment Bank)	USD	215.000,00	215.591
NTS USA	USD	215.000,00	214.899
GLN Development Bank Of Japan	USD	200.000,00	197.690
Morgan Stanley	USD	150.000,00	162.585
General Electric	USD	150.000,00	158.303
US TREASURY	USD	150.000,00	151.155
MTN Macquire Bk	USD	150.000,00	150.263
Wal-Mart Stores	USD	150.000,00	149.588
HOME DEPOT INC	USD	100.000,00	100.871
PFIZER	USD	100.000,00	100.001
DEERE JOHN CAP	USD	100.000,00	99.967
CITIGROUP INC	USD	100.000,00	99.944
3 7/8 BC SANTANDER 12	USD	90.000,00	92.304
ALIBABA GRP 14	USD	90.000,00	89.244
NTS Goldman Sachs Group	USD	85.000,00	87.593
STARBUCKS CORP	USD	85.000,00	85.849
MTN Caterpillar Financial Serv	USD	85.000,00	85.166
MICROSOFT	USD	61.000,00	60.658
WELLS FARGO	USD	63.000,00	60.641
JPMORGAN CHAS	USD	60.000,00	60.498
KRED WIEDERAUF	USD	62.000,00	59.126
JPMORGAN CHAS	USD	60.000,00	58.746
JEFFERES GROUP INC NEW FIXED (50,000)	USD	50.000,00	51.683
VODAFONE GROUP PLC NEW	USD	50.000,00	49.908

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

APPLE INC	USD	40.000,00	40.830
GOLDMAN SACHS GROUP	USD	40.000,00	40.430
JPMORGAN CHASE & CO	USD	40.000,00	40.044
ROYAL BK CDA MEDIUM TERM	USD	40.000,00	39.786
Medco Health Solutions I	USD	30.000,00	31.479
FRN SOC GEN BKT SHS 15	USD	30.000,00	29.982
<b>Securities</b>		<b>Nominal Value</b>	<b>Market Value(USD)</b>
MICROSOFT CORP	USD	30.000,00	29.981
COCA COLA CO	USD	30.000,00	29.684
FRN SG ISSUER NOTES	USD	30.000,00	25.995
PROLOGIS L P GTD	USD	25.000,00	25.362
Masco corp	USD	20.000,00	22.100
MASCO CORP	USD	20.000,00	20.300
<b>TOTAL USD 31.12.2016</b>			<b>4.078.416</b>

**NOTE 6 - TAXES**

The Institution is exempted from all national taxes owing to its nature as nongovernmental non-profit-making organization, recognized by the Ministry of Foreign Affairs, according to the provisions of Decree 334/970, thus being entitled to tax exemptions provided in article 69 of the Republic Constitution.

**NOTE 7 – OFF BALANCE ACCOUNT**

LACNIC participates in collaborative projects with other organizations of the internet ecosystem, with the aim of promoting the development of internet in the region, managing funds for and on behalf of third parties linked to such projects.

As of December 31, 2016, it also maintains escrow belonging to the Latin American and Caribbean Internet Exchange Point Operators of Internet traffic (LAC IX).

	<b>Dec. 31, 2017</b>	<b>Dec. 31, 2016</b>
	<b>USD</b>	<b>USD</b>
FRIDA	93.086	92.935
LAC IGF	42.151	18.301
AYITIC	136.929	-
<b>Subtotal</b>	<b>272.166</b>	<b>111.236</b>
LAC IX	-	48.772
<b>Total</b>	<b>272.166</b>	<b>160.008</b>

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

**NOTE 8 - NET OPERATING REVENUES**

Net operating income is made up as follows:

<b>Concept</b>	<b>For the year Ended December 31, 2017</b>	<b>For the year Ended December 31, 2016</b>
ISPs (Internet Services Providers)	4.535.019	4.270.195
Memberships of Internet National Registries	1.904.640	1.764.818
ASN (Autonomous System Number)	271.467	208.976
End User	316.028	310.264
Other Incomes	373.738	342.093
<b>Total</b>	<b>7.400.892</b>	<b>6.896.346</b>

**NOTE 9 - RELATED PARTIES**

**9.1 Advances to suppliers**

As of December 31, 2017, LACNIC maintains in its Financial Statements under the section Other Receivables, USD 247.282 corresponding to advances made to suppliers related to the project to reform the Internet House.

**9.2 Balances with Related Parties**

Balances with every related parties' institutions as of December 31, 2017 and 2016 respectively, are as follows:

	<b>LACTLD</b>	<b>ECOMLAC</b>	<b>Total Dec. 31, 2017 USD</b>	<b>Total Dec. 31, 2016 USD</b>
<b>ACCOUNTS RECEIVABLES</b>				
Other Receivables	4.253	20.273	24.526	16.919

**9.3 Transactions with Related parties**

Transactions with every related parties' institutions as of December 31, 2017 and 2016 respectively, are as follows:

	<b>LACTLD</b>	<b>ECOMLAC</b>	<b>Total Dec. 31, 2017 USD</b>	<b>Total Dec. 31, 2016 USD</b>
<b>OPERATING REVENUES</b>				
Net Operating Revenues	9.790	7.294	17.084	16.684

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

**NOTE 10 - INFORMATION ON THE POSITION IN FOREIGN CURRENCY**

At December 31, 2017 assets and liabilities in foreign currency (different from functional currency) are summarized as follow:

	<b>Uruguayan Pesos</b>	<b>Euros</b>	<b>Equivalent in USD Dec. 31, 2017</b>
<b>Current Assets</b>			
Cash and Banks	2.639.415	-	91.624
Other Receivables	324.801	-	11.275
	<b>2.964.216</b>	<b>-</b>	<b>102.899</b>
<b>Current Liabilities</b>			
Commercial Debt	(1.634.000)	-	(56.722)
Other Debts	(7.106.052)	-	(246.721)
	<b>(8.740.052)</b>	<b>-</b>	<b>(303.443)</b>
<b>Net Position</b>	<b>(5.775.836)</b>	<b>-</b>	<b>(200.544)</b>

At December 31, 2016 assets and liabilities in foreign currency (different from functional currency) are summarized as follow:

	<b>Uruguayan Pesos</b>	<b>Euros</b>	<b>Equivalent in USD Dec. 31, 2016</b>
<b>Current Assets</b>			
Cash and Banks	1.238.181	2.697	45.040
Other Receivables	348.305	-	11.871
	<b>1.586.486</b>	<b>2.697</b>	<b>56.911</b>
<b>Current Liabilities</b>			
Commercial Debt	(1.729.754)	-	(58.955)
Other Debts	(6.420.553)	-	(218.833)
	<b>(8.150.307)</b>	<b>-</b>	<b>(277.788)</b>
<b>Net Position</b>	<b>(6.563.821)</b>	<b>2.697</b>	<b>(220.877)</b>

**NOTE 11 – KEY MANAGEMENT PERSONNEL**

Key personnel comprise those people with authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly.

Based on this definition, it is understood that the LACNIC key personnel are made up of Board members, the Deputy/Chief Executive Officer and Managers of the Institution.

LACNIC Board of Directors do not receive remuneration.

**LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2017**

Total fixed compensation expense of key personnel as of December 31, 2017 amounts to USD 760.923 and it is included under section "Salaries and Personnel Expenses" in the Statement of the Comprehensive Income. (USD 583.639 as of December 31, 2016).

**NOTE 12 - JOINT FUND FOR THE STABILITY OF REGIONAL INTERNET RECORDS (RIRs)**

In 2015, the LACNIC Board of Directors agreed to participate with USD 100.000 in a Joint Fund of the Regional Internet Registries (RIRs) to guarantee the continuity of its registry operations and related support activities, in the face of potential contingent situations. This reserve fund is composed of voluntary commitments of funds from each of the parties.

**NOTE 13 - DETAIL OF THE SENIOR STAFF OF THE INSTITUTION**

As of December 31, 2017, the Board of Directors of LACNIC was made up as follows:

- **President:** Wardner Maia (Brazil)
- **Vice-president:** Oscar Messano (Argentina)
- **Treasurer:** Hartmut Glaser (Brazil)
- **Assistant Treasurer:** Alejandro Guzman Giraldo (Colombia)
- **Secretary:** Javier Salazar (México)
- **Assistant Secretary:** : Gabriel Adonaylo (Argentina)
- **Vocal:** Rafael Ibarra (El Salvador)
- **Executive Director:** Oscar Robles (México)

**NOTE 14 - APPROVAL OF FINANCIAL STATEMENTS**

These Financial Statements will be considered in the next General Meeting of Members.

**NOTE 15 - SUBSEQUENT EVENTS**

Since December 31, 2017 and to date, no events or transactions that might have a material effect on the Financial Statements, so as to require being disclosed therein, have occurred nor are pending or under way.

Montevideo, March 20<sup>th</sup>, 2018