

INTERNATIONAL SKATING UNION

BUDGET PROPOSAL 2018 – 2020

for the

57th ORDINARY CONGRESS

SEVILLA, SPAIN

from June 4 to 8, 2018

BUDGET PROPOSAL

2018 – 2020

INTRODUCTION

The 1998 Congress decided that a three-year budget shall be presented at each Congress, covering the Congress year plus the two subsequent years. This allows the Council and Congress to review the budget which was approved at the previous Congress and also to update the budget for the ongoing Congress year and subsequent two-year period.

When discussing the underlying basis of the Budget 2018-2020, the Council agreed to establish the Budget on the following principles:

The better than expected income situation for the years 2016 (Profit of CHF 3'341'644) and 2017 (Profit of CHF 5'439'414) as well as the existing reserves (total equity as of December 31, 2017 surging to CHF 263'775'304), allow and justify the budgeting of losses for the budget years 2018 through 2020 in order to satisfy the ever-increasing funding needs for ISU activities. Compared to the previous budget period, the Council proposes increases in expenditure for the Development Program (E-learning, Centers of Excellence) and for ISU support to ISU Members organizing ISU Events, mainly in the form of support towards TV production costs, Event presentation, Event promotion and sponsorship activation. In addition, taking into account the input from ISU Members during the Conferences in Rotterdam and Helsinki in 2017, the budget for the ISU's central media, public relations and marketing activities has been substantially increased. Finally, the Budget includes an increase of Prize Money for the most important ISU Championships as well as the Speed Skating and Short Track Speed Skating World Cups. Details of the different cost items are included further below.

The Council believes the reserves should remain at the 2015 equity level of about USD 255 million. With this goal in mind, the Council also proposes that if the financial results during the budget period ultimately result in unexpected annual profits, each year's profit will be "re-invested" during the following year in the form of ISU contributions that directly benefit ISU Members and key ISU activities. The Council, at its discretion, could decide to increase the ISU contributions to ISU Events and/or the Prize Money for ISU Events and/or the ISU Development Program for up to the amount of the previous year's profit. After 2020 however, increased revenues will be needed in order to maintain the current level of expenditures without using the ISU reserves.

By maintaining the above-mentioned threshold of about USD 255 million of equity, the ISU warrants the continued Financial Income of about CHF 5 million. This Financial income, which in 2017 covered 13% of the annual operating expenses, remains an important factor in securing the funding of the current ISU activities and maintaining a certain independence from commercial entities. Finally, it represents a safety cushion in case of major negative developments with serious detrimental consequences for the ISU incomes. For example, during the political tensions on the Korean Peninsula in 2017, the staging of the 2018 Olympic Winter Games was put in doubt by some parties. A cancellation would have resulted in a substantial reduction of the ISU's incomes for the budget period. Thanks to the existing ISU reserves, the ISU could withstand such situation without decreasing its current activity.

The Budget Proposal is based on the ISU Council's view of the commercial and economic situation and a risk evaluation, as outlined in the Annual Report 2017 and in the Status Report on the Four-Year-Plan Marketing and Event Management sent to ISU Members in early May 2018.

In this regard, while it is the duty of the ISU Council to make ISU Members aware of the negative developments and risks which have had, or might have, an impact on the ISU Budget and consequently on ISU activities, the Council must also put the current situation into perspective. The budgeting policy proposed by the Council and accepted by previous Congresses, has allowed the maintenance of support for a wide range of ISU activities, namely:

- Annually conducting over 40 ISU Events in all ISU disciplines, including the payment of generous ISU contributions to organizing and participating ISU Members. In addition, the ISU provides a substantial amount of Prize Money for these ISU Events.
- an ambitious Development Program
- an aggressive Anti-Doping Program
- an extensive educational program for Officials and Coaches

In line with Swiss accounting guidelines and the ISU Financial Statements, this 2018-2020 Budget is divided into the following categories:

- A. Operating Income
- B. Operating Expenses
- C. Operating Result
- D. Financial Income and Expenses
- E. Other items/Taxes
- F. Profit/Loss for the Year.

These categories have been subdivided showing the major incomes and expenditures (as below) and in particular category B (Operating Expenses) has been subdivided into:

- B 1 Contributions for ISU Events (including Prize Money)
- B 2 Development Program
- B 3 Other Operating Expenditures

This document contains a short explanation plus the corresponding figures in Swiss Francs for each part of ISU incomes and for the most significant expenditures.

It is to be noted that the ISU books and budgets are kept in Swiss Francs whilst most of the income and expenditures, as well as financial assets, are in US Dollars and Euro. Depending on currency exchange rate fluctuations this has in the past resulted in book value adjustments, especially when the value of the US Dollar and/or Euro versus the Swiss Franc has declined. However, it must be emphasized that the ISU has never suffered from any actual loss such as, for example, losing money on bonds that have lost all their value due to the bankruptcy of the entities which issued the bonds. The bond values in the currency in which the ISU-owned bonds are issued remain unchanged and since these are the same currencies as the vast majority of ISU incomes and expenditures (i.e. US Dollars and Euro), there is no negative impact on ISU activity. The above-mentioned book value adjustments were, and in the future may be, necessary essentially due to currency exchange fluctuations in the bond portfolio. In order not to distort the actual annual budgeted performance of the ISU activity, this Budget does not include any currency rate fluctuation provision since, as explained above, this would only be an accounting adjustment and, in addition, purely speculative.

For incomes and expenditures, the following conservative exchange rates have been applied:

Incomes in US Dollars are budgeted at 0.95 versus the Swiss Franc. (1 US\$ = 0,95 Swiss Franc).

ISU contributions in US Dollars are budgeted at 1.00 versus the Swiss Franc.

Incomes in Euro are budgeted at 1.15 versus the Swiss Franc.

For a three-year Budget it is obvious that the total amount in each category of expenditures for the three years is calculated on the basis of the full period. However, also taking into account that the ISU financial year is based on the calendar year (January to December) but that the ISU seasons are based on the period July 1 to June 30, there may be annual variations within the three-year budget period to be monitored at the discretion of the Council.

All figures are summarized in Appendix A.

A. OPERATING INCOME

TV incomes for ISU Events

The budgeted amounts are based on existing and expected TV rights agreements for ISU Championships and other ISU Events, including the ISU Grand Prix of Figure Skating, the Speed Skating and Short Track Speed Skating World Cups and the ISU World Team Trophy in Figure Skating. For those periods, territories and ISU Events for which no commercial agreements are concluded the amounts are based on conservative estimates

The main existing TV agreements are with the European Broadcasting Union-EBU (Europe), Fuji (Japan), TV Asahi (Japan), JSports (Japan), Icenetwork/NBC (USA), CBC (Canada), CCTV (China), Tencent (China) and SBS (Republic of Korea).

The revenues emanating from Japan have increased compared to the previous budgeting period and agreements are basically in place through 2022. The incomes emanating from the United States have also increased slightly, thanks to a long-term agreement with Icenetwork/NBC running through 2026. For Europe, the agreement with the European Broadcasting Union (EBU) is under negotiation for renewal as of the season 2019/20. Besides securing similar incomes as in the past, the ISU is endeavoring to achieve a better distribution of its rights and better exposure of ISU Events in the different European territories. The same applies to additional world-wide territories not traditionally covered by the ISU, such as South-East Asia, Oceania and Africa. The incomes from other territories such as Canada, China and Korea are expected to remain stable.

The following TV rights fee incomes are budgeted:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 16'890'000	CHF 19'790'000	CHF 17'770'000	CHF 54'450'000

Advertising incomes for ISU Events

The advertising agreement with IMG for Figure Skating Championships and the ISU Grand Prix of Figure Skating Final remains a solid source of income and runs until 2022.

For Speed Skating, an advertising agreement with House of Sports Netherlands for both the World Cup and the ISU Championships has been signed, replacing the agreement with former partner Infront. The search for a Title Sponsor is ongoing. Due to the uncertainty of the outcome of negotiations, a conservative budget amount has been included for a potential Title Sponsor or similar income.

For Short Track Speed Skating, an agreement for the World Cup Title Sponsor Audi (China) has basically been concluded but remains subject to signature and implementation of the detailed agreement. For the remaining available advertising rights for ISU Short Track Championships and World Cups, at the time of preparing the budget, negotiations with various agencies and sponsors in Europe and Asia are ongoing.

The total Advertising income for ISU Events is budgeted as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 6'320'000	CHF 7'380'000	CHF 7'380'000	CHF 21'080'000

Various Incomes

Incomes in this group are sanctioning fees, potential reimbursement of insurance claims, contributions to ISU development projects from the IOC, Olympic Solidarity and the Association of Olympic International Winter Sports Federations (AOIWF) and sales of books, videos, CDs, DVDs, music etc.

Estimated incomes are:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 200'000	CHF 200'000	CHF 200'000	CHF 600'000

Incomes from Olympic Winter Games (OWG)

For the income from Olympic Winter Games, the IOC contribution received for the Sochi Games has been equally allocated over the years 2014 through 2017. For the Budget period 2018-2020, which will depend on the IOC contribution relating to the 2018 PyeongChang Games, the same annual amount as for the previous (Sochi) years has been budgeted since no final IOC indication of the IOC contribution has yet been received.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 9'000'000	CHF 9'000'000	CHF 9'000'000	CHF 27'000'000

Total Operating incomes

The total budgeted incomes add up as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 32'410'000	CHF 36'370'000	CHF 34'350'000	CHF 103'130'000

B. OPERATING EXPENSES

As stated in the Introduction, on the expenditure side, some budget increases compared to the previous budget period have been applied.

B.1 Contribution for ISU Events (including Prize Money) paid by the ISU for the development of skating

Mindful that well organized ISU Events (ISU Championships, ISU Grand Prix of Figure Skating, ISU World Cups, ISU World Team Trophy in Figure Skating) to the full satisfaction of the public, media and commercial partners represent the main ISU capital in securing incomes, the ISU has budgeted additional ISU contributions to secure high-quality ISU Events. The ISU also financially supports some other events such as the Shanghai Trophy, selected Adult and Masters Skating competitions and the Challenger Series in Figure Skating.

The ISU contributions are divided into:

- Direct ISU contributions paid to organizing ISU Members
- Indirect contributions to organizing ISU Members in the form of certain expenses traditionally paid by the ISU (travel costs for ISU-appointed Officials, Result Service & Video Replay in Figure Skating and Short Track Speed Skating, cancellation and liability insurance premiums, medals for ISU Championships, costs for ISU Event Management Coordinators/teams)
- Targeted contributions to organizing ISU Members, depending on the needs of different ISU Events, in support of TV production costs, Event presentation, Event promotion and sponsorship activation.
- Travel contributions to support participating ISU Members of ISU World Championships. Taking into account the better than expected incomes during 2016 and 2017, the Council decided to extend this type of contribution towards all ISU World Championships, including the World Junior Championships, starting with the season 2016/17. The contribution now covers all participating Competitors and not only a limited number as in the past.

While the direct ISU financial contributions towards ISU Events basically remain unchanged, the Council agreed to additional (indirect) ISU contributions to the organizing of ISU Events. The breakdown among the above-mentioned different categories is as follows:

<u>ISU Championships</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Direct contributions	CHF 8'077'000	CHF 8'408'000	CHF 8'288'000
Indirect contributions	CHF 1'664'000	CHF 1'524'000	CHF 1'394'000
Targeted contributions	CHF 320'000	CHF 320'000	CHF 320'000
Participating ISU Members	CHF 1'851'000	CHF 2'044'000	CHF 2'088'000
Council discretion/rounding	CHF 8'000	CHF 204'000	CHF 210'000
Total ISU Championships	CHF 11'920'000	CHF 12'500'000	CHF 12'300'000

<u>Other ISU & various Events</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Direct contributions	CHF 2'402'000	CHF 2'512'000	CHF 2'512'000
Indirect contributions	CHF 1'070'000	CHF 1'170'000	CHF 1'170'000
Targeted contributions	CHF 620'000	CHF 930'000	CHF 930'000
Council discretion/rounding	CHF 208'000	CHF 208'000	CHF 208'000
Total Other Events	CHF 4'300'000	CHF 4'820'000	CHF 4'820'000

Total ISU Contributions to ISU Championships, other ISU & various Events

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 16'220'000	CHF 17'320'000	CHF 17'120'000	CHF 50'660'000

Prize Money

Prize Money is an essential part of the concept of assisting top Skaters to pursue their competitive ISU career over an extended number of years and to ensure the participation of top Skaters in ISU Events.

For the major ISU World Championships, namely the ISU World Figure Skating Championships, the ISU Single Distances Speed Skating Championships and the ISU World Short Track Speed Skating Championships, the Council proposes an increase in Prize Money of about 25% compared to the 2018 level. This increase is justified by the importance (as also voiced by commercial partners) of ensuring the participation of the best Skaters at the main Championships. The Council has agreed that Prize Money shall be limited to the top 6 ranked Skaters at ISU Championships. The objective of this increase in Prize Money for the prime Events and the focus on the best-ranked Competitors is to enhance the incentives for top Skaters to compete in those Championships. For the same reason, the Council also agreed to increase the Prize Money for the World Cups Speed Skating and Short Track Speed Skating that were previously set at a very modest level. The Prize Money for the other ISU Championships and ISU Events as well as the Challenger Series in Figure Skating remains at the same level as the season 2017/18.

While focusing ISU Prize Money on the top ranked Skaters, the Council has, as indicated above, increased the travel contributions to participating ISU Members for all ISU World Championships so that ISU Members which do not have Skaters achieving the top spots will also receive a certain level of compensation.

The Prize Money allocation for ISU Events is as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
ISU Championships	CHF 1'895'250	CHF 2'295'400	CHF 2'305'400
Other ISU & various Events	CHF 2'966'500	CHF 3'166'500	CHF 3'166'500
Council discretion/rounding	CHF 208'250	CHF 208'100	CHF 208'100

Total Prize Money

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 5'070'000	CHF 5'670'000	CHF 5'680'000	CHF 16'420'000

Total contribution for ISU Events

The total budgeted figures for ISU contributions and Prize Money are:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 21'290'000	CHF 22'990'000	CHF 22'800'000	CHF 67'080'000

By accepting this Budget Proposal, ISU Members mandate the Council to change the allocation of the various types of contributions and/or Prize Money among the different Events, taking into account future developments, the most urgent necessities and experience gained.

B.2 Development Program

The ISU Development Program established by the 1996 Congress will continue. However, one of the first major projects implemented by the Council elected in June 2016 was a review of the Program and the implementation of new basic objectives and procedures as outlined in ISU Communication No. 2052. The experience gained and the plans for the budget period are outlined in the respective Status Report to the Four-Year Plan and the Four-Year Plan for 2018/19-2021/22.

In a nutshell:

- a) Development Projects monitored by the Council-appointed Development Commission based mainly on Project applications received from ISU Members.
- b) Council Projects sub-divided into different categories, namely:
 - the ISU Junior Grand Prix of Figure Skating (including the popular YouTube streaming service)
 - the Junior World Cup Speed Skating
 - Short Track Speed Skating competitions for Juniors (currently focusing on the Danubia/Star Class series)
 - world-wide Figure Skating seminars monitored by an assigned Council member and the Sports Directors Figure Skating
 - An e-learning platform including content creation monitored by the Development Commission in close cooperation with other internal ISU bodies and ISU Members.
 - Centers of Excellence currently monitored by the President, Vice Presidents, Development Commission and a Project Manager based at the ISU Secretariat.

The allocation of different budget amounts among the various Council Project categories shall be decided annually by the Council taking into account the total Council Project budget amount, new developments, arising necessities and experiences gained.

The gradual implementation of an e-learning platform including high quality content and of regional Centers of Excellence (CoE) will come with certain associated costs. The Council will strive to achieve financial benefits from the investment in e-learning and the CoE concept by decreasing expenses in due course to other Development Program categories such as Development Projects implemented by ISU Members and world-wide seminars.

- c) The annual contribution (also known as “C” contribution) paid to all ISU Members which fulfil the criteria stated in ISU Communication No. 2052, paragraph 5 and which have submitted in due time the requested report on the use of the annual contribution of the previous year plus Prize Money Forms confirming that any Prize Money has been received by their rewarded Skaters.

The annual contribution amounts to US Dollars 25'000 for ISU Members representing one Branch and US Dollars 50'000 for ISU Members representing both Branches. In line with Swiss Law, the contribution must be claimed within 5 years.

The different Development Program categories and related budgets can be summarized as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
a) Development Projects	CHF 2'300'000	CHF 1'800'000	CHF 1'500'000
b) Council Projects	CHF 3'830'000	CHF 3'830'000	CHF 3'530'000
c) Annual (C) Contributions	CHF 2'975'000	CHF 3'025'000	CHF 3'125'000

The total Budget for the Development Program amounts to:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 9'105'000	CHF 8'655'000	CHF 8'155'000	CHF 25'915'000

Total Contribution to ISU Events and the ISU Development Program

The budgeted expenditures mentioned above, which are paid directly to or through ISU Members, add up to:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 30'395'000	CHF 31'645'000	CHF 30'955'000	CHF 92'995'000

B.3 Other Operating Expenses

The “other” Operating Expenses not directly linked to ISU Events or the ISU Development Program are budgeted as per the summary below.

The cost for the PyeongChang Olympic Winter Games (OWG), mainly the attendance of ISU Office Holders, are substantially higher than those of the 2014 OWG due to the many intercontinental flights for a majority of the attending ISU Office Holders. In addition, contrary to previous OWG the IOC decided to invoice the ISU with the costs for ISU lounges and complimentary tickets.

For 2018, being a Congress year with expected major technical changes to be implemented (e.g. +5/-5 Grande of Executions in Figure Skating) and related education seminars, the Council has tentatively approved the different budgets for courses, seminars and examinations. The goal for 2019 and 2020, however, is to bring the budget back to the previous level for this cost item. The gradual implementation of an e-learning platform should contribute to this objective.

The legal expenses for 2018 are expected to remain on the high side due to ongoing legal expenses in connection with the EU Commission decision relating to the ISU eligibility rules.

Taking into account the input received from ISU Members during the 2017 Conferences in Rotterdam and Helsinki, the Council agreed to substantially increase the Media/PR/Marketing budget. This not only allows the current activities of the ISU Media/PR/Marketing Department to be maintained but also enables the pursuit of new initiatives such as updating the different ISU result data services and the creation of a central database which will finally allow the creation of an efficient ISU App with live results and up-to-date biographies. Other projects include the enhancement of the ISU TV graphics, different social media projects, the implementation of corporate identity principles and close monitoring of TV/media data audience statistics.

	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>CHF</u>	<u>CHF</u>	<u>CHF</u>
Congress/Conference Expenses	570'000	100'000	570'000
Committee Meetings	415'000	400'000	400'000
Council and other meetings	615'000	400'000	400'000
Office Holders Travel/Meeting Expenses	900'000	900'000	900'000
OWG expenses	1'200'000	NA	NA
Secretarial Allowances/Remuneration Office Holders/Freelancers	1'060'000	1'100'000	1'100'000
Courses/Seminars/Examinations	1'020'000	500'000	700'000
Printed Matters	26'000	26'000	26'000
Legal	600'000	300'000	300'000
Insurance	500'000	500'000	500'000
Judging System development/maintenance - new software	210'000	100'000	100'000
Anti-Doping	365'000	400'000	400'000
Educational Material incl digitization archives	300'000	200'000	90'000
Media/PR/Stats/Marketing (excl. ISU Staff)	1'435'000	1'435'000	1'435'000
Various	70'000	70'000	70'000

The total other Operating Expenses amount to

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 9'286'000	CHF 6'431'000	CHF 6'991'000	CHF 22'708'000

ISU Office building Lausanne

When deciding upon the purchase of two floors of the Avenue Juste-Olivier 17 building, well-situated in Lausanne, the Council not only considered the need for more space for the ISU Secretariat, but also the need for a diversification of the ISU investments. Although it represents only a very modest 2-3% of the ISU's total investments, it nevertheless constitutes an alternative and very safe investment. The financial crisis of 2008 has shown that even high-rated companies can get into trouble, resulting in a direct impact on the value of the bonds such companies have issued, which constitute the substantial part of the ISU's fortune. The Council therefore welcomed the opportunity of the above-mentioned attractive real estate investment.

The ongoing refurbishment of the common areas of the building, covered by a renovation fund of the building co-owners, has required an additional ISU contribution for 2018 amounting to CHF 100'000. The current budget also includes a contingency amount of CHF 100'000 for the renovation fund in 2019 for possible additional renovation requirements under evaluation at the time of preparing the budget. The ongoing and possible additional renovations will preserve and increase the value of the building. Whilst from the accounting point of view this is being conservatively posted as an expense, it can also be considered as an investment since the value of the building and the ISU property increases accordingly. In addition to this renovation fund budget item and the estimated CHF 40'000 annual common cost for the ISU for the building, the Council agreed to also apply a conservative annual depreciation amount of CHF 100'000.

The annual cost is summarized as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Annual expenses	CHF 40'000	CHF 40'000	CHF 40'000
Renovation fund contribution	CHF 100'000	CHF 100'000	CHF 0
Depreciation	CHF 100'000	CHF 100'000	CHF 100'000

Consequently, the budgeted figures including condominium expenses, renovation fund allocation and depreciation amount to:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 240'000	CHF 240'000	CHF 140'000	CHF 620'000

Secretariat expenditures

The budgeted amounts include the expenses necessary to carry out the ISU Administration and mainly consist of ISU Secretariat employee salaries and social charges, communication expenses, office equipment/material and office maintenance.

Thanks to the loyal and experienced Secretariat Staff the number of employees remains on the low side compared to other similar International Sports Federations. Nevertheless, the staff has gradually increased over the past two years. At the time of preparing the budget it consists of 14 full-time and 7 part-time employees which is the equivalent of 18.8 full-time employees. As a comparison, at the end of 2015 the equivalent of full-time employees was 13.9. The main reason for this increase is the increasingly complex requirements that international sports federations are facing, especially in the areas of media/PR/marketing, internal controls, good governance, anti-doping and Development Program activities. In parallel, the world-wide increasingly competitive economic environment, the related pressure on the workforce and reports of increasing number of burnouts and other stress-related health problems, also have a negative impact on the availability of competent volunteer Office Holders. The main option for coping with additional workload remains mainly the ISU Secretariat and/or contracted and

remunerated freelancers such as the Sports Directors, Event Coordinators and Consultants. This trend is expected to continue, which is reflected in the ISU Secretariat budget as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 3'410'000	CHF 3'500'000	CHF 3'600'000	CHF 10'510'000

Total Operating Expenses

The total expenditures add up to:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 43'331'000	CHF 41'816'000	CHF 41'686'000	CHF 126'833'000

C. OPERATING RESULT

The difference between the Operating Income and the Operating Expenses is the Operating Result, i.e. the actual financial result directly linked to the ISU sports activity, and results in an Operating Loss of

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF -10'921'000	CHF -5'446'000	CHF -7'336'000	CHF -23'703'000

D. FINANCIAL INCOME AND EXPENSES

Investment Interest incomes

As a financial investment strategy, the Council agreed to maintain a low risk approach through investments in bonds issued by highly rated entities. However, in order to improve the return on its financial assets, and contrary to previous Budget Proposals, the Council agreed to lower the applicable minimum Standard and Poors (S&P) and Moody's bond ratings from A-/A3 to a new minimum of BBB+/Baa1. This rating level is still on the very safe side and in addition the banks mandated to safeguard the ISU fortune will closely follow market developments and alert the ISU in the case of any potential default risk. Nevertheless, based on the recommendation of the ISU Treasurer, the ISU intends to mandate a financial expert (independent from the 3 ISU banks (Crédit Suisse, Banque Cantonale Vaudoise/BCV, UBS) to review the ISU's financial portfolio and to investigate whether higher incomes and/or lower financial expenses can be achieved without increasing the risk.

The budget for the investment interest income is calculated on an estimated average bond portfolio and cash flow and taking into account the fluctuations in interest rates for bonds. Due to the current low interest rates, which are expected to increase only slowly during this budget period, the budgeted amounts remain on the low side.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 6'116'000	CHF 6'380'000	CHF 6'380'000	CHF 18'876'000

Financial Expenses:

The financial expenses consist of the safe-guarding and handling expenses by the 3 banks and are budgeted as follows:

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 1'100'000	CHF 1'100'000	CHF 1'100'000	CHF 3'300'000

Net Financial Income

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 5'016'000	CHF 5'280'000	CHF 5'280'000	CHF 15'576'000

E. OTHER ITEMS/TAXES

The tax situation in Switzerland, and in particular in Lausanne, requires the ISU to budget only for auxiliary taxes such as for real estate, local services etc.

Budgeted figures are

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
CHF 25'000	CHF 25'000	CHF 25'000	CHF 75'000

F. PROFIT/LOSS OF THE YEAR

Taking into account the above-mentioned incomes and expenditures, the overall budget results in losses for the budget period as explained in the introduction and as summarized below.

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2018-2020</u>
Loss (-) CHF -5'930'000	CHF -191'000	CHF -2'081'000	CHF -8'202'000

CONCLUSION

By approving the Four-Year Plans covering the seasons 2018/19-2019/20 and this Budget Proposal as outlined above, the Congress acts according to the 2016 Constitution VII. Procedural Provisions to the Constitution, A. Congress, Article 30, Paragraph 21 which states

“Decision power Congress / Council / Director General / Sports Directors

The Congress has the decision-making power regarding any matter but shall normally execute that power by deciding upon principles and directions for developing the sport and shall give to the Council, the Director General and the Sports Directors, with the assistance of the Technical Committees and the Medical Commission, the power to decide upon details.”

As per Article 17, paragraph 1.c) of the Constitution, in case of unforeseen circumstances resulting in severe negative financial consequences which were not foreseen when preparing and presenting this Budget, the Council may defer implementation of certain budgeted expenditures. At the next following Congress, the Council shall take such circumstances into account when preparing and presenting the Budget.

According to Swiss Law, the Council in principle cannot approve substantial additions to the Congress-approved Budget but can do so only if absolutely necessary and justified by the needs of the smooth conduct of the ISU's ordinary business operations. In such exceptional cases and in line with Article 34, paragraph 10 of the Constitution, the Council may approve individual additions to the Budget as approved by the Congress but in this case, the Council shall inform ISU Members by Circular Letter if changes of incomes or expenditures will have a considerable negative effect on the accumulated Retained Earnings for the Budget approved by the Congress.

ISU Council

Fredi Schmid
Director General

Uli Linder
Treasurer

Lausanne, May 2018

INTERNATIONAL SKATING UNION (ISU)

BUDGET 2018 – 2020 – APPENDIX A

in Swiss Francs

	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>BUDGET</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2018-2020</u>
<u>A. OPERATING INCOMES</u>						
Television ISU Events (net)	16.965.415	19.814.844	16.890.000	19.790.000	17.770.000	54.450.000
Advertising ISU Events (net)	7.340.361	7.560.081	6.320.000	7.380.000	7.380.000	21.080.000
Various Incomes	708.358	530.876	200.000	200.000	200.000	600.000
Olympic Winter Games	9.038.259	9.038.259	9.000.000	9.000.000	9.000.000	27.000.000
Total Operating Incomes	34.052.393	36.944.060	32.410.000	36.370.000	34.350.000	103.130.000
<u>B. OPERATING EXPENSES</u>						
1. Contribution for ISU Events & various other events incl. Prize Money						
ISU Contributions to ISU Championships	11.128.017	10.700.004	11.920.000	12.500.000	12.300.000	36.720.000
ISU Contributions to other ISU & various Events	3.694.886	3.512.815	4.300.000	4.820.000	4.820.000	13.940.000
Total ISU Contributions	14.822.903	14.212.819	16.220.000	17.320.000	17.120.000	50.660.000
Prize Money (Championships & other ISU & various Events)	4.771.506	4.568.934	5.070.000	5.670.000	5.680.000	16.420.000
Total Contributions incl. Prize Money	19.594.409	18.781.753	21.290.000	22.990.000	22.800.000	67.080.000
2. ISU Development Program						
a) Development Projects	1.787.923	1.599.269	2.300.000	1.800.000	1.500.000	5.600.000
b) Council Projects	3.227.718	3.241.508	3.830.000	3.830.000	3.530.000	11.190.000
c) Contribution to ISU Members	2.675.564	2.809.798	2.975.000	3.025.000	3.125.000	9.125.000
Total ISU Development Program	7.691.205	7.650.575	9.105.000	8.655.000	8.155.000	25.915.000
Total contributions to ISU Events & Development Program	27.285.614	26.432.328	30.395.000	31.645.000	30.955.000	92.995.000
3. Other Operating Expenses	6.194.360	6.856.964	9.286.000	6.431.000	6.991.000	22.708.000
ISU Office building Lausanne	230.987	247.020	240.000	240.000	140.000	620.000
ISU Secretariat Expenses	2.568.754	2.985.022	3.410.000	3.500.000	3.600.000	10.510.000
TOTAL OPERATING EXPENSES	36.279.715	36.521.334	43.331.000	41.816.000	41.686.000	126.833.000
<u>C. OPERATING RESULT</u>	-2.227.322	422.726	-10.921.000	-5.446.000	-7.336.000	-23.703.000
<u>D. FINANCIAL INCOMES AND EXPENSES</u>						
Investment Interest Income	6.597.982	6.020.206	6.116.000	6.380.000	6.380.000	18.876.000
Financial Expenses	-1.116.643	-1.058.179	-1.100.000	-1.100.000	-1.100.000	-3.300.000
Realized Capital/exchange gains/losses	270.645	-125.022	0	0	0	0
Total Financial Incomes and Expenses	5.751.984	4.837.005	5.016.000	5.280.000	5.280.000	15.576.000
<u>E. OTHER ITEMS</u>	-158.801	197.580	0	0	0	0
TAXES	24.216	17.897	25.000	25.000	25.000	75.000
<u>F. PROFIT/LOSS FOR THE YEAR</u>	3.341.645	5.439.414	-5.930.000	-191.000	-2.081.000	-8.202.000

May 24, 2018