



INTERNATIONAL SKATING UNION

## 2016 FINANCIAL REPORT

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- Report of the statutory auditor on the financial statements for the year 2016
- ISU Annual report 2016



Phone 021 310 23 23  
Fax 021 310 23 24  
www.bdo.ch

BDO Ltd  
Biopôle - Epalinges  
Case postale 7690  
CH-1002 Lausanne

To the Congress of the

International Skating Union

Lausanne

Report of the statutory auditor  
on the financial statements for the year 2016

(for year ended December 31, 2016)

May 18, 2017  
9148/15'202'100/2150'0200/115+1-3  
RMB/JMJ/pvr

## REPORT OF THE STATUTORY AUDITOR

To the Congress of the International Skating Union, Lausanne

### Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of International Skating Union, which comprise the balance sheet as at December 31, 2016, and the income statement, cash flow statement and notes for the year then ended.

#### Council's Responsibility

The Council is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Association's Constitution and General Regulations. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Council is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements for the year ended December 31, 2016 comply with Swiss law and the Association's Constitution and General Regulations.

### Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Council.

We recommend that the financial statements submitted to you be approved.


Lausanne, May 18, 2017

BDO Ltd



René-Marc Blaser

Licensed Audit Expert



Jean-Marc Jenny

Licensed Audit Expert  
Auditor in Charge

### Enclosures

Financial statements for the year ended December 31, 2016 (balance sheet, income statement, cash flow statement and notes)

**INTERNATIONAL SKATING UNION, LAUSANNE**

**BALANCE SHEET AS OF DECEMBER 31, 2016**

	<b>31.12.2016</b>	<b>31.12.2015</b>
<b><u>ASSETS</u></b>	<b><u>Swiss Francs</u></b>	<b><u>Swiss Francs</u></b>
<b><u>Current Assets</u></b>		
Cash	17 858.38	14 562.31
Post / Bank - current accounts	14 317 658.11	13 105 264.81
Short Term Deposit	8 129 208.50	2 596 728.00
Other debtors	23 803.51	436 365.98
Current Accounts ISU Members & Officers	1 141 850.00	1 329 450.00
Prepaid expenses/rights fees to be cashed/accrued interest	3 262 195.12	4 676 214.94
<b>Total Current Assets</b>	<b>26 892 573.62</b>	<b>22 158 586.04</b>
<b><u>Non-Current Assets</u></b>		
<b><u>Financial Assets</u></b>		
Bonds Credit Suisse/Banque Cantonale Vaudoise/UBS	261 760 935.73	271 531 976.58
<b>Total Financial Assets</b>	<b>261 760 935.73</b>	<b>271 531 976.58</b>
<b><u>Property and Equipment</u></b>		
ISU Offices House Schöneck, Davos	1.00	1.00
ISU library	1.00	1.00
ISU Villa Olivier, Lausanne	5 225 000.00	5 325 000.00
<b>Total Property and Equipment</b>	<b>5 225 002.00</b>	<b>5 325 002.00</b>
<b>Total Non-Current Assets</b>	<b>266 985 937.73</b>	<b>276 856 978.58</b>
<b>TOTAL ASSETS</b>	<b>293 878 511.35</b>	<b>299 015 564.62</b>
<b><u>LIABILITIES &amp; EQUITY</u></b>		
<b><u>Short Term Liabilities</u></b>		
Accounts payables	1 395 836.03	873 048.41
Accrued expenses	3 735 972.68	3 856 380.14
Deferred income	9 038 259.00	18 076 518.00
Other short term liabilities	298 935.70	1 356 024.95
ISU C-Contributions 2012-2016	5 073 617.49	3 859 346.81
<b>Total Short Term Liabilities</b>	<b>19 542 620.90</b>	<b>28 021 318.31</b>
<b><u>Long Term Liabilities</u></b>		
<b><u>Provisions and reserves</u></b>		
Legal provision	7 000 000.00	7 000 000.00
Reserve for currency exchange loss on bonds	8 000 000.00	8 000 000.00
Reserve for currency exchange loss on other financial positions	1 000 000.00	1 000 000.00
<b>Total Long Term Liabilities</b>	<b>16 000 000.00</b>	<b>16 000 000.00</b>
<b><u>Equity</u></b>		
Voluntary retained earnings	254 994 246.31	241 601 284.27
Profit for the year	3 341 644.14	13 392 962.04
<b>Total Equity</b>	<b>258 335 890.45</b>	<b>254 994 246.31</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>293 878 511.35</b>	<b>299 015 564.62</b>

**INTERNATIONAL SKATING UNION, LAUSANNE**  
**INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2016**

	<b>2016</b>	<b>2015</b>
	<b><u>Swiss Francs</u></b>	<b><u>Swiss Francs</u></b>
<b><u>OPERATING INCOMES</u></b>		
TV Incomes ISU Events (net)	15 323 223.30	19 996 330.00
Advertising Incomes ISU Events (net)	6 629 840.00	5 619 030.00
Adjustment currency exchange rates budget vs actual	2 352 712.66	1 941 875.06
Various Incomes	370 410.39	685 964.04
Youth Olympic Games (YOG) Revenue	337 947.76	0.00
<b>Total Incomes/Revenues (except OWG)</b>	<b>25 014 134.11</b>	<b>28 243 199.10</b>
Olympic Winter Games (OWG) Revenue cashed	0.00	12 326 400.00
Adjustment OWG revenues to Olympic Cycle from deferred income	9 038 259.00	-3 288 141.00
<b>OWG Revenue allocation for the year</b>	<b>9 038 259.00</b>	<b>9 038 259.00</b>
<b>TOTAL OPERATING INCOMES</b>	<b>34 052 393.11</b>	<b>37 281 458.10</b>
<b><u>OPERATING EXPENSES</u></b>		
<b><u>ISU Events - direct &amp; indirect contributions to ISU Event organizers &amp; participants</u></b>		
Contributions to ISU Championships	10 464 848.76	10 393 488.91
Contributions to other ISU Events	3 474 691.32	3 323 119.46
Prize Money ISU Championships	2 040 250.00	2 136 500.00
Prize Money other ISU Events	2 446 900.00	2 313 820.00
Adjustment currency exchange rates budget vs actual	1 167 719.05	931 439.20
<b>Total ISU Events</b>	<b>19 594 409.13</b>	<b>19 098 367.57</b>
<b><u>ISU Development Program</u></b>		
Development Program Projects	1 644 231.12	1 501 221.74
Administration / Development Commission Office Expenses	143 692.00	163 000.00
Council projects	3 227 716.97	2 447 826.19
C-Contributions to ISU Members 2016	3 077 500.00	1 971 442.47
Release expired C-Contributions 2011/suspended Members	-401 935.91	-570 788.37
<b>Total ISU Development Program</b>	<b>7 691 204.18</b>	<b>5 512 702.03</b>
<b><u>ISU Other Operating Expenses</u></b>		
Congress Expenses	553 196.79	974.50
Committee meetings	320 073.16	382 291.89
Council and other meetings	253 602.44	260 060.35
Office Holders / Event Coord. / Ext. Consulting remuneration/Secr. Allow.	829 668.79	849 934.19
Office Holders Travel / Meetings / Various expenses	1 364 780.35	839 665.98
Printed Matters	33 691.94	10 046.99
General Doping Control (expenses at events not included)	353 227.77	319 637.53
Special Services (Legal and Insurance)	981 595.93	677 597.22
Production videos, Books, CDs	88 941.38	45 638.32
Video Replay System & ISU Judging System maintenance	62 332.85	109 509.25
Courses/Seminars/Examinations	477 875.19	349 752.89
Media/PR/Statistics/Website	731 472.17	691 962.24
Other expenses	143 901.22	88 308.80
<b>Total ISU Other Operating Expenses</b>	<b>6 194 359.98</b>	<b>4 625 380.15</b>
<b>TOTAL Operating Expenses</b>	<b>33 479 973.29</b>	<b>29 236 449.75</b>
<b>OPERATING RESULT</b>	<b>572 419.82</b>	<b>8 045 008.35</b>

**INTERNATIONAL SKATING UNION, LAUSANNE**  
**INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2016**

	<b>2016</b>	<b>2015</b>
	<b><u>Swiss Francs</u></b>	<b><u>Swiss Francs</u></b>
<b><u>ISU new office, Av. Juste-Olivier 17</u></b>		
Office transformation and improvements	12 423.34	865 738.17
Depreciation	100 000.00	50 000.00
Condominium Expenses	118 563.70	36 328.70
Allocation to the condominium Renovation Fund	0.00	98 000.00
<b>Total ISU new office, Av. Juste-Olivier 17</b>	<b>230 987.04</b>	<b>1 050 066.87</b>
<b><u>ISU Secretariat Expenses</u></b>		
Salaries & Benefits	2 298 795.86	2 097 252.92
General Costs (Electricity, cleaning, recruitment, subscriptions, various)	144 393.82	153 556.22
Office Material & furniture	20 989.80	15 048.93
IT equipment	80 428.31	64 024.63
Postage, Fax, Telephone	18 490.50	13 768.80
Office Insurance	2 656.05	3 927.60
Office Rent Lausanne	3 000.00	50 586.00
<b>Total ISU Secretariat Expenses</b>	<b>2 568 754.34</b>	<b>2 398 165.10</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>36 279 714.67</b>	<b>32 684 681.72</b>
<b>OPERATING RESULT</b>	<b>-2 227 321.56</b>	<b>4 596 776.38</b>
<b>FINANCIAL INCOMES AND EXPENSES</b>		
Investment interest incomes	6 597 982.52	6 823 161.97
Financial expenses (bank expenses and bonds sales/purchases costs)	-1 116 643.44	-1 040 910.81
Realized capital gains on bonds	478 311.85	900 579.30
Realized capital losses on bonds	-1 615 309.79	-402 267.87
Realized currency exchange gains	1 964 395.19	663 105.53
Realized currency exchange losses	-556 753.17	-339 964.96
<b>Total Financial Incomes and Expenses</b>	<b>5 751 983.16</b>	<b>6 603 703.16</b>
<b>OTHER ITEMS</b>		
Interests income previous year	39 400.06	2 210 098.70
Extraordinary charges	-198 201.52	0.00
<b>Total Other items</b>	<b>-158 801.46</b>	<b>2 210 098.70</b>
<b>TAXES/PROVISION FOR TAXES</b>	<b>-24 216.00</b>	<b>-17 616.20</b>
<b>PROFIT FOR THE YEAR</b>	<b>3 341 644.14</b>	<b>13 392 962.04</b>

**INTERNATIONAL SKATING UNION, LAUSANNE**

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b><u>Swiss Francs</u></b>	<b><u>Swiss Francs</u></b>
<b>Profit for the year :</b>	3 341 644.14	13 392 962.04
Depreciation on tangible fixed assets	100 000.00	50 000.00
Non monetary adjustment on Juste-Olivier previous year investment	-	24 303.80
Current assets - decrease / (increase) :		
Short term deposit	-5 532 480.50	682 522.00
Other debtors	412 562.47	-403 249.83
Current account ISU Members & Officers	187 600.00	138 450.00
Prepaid expenses	1 414 019.82	8 427 223.20
Short term liabilities - increase / (decrease)		
Accounts payables	522 787.62	773 048.41
Accrued expenses	-120 407.46	-305 856.62
Deferred income	-9 038 259.00	-11 288 259.00
Other short-term liabilities	-1 057 089.25	-547 337.97
ISU C-Contributions	1 214 270.68	-81 182.38
<b>Cash flow from operating activities</b>	<b>-8 555 351.48</b>	<b>10 862 623.65</b>
Investments in Financial assets	9 771 040.85	-8 501 735.39
Other cash flows from investing activities	-	178 200.00
<b>Cash flow from investment activities</b>	<b>9 771 040.85</b>	<b>-8 323 535.39</b>
<b>NET CASH FLOW IN CASH AND CASH EQUIVALENT</b>	<b>1 215 689.37</b>	<b>2 539 088.26</b>
Cash and cash equivalents on January 1st	13 119 827.12	10 580 738.86
Cash and cash equivalents on December 31st	14 335 516.49	13 119 827.12
<b>NET CASH FLOW IN CASH AND CASH EQUIVALENT</b>	<b>1 215 689.37</b>	<b>2 539 088.26</b>



## INTERNATIONAL SKATING UNION, Lausanne

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

#### GENERAL

The International Skating Union (herein called the "ISU"), founded in 1892, is the exclusive international sport federation (IF) recognized by the International Olympic Committee (IOC) administering Figure Skating and Speed Skating Sports throughout the world. The ISU is composed of the individual national associations (herein called "ISU Members") which administer these Sports at the national level and which recognize that all international matters are under the sole jurisdiction and control of the ISU.

#### GENERAL ACCOUNTING PRINCIPLES

These financial statements were prepared according to the provisions of the Swiss Code of Obligations (CO 957-962). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Please note that all numbers are rounded. Some additions might have a difference for +/- 1.

#### ASSETS

The Assets are composed as follows:

	31.12.2016		31.12.2015	
	CHF	%	CHF	%
<u>Current Assets</u>				
Cash / bank	14'335'516	5	13'119'827	4
Short Term Deposit	8'129'209	3	2'596'728	1
Current Accounts ISU Members & Officers	1'141'850	0	1'329'450	0
Other debtors/Prepaid expenses/Rights fees to be cash/accrued interest	3'285'999	1	5'112'581	2
<u>Long Term Investments</u>				
Bonds	261'760'936	89	271'531'977	91
Properties	5'225'002	2	5'325'002	2
Total Assets	<u>293'878'511</u>	<u>100</u>	<u>299'015'565</u>	<u>100</u>

The balances of the bank current accounts in foreign currencies have been recorded at the exchange rates applied by the tax authorities as of December 31, 2016.

The Current Account ISU Members & Officers are mostly related to payments of ISU Championships contributions to ISU Members for Championships to be held in 2017.

The "other debtors/prepaid expenses/accrued interest" is composed of other debtors/prepaid expenses for 2017 (CHF 1'477'920). In addition, at year-end 2016 accrued interest income on bonds of CHF 1'808'078 (2015 CHF 2'164'801) is included therein.

The book value of the new ISU office property in Lausanne is amounting to CHF 5'225'000 after a second year depreciation of CHF 100'000 (2015 CHF 50'000). The cost of CHF 865'738 of the property transformation and improvements in 2015 have been fully expensed in 2015.

The former ISU offices in Davos as well as the library are presented, in the balance sheet, at the same value than the previous year, i.e. at CHF 1 each.

## INTERNATIONAL SKATING UNION, Lausanne

The exchange rates of the foreign currencies against the CHF were:

	31.12.2016	31.12.2015	variation %
USD	1.016350	1.001000	1.53
EUR	1.071995	1.087386	-1.42
GBP	1.255853	1.475374	-14.88

The interest rates of the bonds showed the following average changes during 2016:

	variation points	variation %
USD	-0.108	-3.94
EUR	-0.218	-11.31
GBP	-0.677	-26.10
CHF	-0.182	-13.74

### Financial Assets Portfolio:

The market value of the Financial Assets Portfolio (bonds and short term fiduciary deposits) has slightly decreased by CHF 2'641'385 during the year 2016. The breakdown by currency, at market value, is as follows:

	31.12.2016		31.12.2015	
	CHF	%	CHF	%
USD	212'716'252	77	211'243'019	76
GBP	2'368'539	1	3'491'620	1
EUR	43'890'304	16	49'193'821	18
CHF	<u>17'775'505</u>	6	<u>15'463'525</u>	6
Market value	276'750'600	100	279'391'985	100
Difference with book value	<u>-6'860'456</u>		<u>-5'263'280</u>	
Bonds/short term investment - book value balance sheet	<u><u>269'890'144</u></u>		<u><u>274'128'705</u></u>	
Short Term deposit	8'129'209		2'596'728	
Long Term bonds	<u>261'760'936</u>		<u>271'531'977</u>	
	<u><u>269'890'144</u></u>		<u><u>274'128'705</u></u>	

The bonds and short term deposits are accounted for and presented in the balance sheet at their acquisition value.

Taking into account this market value of the Financial Asset Portfolio compared to the lower book value, the reserve for currency exchange loss on bonds was left unchanged at CHF 8'000'000 representing about 3 % of the bond portfolio. The reserve for currency exchange loss on other financial positions remained unchanged at CHF 1'000'000.

### LIABILITIES

The accounts payables are formed by the current payable accounts with ISU Members and Officers, and others creditors which amount to CHF 1'395'836 as of December 31, 2016.

The accrued expenses as of December 31, 2016 amount to CHF 3'735'973. This amount is composed of expenses for which the invoices have not been received at year-end.

The deferred income has decreased from CHF 18'076'518 in 2015 to CHF 9'038'259 as of December 31, 2016. The incomes from the IOC relating to the Olympic Winter Games (OWG) are usually received by the ISU during the year of the OWG and the balance during the year following the OWG.

## INTERNATIONAL SKATING UNION, Lausanne

In line with a long standing practice, the OWG revenue is equally allocated throughout the years of the Olympic cycle. Consequently, the income emanating from the Sochi 2014 OWG is equally allocated over the years 2014, 2015, 2016 and 2017.

Other Short term liabilities concern pending VAT payment.

ISU C-Contributions: the provision as of December 31, 2016 for the contributions payable to ISU Members amounts to CHF 5'073'617. CHF 3'077'500 concerns contributions allocated to ISU Members during the year 2016 which are expected to be paid mostly in 2017. The balance refers to allocated contributions during the years 2012-2015 which have not been claimed by the concerned ISU Members and/or for which the concerned ISU Members have not yet provided the required reports. After 5 years, the ISU Members' right to claim pending contributions will expire.

### SPECIALS PROVISIONS / RESERVES

Legal Provision:

The provision for expenses related to legal cases as of December 31, 2016 amounts to CHF 7'000'000. This amount was deemed sufficient and remained unchanged compared to 2015.

Reserve for currency exchange loss on bonds & reserve for currency exchange loss on other financial positions:  
Please refer to the above section Financial Assets Portfolio.

### INCOME STATEMENT ANALYSIS

The Profit for the year 2016 amounts to CHF 3'341'644 which compared to the year 2015 (CHF 13'392'962) represents a decrease of the profit of CHF 10'051'318. In comparison to the 2016 Budget of CHF -1'442'000, the profit represents a positive variance of CHF 4'783'644. Nevertheless, the operating result before financial incomes and expenses, taxes and other items decreased from a profit of CHF 4'596'776 in 2015 to a loss of CHF -2'227'322 in 2016.

The main incomes (Television, Advertising and Olympic Winter Games) as well as certain expenditures (Contributions, Prize Money) are recorded at the currency exchange rates included in the budget which allows a systematic reconciliation between the respective actual incomes/expenditures with the budget. The resulting currency exchange adjustments are reported as separate line items.

The detailed **variances between the 2016 and 2015 Income Statements** are as follows (in Swiss Francs):

	<u>2016</u>	<u>2015</u>	<u>Difference</u>	<u>Comments/Explanations of differences between 2016 vs 2015</u>
<b><u>A. Incomes</u></b>				
Television ISU Events (net)	15'323'223	19'996'330	-4'673'107	No World Team Trophy income in 2016 lower EBU, CBC and Archive sales income but higher Fuji, Asahi, JSports, Icenetwork and various incomes
Advertising ISU Events (net)	6'629'840	5'619'030	1'010'810	Higher IMG advertising income (+ CHF 1 million) & various small differences (higher Short Track Advertising income, lower Speed Skating advertising Income – no WTT Presenting Sponsor income)
Adjustment currency exchange rates budget vs actual	2'352'713	1'941'875	410'838	
Olympic Winter Games	9'038'259	9'038'259	0	
Various Incomes	708'358	685'964	22'394	
<b>Total Income</b>	<b>34'052'393</b>	<b>37'281'458</b>	<b>-3'229'065</b>	

## INTERNATIONAL SKATING UNION, Lausanne

	<u>2016</u>	<u>2015</u>	<u>Difference</u>	<u>Comments/Explanations of differences between 2016 vs 2015</u>
<b><u>B. Expenditures</u></b>				
Contributions to ISU Ch'ships	10'464'849	10'393'489	71'360	Basically in line with 2015
Contributions to other ISU Events	3'474'691	3'323'119	151'572	Basically in line with 2015
Prize Money to ISU Events	4'487'150	4'450'320	36'830	Basically in line with 2015
Adjustment currency exchange rates budget vs actual	1'167'719	931'439	236'280	
<i>Total Contributions to ISU Events</i>	<i>19'594'409</i>	<i>19'098'368</i>	<i>496'042</i>	
Development projects	1'787'923	1'664'222	123'701	
Council projects	3'227'717	2'447'826	779'891	
Contribution to ISU Members	2'675'564	1'400'654	1'274'910	
<i>Total Development Program</i>	<i>7'691'204</i>	<i>5'512'702</i>	<i>2'178'502</i>	Higher expenses in 2016 thanks to increased budget
Operating Expenses incl. new Office	6'425'347	5'675'447	749'900	Higher expenses in 2016 due to Congress year + Office holders travel/meeting and expenses less decrease costs in new office
ISU Secretariat	2'568'754	2'398'165	170'589	Increased number of staff in 2016
<b><i>Total Operating Expenses</i></b>	<b><i>36'279'715</i></b>	<b><i>32'684'682</i></b>	<b><i>3'595'033</i></b>	
<i>Operating Result</i>	<i>-2'227'322</i>	<i>4'596'776</i>	<i>-6'824'098</i>	
<i>Financial Incomes/Expenses</i>				
Investment interest incomes	6'597'983	6'823'162	-225'179	Lower interest income due to lower interest rates
Financial expenses	-1'116'643	-1'040'911	-75'733	
Realized capital gains on bonds	478'312	900'579	-422'267	
Realized capital losses on bonds	-1'615'310	-402'268	-1'213'042	
Realized currency exchange gain	1'964'395	663'106	1'301'290	
Realized currency exchange loss	-556'753	-339'965	-216'788	
<b><i>Total Financial Incomes/Expenses</i></b>	<b><i>5'751'983</i></b>	<b><i>6'603'703</i></b>	<b><i>-851'720</i></b>	
<i>Other Items</i>				
Taxes/Provision Taxes	-24'216	-17'616	-6'600	
Previous year interests income	39'400	2'210'099	-2'170'699	Extraordinary Adjustment in 2015
Previous years, extraordinary charges	-198'202	0	-198'202	Social Security premium adjustment 2011-2015
<b><i>Total Other Items</i></b>	<b><i>-183'017</i></b>	<b><i>2'192'483</i></b>	<b><i>-2'375'500</i></b>	
<b><i>C. Profit for the year</i></b>	<b><i>3'341'644</i></b>	<b><i>13'392'962</i></b>	<b><i>-10'051'318</i></b>	

## INTERNATIONAL SKATING UNION, Lausanne

The detailed variances between the 2016 actual figures and Budget are as follows (in Swiss Francs):

	<u>2016</u>	<u>2016</u>	<u>Difference</u>	<u>Comments/Explanations of</u>
	<u>Final</u>	<u>Budget</u>	<u>Budget vs 2016</u>	<u>differences</u>
				<u>compared with Budget</u>
<b><u>A. Operating Incomes</u></b>				
Television ISU Events (net)	15'323'223	14'950'000	373'223	Basically in line with budget
Advertising ISU Events (net)	6'629'840	6'500'000	129'840	Basically in line with budget
Adjustment currency exchange rates budget vs actual	2'352'713	0	2'352'713	
Olympic Winter Games	9'038'259	9'038'000	259	
Various Incomes	708'358	100'000	608'358	Above Budget mainly due to the YOG Contribution for CHF 337'947 net not budgeted
<b>Total Operating Income</b>	<b>34'052'393</b>	<b>30'588'000</b>	<b>3'464'393</b>	
<b><u>B. Expenditures</u></b>				
Contributions to ISU Ch'ships	10'464'849	11'390'000	-925'151	Below Budget due to CHF 650'000 of Championships contribution over-budgeted and budgeted Council discretion not used
Contributions to other ISU Events	3'474'691	4'215'000	-740'309	Below Budget due to World Cup Speed Skating & World Cup Short Track over-budgeted (CHF 0.6 million) & plus other budgets and Council discretion not used
Prize Money to ISU Events	4'487'150	4'520'000	-32'850	Below Budget due to WCSS under-budgeted for CHF 176'000, and Council discretion not used
Adjustment currency exchange rates budget vs actual	1'167'719	0	1'167'719	Currency exchange rate - not budgeted
<b>Total Contributions to ISU Events</b>	<b>19'594'409</b>	<b>20'125'000</b>	<b>-530'591</b>	
Development projects	1'787'923	2'000'000	-212'077	Over-budgeted
Council projects	3'227'717	3'000'000	227'717	Under-budgeted
Contribution to ISU Members	2'675'564	3'000'000	-324'436	Lower than budgeted due to not claimed contributions that expired after 5 years
<b>Total Development Program</b>	<b>7'691'204</b>	<b>8'000'000</b>	<b>-308'796</b>	
General Operating Expenditures	6'425'347	6'320'000	105'347	Non-significant budget overdraft
ISU Secretariat	2'568'754	2'650'000	-81'246	Over-budgeted
<b>Total Operating Expenses</b>	<b>36'279'715</b>	<b>37'095'000</b>	<b>-815'285</b>	
<b>Operating Result</b>	<b>-2'227'322</b>	<b>-6'507'000</b>	<b>4'279'678</b>	
<b><u>Financial Incomes/Expenses</u></b>				
Investment interest incomes	6'597'983	6'075'000	522'983	Above Budget due to conservative budgeting approach
Financial expenses	-1'116'643	-1'000'000	-116'643	Slightly under budgeted
Realized capital gains on bonds	478'312	0	478'312	Not budgeted
Realized capital losses on bonds	-1'615'310	0	-1'615'310	Not budgeted
Realized currency exchange gain	1'964'395	0	1'964'395	Not budgeted
Realized currency exchange loss	-556'753	0	-556'753	Not budgeted
<b>Total Financial Incomes/Expenses</b>	<b>5'751'983</b>	<b>5'075'000</b>	<b>676'983</b>	

## INTERNATIONAL SKATING UNION, Lausanne

	<u>2016</u>	<u>2016</u>	<u>Difference</u>	<u>Comments/Explanations of</u>
	<u>Final</u>	<u>Budget</u>	<u>Budget vs 2016</u>	<u>differences</u>
				<u>compared with Budget</u>
Other Items :				
Taxes/Provision Taxes	-24'216	-10'000	-14'216	Davos taxes under-budgeted
Extraordinary Incomes	39'400	0	39'400	Extraordinary incomes concerning previous years - not budgeted
Extraordinary Charges	-198'202	0	-198'202	Extraordinary Charges mainly Social Security Premium adjustments 2011-2015
<b>Total Other Items</b>	<b>-183'017</b>	<b>-10'000</b>	<b>-173'017</b>	
<b>C. Profit for the year</b>	<b>3'341'644</b>	<b>-1'442'000</b>	<b>4'783'644</b>	

### Development Program

	<u>2016</u>
Payments made and promised for Development Projects:	CHF 1'644'231
Administration / Development Commission Office Expenses:	CHF 143'692
Total Development Projects	CHF 1'787'923
Council Projects including Junior Grand Prix of Figure Skating, Junior World Cup Speed Skating, Inzell Speed Skating Academy & Development Trophy	CHF 3'227'717
ISU C-Contributions:	
Release of expired Contributions 2011/suspended ISU Members	CHF - 401'936
Contributions attributed in 2016	CHF 3'077'500
Total ISU Contributions	CHF 2'675'564
<b>Total amount expended for the Development Program during 2016</b>	<b>CHF 7'691'204</b>

To be noted that since October 2016 a Development Administrator/Internal Controller monitors the financial aspect of the Development Program. Also, if necessary, the Council mandates external audits of Development Program Projects.

### FINANCIAL INCOMES AND EXPENSES

In accordance with the latest Swiss accounting standards, financial incomes and expenses must be reported separately from the operating income and expenses.

The interest income during 2016 declined due to the continued low interest rate market conditions.

The increase in realized capital loss on bonds mainly driven by unfavorable market conditions is partly offset by higher realized currency exchange gains on bonds in 2016, mainly due to an appreciation of the US Dollar versus the Swiss Franc.

### OTHER ITEMS

The tax authorities have granted the Union a tax exemption regarding its income and capital taxes on a cantonal, communal and federal level. The only taxes applicable to the ISU relate to its real estate properties in Davos.

At December 31, 2016, the ISU has cashed a total amount of CHF 39'400. Those amounts concern incomes regarding previous years 2014/15 that could not have been anticipated before.

Following an audit by the Swiss Social Security Insurance (AVS), an additional premium payment was due for the years 2011 to 2015 for an amount of CHF 196'167.

## **INTERNATIONAL SKATING UNION, Lausanne**

### **OTHER INFORMATION**

#### **ISU Office Employees**

During 2016, the ISU Secretariat employed an average of 11 full time employees and 6 part-time employees (Full-time equivalent of 14.7).

#### **External Audit**

ISU accrued CHF 36'200 for the fees of BDO SA related to the audit of the financial statements 2016. Other audit services and audit related fees were charged during the year 2016 by BDO SA for a total amount of CHF 29'236, as well as other non-audit services for CHF 32'543.

#### **Significant events after the balance sheet date**

There are no significant events after the balance sheet date which could impact the book value of the assets or liabilities at year-end 2016 or which should be disclosed here.



## ANNUAL REPORT 2016

### **ISU Workforce**

During 2016, the ISU Secretariat employed an average of 11 full time employees and 6 part time employees (between 40% and 80%). In addition the ISU contracted freelance personnel in the area of Event Coordination, sports technical monitoring and media coverage as follows:

- 1 person as Sports Manager Figure Skating (full time until June 10, 2016)
- 2 persons as Sports Directors Figure Skating (1 full time – 1 part time)
- 1 person as Event Coordinator Figure Skating (full time until June 10, 2016)
- 2 persons as Event Coordinators Figure Skating (part time as of June 11, 2016)
- 1 person as Event Coordinator Short Track and Sports Director Speed Skating (part time)
- 1 person as Event Coordinator Speed Skating (part time)
- 1 person for media services at ISU Figure Skating Events (part time).

The ISU furthermore relies on volunteer based elected and/or appointed Office Holders serving in the ISU Council (13), ISU Technical Committees (30), ISU Appeals Commission (5), Legal Advisors (2), Treasurer (1), Medical Commission (8), Development Commission (1-3).

The 2016 ISU Congress also approved the creation of an Athletes Commission which will start its activity during 2017.

### **Commercial/economic situation and prospects**

As an Olympic Winter Sport Federation, the ISU continues to benefit from world-wide media coverage of its ISU Events and the related revenues emanating from TV rights agreements and sponsorship agreements. In the area of TV rights agreements, the revenues and concluded commercial agreements showed an overall stable situation but with regional diverging developments. While in Europe it becomes increasingly difficult to secure the previous TV rights incomes (especially in France and Russia), the developments in Asia (especially in Japan and China) are positive. The conclusion of sponsorship agreements on the contrary is becoming increasingly difficult with an economic slowdown in many areas in the world as well as an increasingly competitive market place being the main reasons. In this context, the ISU for the time being was unable to replace the previous long standing Speed Skating Title Sponsor with a similarly lucrative agreement.

Thanks to its long standing conservative investment policy, the ISU has achieved to secure substantial reserves in the form of high rated bonds (see the Balance Sheet) that ensure a substantial annual interest income independent from commercial partners' interest.

Because the ISU sport disciplines are an important factor for the success of the Olympic Winter Games, the ISU can also continue to count on significant revenues emanating from the IOC as outlined in the Income Statement.





## **Risk Evaluation**

The main risk factors the ISU is facing can be summarized as follows:

In the commercial area, the ISU is stepping up its marketing and public relation efforts through a variety of channels with a focus on digital media opportunities and Asian markets. Nevertheless, the potentially contracting sponsorship income and locally certain reduced TV rights incomes, constitute a risk for decreasing ISU incomes in the coming years.

At the time of preparing the Annual Report 2016, no indication relating to the income emanating from the IOC and the 2018 Olympic Winter Games has been received. It must be acknowledged that for many editions of the Olympic Winter Games, the revenues in favor of the International Winter Sports Federations, including the ISU, have continuously increased. However, between the Vancouver 2010 and Sochi 2014 Olympic Winter Games, there has been for the first time a reduction of over CHF 6 million of the ISU's share in such revenues. Any continued reduction of such income compared to the Sochi Games would have a negative impact on the ISU Budget to be presented to the 2018 ISU Congress.

In regard to the implementation and protection of its commercial agreements, the ISU successfully managed a critical transition phase during the season 2016/17 whereas the experienced Figure Skating Event Coordination Team had been replaced by two new young Event Coordinators. This team is supported by Regional Event Coordinator Assistants (RECAs). Mindful of the importance of professionally conducted Events at a high level as the necessary basis for continued support by the ISU's commercial partners, the ISU continues to reinforce the pool of Event Coordinators and RECAs in order to ensure the necessary quality.

In the area of good governance, a variety of negative news related to renowned international sport organizations has shed a negative light on the international sports organizations in general. Without implementing reforms in favor of good governance principles, sustainability and transparency, the ISU's reputation is at risk which ultimately would have detrimental consequences on the ISU's ability to secure commercial agreements and maintain its current activity. The ISU Council, through the appointment of a Working Group, has and will continue to closely monitor this aspect and take the necessary measures if and when appropriate.

## **Research and Development Activities**

The ISU maintains a high profile Development Program and during the second half of 2016 has taken critical steps to enhance the efficiency, transparency and accountability of this program. The 2016 ISU Congress decided to an increased funding of the program to CHF 8 million per year compared to previously CHF 6.2 million per year. The ISU will continue to closely monitor the program's effectiveness by applying adjustments if and when appropriate.

In the area of the development of its sports, the ISU is mindful of the need to attract new audiences and a younger fan base, is pursuing developments of new disciplines and competition formats, with the latest achievement being the inclusion of Speed Skating Mass Start races into the Olympic Program.



# INTERNATIONAL SKATING UNION

The ISU has also gradually increased its efforts and budget in the critical area of Public Relations and Marketing with a focus on digital markets and social media.

## **Exceptional events**

The ISU is facing two ongoing, complicated and costly litigations, namely the Pechstein doping case and the European Union Commission investigation into the ISU eligibility rules. The final outcome of both cases will have an impact not only on the ISU but on the whole Olympic Movement.

While for the financial risk there is a substantial insurance coverage through the ISU's liability insurance, negative outcomes in both cases would negatively impact the governance of International Sport Federations with detrimental financial consequences.

The ISU Legal Advisors in cooperation with outside legal counsel and the Director General is monitoring both cases very closely. For the EU Commission investigation the ISU is also consulting with the IOC and other International Federations.

In addition, both cases result in a substantial workload for the concerned ISU Office Holders and wipe out precious energy for positive projects.

## **Outlook**

In the short and medium term of 3-5 years, the incomes are expected to basically remain stable compared to the 2016 level with the Olympic revenue constituting an important question mark. In the long term there are too many unknown factors in the economic but also sports governance area, meaning no reasonable forecast can be made.

Lausanne, April 28, 2017

ISU Council