

2022 FINANCIAL REPORT

- Report of the statutory auditor on the financial statements for the year 2022
- ISU Annual report 2022 (unaudited)



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To the Congress of

International Skating Union

Lausanne

Report on the Audit of the Financial Statements 2022

(for the period from 01.01 to 31.12.2022)

June 2, 2023

STATUTORY AUDITOR'S REPORT

To the Congress of International Skating Union, Lausanne

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of International Skating Union (the Association), which comprise the statement of financial position as at December 31, 2022, and the income statement and the cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements comply with Swiss law and the Association's Constitution and General Regulations.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Association in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Council is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Council for the Financial Statements

The Council is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Association's Constitution and General Regulations, and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report-for-ordinary-audits>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 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, June 2, 2023

BDO Ltd

Jürg Gehring
Licensed Audit Expert
Auditor in Charge

Grégoire Weber
Licensed Audit Expert

Enclosures:
Financial statements

INTERNATIONAL SKATING UNION, LAUSANNE**BALANCE SHEET AS OF DECEMBER 31, 2022**

<u>ASSETS</u>	2022	2021
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
<u>Current Assets</u>		
Cash & Cash Equivalents	9'989'790	17'345'133
Post / Bank - current accounts	-	-
Short Term Deposit	152'798	60'136
Other Debtors	10'654	8'351
Current Accounts ISU Members & Officers	1'479'689	1'707'436
Prepaid expenses/rights fees to be cashed/accrued interest	4'107'575	4'450'064
Total Current Assets	<u>15'740'506</u>	<u>23'571'120</u>
<u>Non-Current Assets</u>		
<u>Financial Assets</u>		
Financial Assets Portfolio	265'198'067	261'905'032
Total Financial Assets	<u>265'198'067</u>	<u>261'905'032</u>
<u>Property and Equipment</u>		
ISU Offices House Schöneck, Davos	-	1
ISU Library	1	1
ISU Villa Olivier, Lausanne	4'625'000	4'725'000
Total Property and Equipment	<u>4'625'001</u>	<u>4'725'002</u>
Total Non-Current Assets	<u>269'823'068</u>	<u>266'630'034</u>
TOTAL ASSETS	285'563'574	290'201'154
<u>LIABILITIES & EQUITY</u>		
<u>Short Term Liabilities</u>		
Accounts payables	1'768'345	2'402'813
Accrued expenses	2'793'699	6'266'496
Deferred income	18'370'972	2'034'882
Other short term liabilities	2'290'483	355'280
ISU C-Contributions Accrued Liabilities	4'248'283	3'980'663
Total Short Term Liabilities	<u>29'471'781</u>	<u>15'040'135</u>
<u>Long Term Liabilities</u>		
<u>Provisions and reserves</u>		
Reserve for legal risks	7'000'000	7'000'000
Reserve for currency exchange loss on bonds	4'000'000	4'000'000
Reserve for currency exchange loss on other financial positions	1'000'000	1'000'000
Reserve for Crisis Situations	2'500'000	2'500'000
Total Long Term Liabilities	<u>14'500'000</u>	<u>14'500'000</u>
<u>Equity</u>		
Voluntary retained earnings	260'661'019	260'907'636
Loss for the year	(19'069'226)	(246'617)
Total Equity	<u>241'591'793</u>	<u>260'661'019</u>
TOTAL LIABILITIES & EQUITY	285'563'574	290'201'154

INTERNATIONAL SKATING UNION, LAUSANNE**INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2022**

	2022	2021
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
<u>A. OPERATING INCOMES</u>		
Televisions ISU Events (net)	19'135'122	15'062'448
Advertising ISU Events (net)	6'144'246	1'157'331
Various Incomes	374'993	497'418
Youth Olympic Games (YOG) Revenue	6'035	-
Total Incomes/Revenues (except OWG)	<u>25'660'396</u>	<u>16'717'197</u>
Olympic Winter Games (OWG) Revenue cashed	9'863'290	11'058'135
OWG Revenue allocation for the year	<u>9'863'290</u>	<u>11'058'135</u>
TOTAL OPERATING INCOMES	<u>35'523'686</u>	<u>27'775'331</u>
<u>B. OPERATING EXPENSES</u>		
1. Contribution for ISU Events & various other events including Prize Money		
Contributions to ISU Championships	9'928'760	5'715'409
Contributions to other ISU and various Events	2'844'097	3'912'822
Total ISU Contributions	<u>12'772'857</u>	<u>9'628'231</u>
Prize Money ISU Championships	2'137'774	1'192'161
Prize Money other ISU & Various Events	2'138'190	1'912'800
Total Prize Money (Championships & other ISU & Various Events)	<u>4'275'964</u>	<u>3'104'961</u>
Total Contributions incl. Prize Money	<u>17'048'821</u>	<u>12'733'192</u>
2. ISU Development Program		
a) Development Program Projects	1'148'358	1'064'898
Administration / Development Commission Office Expenses / Audit	147'327	163'172
Total Development Program Projects	<u>1'295'686</u>	<u>1'228'070</u>
b) Council projects	<u>3'369'256</u>	<u>2'493'600</u>
c) C-Contributions to ISU Members 2022	2'985'341	2'913'750
c) Extraordinary C-Contributions to ISU Members	-	1'862'919
Release expired C-Contributions / suspended Members	(9'834)	(121'690)
Total C-Contributions to ISU Members	<u>2'975'507</u>	<u>4'654'979</u>
Total ISU Development Program	<u>7'640'449</u>	<u>8'376'649</u>
Total Contributions to ISU Events & Development Program	<u>24'689'270</u>	<u>21'109'842</u>
3. Other Operating Expenses		
Conference/Congress expenses	1'014'692	6'340
Committee meetings	235'664	32'853
Council and other meetings	335'426	89'867
Office Holders Remuneration/secretarial allowances	847'338	870'986
Office Holders Travel/Meeting/OWG/Office&Various Expenses	1'365'702	932'376
Event Coordinators and external Consultants remuneration	183'871	196'150
Printed Matters	25'827	44'789
General Doping Control	639'270	715'412
Legal Services	210'084	129'412
Insurance Services	606'316	465'349
Education Material	3'921	-
IT/AI Projects (Judging System/Software/Databases)	568'765	343'671
Courses/Seminars/Examinations	436'568	96'936
Media/PR/Statistics/Website	1'560'989	1'223'038
Other expenses	49'595	57'982
Total ISU Other Operating Expenses	<u>8'084'029</u>	<u>5'205'162</u>

INTERNATIONAL SKATING UNION, LAUSANNE**INCOME STATEMENT JANUARY 1 - DECEMBER 31, 2022**

	2022	2021
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
ISU Office building Lausanne		
Office transformation and improvements	959	-
Depreciation	100'000	100'000
Condominium Expenses	63'301	62'511
Total ISU Office building Lausanne	<u>164'260</u>	<u>162'511</u>
ISU Secretariat Expenses		
Salaries & Benefits	4'312'863	3'647'621
General Costs (Electricity, cleaning, recruitment, subscriptions, various)	112'620	129'622
Office Material & furniture	9'711	40'641
IT equipment / services	56'227	53'865
Postage, Fax, Telephone	17'882	21'679
Office Insurance	3'972	2'325
Storage Rent Lausanne	3'000	3'000
Total ISU Secretariat Expenses	<u>4'516'275</u>	<u>3'898'754</u>
TOTAL OPERATING EXPENSES	<u>37'453'833</u>	<u>30'376'268</u>
<u>C. OPERATING RESULT</u>	<u>(1'930'147)</u>	<u>(2'600'936)</u>
<u>D. FINANCIAL INCOMES AND EXPENSES</u>		
Investment interest incomes	5'379'988	5'575'534
Financial expenses (bank expenses and bonds sales/purchases costs)	(1'018'031)	(950'616)
Realized capital gains on bonds	433'393	1'978'698
Realized capital losses on bonds	(1'761'341)	(694'373)
Realized currency exchange gains	1'234'139	672'306
Realized currency exchange losses	(943'521)	(5'461'038)
Unrealized losses on Bonds	(21'557'584)	(989'438)
Unrealized gains on Bonds	-	2'259'345
TOTAL FINANCIAL INCOMES AND EXPENSES	<u>(18'232'957)</u>	<u>2'390'418</u>
<u>E. OTHER ITEMS</u>		
Release of / (allocation to) currency exchange loss on bonds reserve	-	-
Release of / (allocation to) reserve for crisis situation	-	-
Extraordinary results	1'309'178	(12'775)
Taxes/provision for taxes	(215'300)	(23'325)
TOTAL OTHER ITEMS	<u>1'093'878</u>	<u>(36'100)</u>
<u>F. (LOSS) / PROFIT FOR THE YEAR</u>	<u>(19'069'226)</u>	<u>(246'617)</u>

INTERNATIONAL SKATING UNION, LAUSANNE**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022**

	2022	2021
	<u>Swiss Francs</u>	<u>Swiss Francs</u>
(Loss) / Profit for the year :	(19'069'226)	(246'617)
Depreciation on tangible fixed assets	100'000	100'000
(Release of) / Allocation to currency exchange loss on bonds reserve	-	-
(Release of) / Allocation to reserve for crisis situations	-	-
Unrealized (gains)/losses on financial assets	21'557'584	(1'269'907)
Deferred income	16'336'091	(11'058'135)
Current assets - decrease / (increase) :		
Short term deposit	(92'662)	15'884
Other debtors	(2'304)	681
Current account ISU Members & Officers	227'747	246'345
Prepaid expenses	342'489	1'553'021
Short term liabilities - increase / (decrease)		
Accounts payables	(634'469)	1'672'524
Accrued expenses	(3'472'797)	2'925'431
Other short-term liabilities	1'935'203	299'596
ISU C-Contributions	267'620	114'934
Net cash (used in) / generated from operating activities	<u>17'495'275</u>	<u>(5'646'243)</u>
Net Disposal / (Acquisitions) of financial assets	(24'850'618)	10'412'420
Net cash generated from / (used in) investing activities	<u>(24'850'618)</u>	<u>10'412'420</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7'355'343)</u>	<u>4'766'177</u>
Cash and cash equivalents on January 1st	17'345'133	12'578'956
Cash and cash equivalents on December 31st	9'989'790	17'345'133
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7'355'343)</u>	<u>4'766'177</u>

INTERNATIONAL SKATING UNION, Lausanne

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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. Therefore, some totals may show a difference of +/- 1.

ASSETS

The Assets are composed as follows:

	31.12.2022		31.12.2021	
	CHF	%	CHF	%
<u>Current Assets</u>				
Cash & cash equivalents	9'989'790	3.5	17'345'133	6.0
Short Term Deposit	152'798	0.1	60'136	0
Current Accounts ISU Members & Officers	1'479'689	0.5	1'707'436	0.6
Other debtors/Prepaid expenses/Rights fees to be cashed/accrued interest	4'118'229	1.4	4'458'415	1.5
<u>Non-Current Assets</u>				
Long Term financial assets	265'198'067	92.9	261'905'032	90.2
Properties and equipment	4'625'001	1.6	4'725'002	1.6
Total Assets	285'563'574	100	290'201'154	100

The bank accounts in foreign currencies have been converted at the closing currency exchange rates issued by the Swiss tax authorities as of December 31, 2022, and 2021 respectively.

The Current Accounts ISU Members and Officers are mostly related to ISU payments of ISU Championships contributions to ISU Members for ISU Championships to be held in 2023.

The "other debtors/prepaid expenses/rights fees to be cashed/accrued interest" amounting to CHF 4'118'229 (in comparison, in 2021 total CHF 4'458'415) are composed of the interest income on bonds accrued at year-end CHF 1'541'009 (2021: CHF 1'400'247), pending TV rights incomes related to 2022 to be cashed in 2023 (CHF 1'950'713), as well as various prepaid expenses (CHF 626'507).

The net book value of the ISU office property in Lausanne amounts to CHF 4'625'000 after a seventh-year depreciation of CHF 100'000 (2021: CHF 100'000).

The former ISU offices in Davos were sold during the 2022 exercise, which is reported as extraordinary income in the 2022 profit and loss statement. The ISU library remains presented in the balance sheet at the same value as the previous year, i.e., at CHF 1.

INTERNATIONAL SKATING UNION, Lausanne

The **exchange rates** of the foreign currencies against the CHF (based on those of the tax authorities) were:

	31.12.2022	31.12.2021	Variation %	2022 Average exchange rates	2021 Average exchange rates	Variation %
USD	0.92523	0.91114	+1.55%	0.95497	0.91431	+4.45%
EUR	0.98745	1.03615	-4.70%	1.00482	1.08101	-7.05%
GBP	1.11293	1.23410	-9.82%	1.17911	1.25747	-6.23%

The average interest rates, and the rates of the bonds showed the following average changes during 2022:

	Average interest rates		2022	
	2022	2021	Variation points	Variation %
USD	2.07%	2.25%	USD -0.172	-7.7
EUR	1.38%	1.23%	EUR 0.152	+12.4
GBP	1.43%	1.28%	GBP 0.158	+12.4
CHF	0.44%	0.46%	CHF -0.022	-4.9

FINANCIAL ASSETS PORTFOLIO

The Financial Assets Portfolio (bonds and short-term fiduciary deposits) has increased by CHF 3'385'697 during the year, partly thanks to the IOC income relating to the 2022 Beijing Olympic Winter Games (OWG) which was cashed during 2022 (CHF 26.2 million). On the other hand, the surge of inflation during 2022 and related higher interest rates but corresponding lower bond prices, resulted in unrealized and temporary book losses on bonds of CHF 21.6 million (see more detailed explanations under financial incomes and expenditures below).

The breakdown by currency, at market value, is as follows:

	31.12.2022		31.12.2021	
	CHF	%	CHF	%
USD	202'270'721	76	198'841'113	76
EUR	42'300'064	16	41'464'437	16
CHF	18'534'185	7	18'006'268	7
GBP	2'245'895	1	3'653'350	1
Market value	265'350'865	100	261'965'168	100
Short Term deposit	152'798		60'136	
Long Term financial assets	265'198'067		261'905'032	
Book value	265'350'865		261'965'168	

The bonds and short-term deposits are accounted for and presented in the balance sheet at their market value and without accrued future interest income in line with Swiss legal requirements and accounting standards.

The long-term financial assets portfolio also includes CHF 29.4 million of short-term deposits with maturity dates within a year that are subject to re-investment but are nevertheless presented in the non-current assets.

INTERNATIONAL SKATING UNION, Lausanne

LIABILITIES

The accounts payable correspond to current payable accounts with ISU Members and Officers, and other creditors which amount to CHF 1'768'345 as of December 31, 2022 (2021: CHF 2'402'813).

The accrued expenses as of December 31, 2022, amount to CHF 2'793'699 (2021: CHF 6'266'496). CHF 1'105'098 of this amount concerns a provision for current development project's initiatives granted by the Council to ISU Members and the remaining balance concerns unpaid 2022 expenses at year-end.

The deferred income of CHF 18'370'972 cashed as of 2022 year end relates mainly to the 2022 Beijing Olympic Winter Games revenue and the long-standing practice of allocating this income throughout the four years of the Olympic cycle from 2022 to 2025, and for a smaller portion, to commercial right fees agreements in relation to the ongoing 2022/2023 skating season. Other short-term liabilities amounting to CHF 2'290'483 concern pending VAT (2021: CHF 355'280).

The ISU Development Program C-Contributions provision as of December 31, 2022, payable to ISU Members, amounts to CHF 4'248'283 (2021: CHF 3'980'663). CHF 3'185'340 concern contributions allocated during the year 2022 but paid during the first quarter of 2023. The balance refers to allocated contributions during the years 2018-2021 which have not been claimed by the related ISU Members and/or for which the ISU Members have not yet provided the required reports.

SPECIAL PROVISIONS / RESERVES

The provision for expenses related to legal cases as of December 31, 2022, amounts to CHF 7'000'000. This amount was deemed necessary and sufficient and remains unchanged compared to 2021.

Considering the substantial total amount of the Financial Asset Portfolio, the reserve for currency exchange loss on bonds was left unchanged at CHF 4'000'000, representing about 1.51 % of the bond portfolio. The reserve for currency exchange loss on other financial positions remained unchanged at CHF 1'000'000.

The reserve for crisis situations of CHF 2'500'000 is maintained at its current level justified by, in particular but not limited to, the potential detrimental consequences emanating from the War in Ukraine and in particular related reduced sponsorship and media rights income from Russia.

INCOME STATEMENT ANALYSIS

Comparison 2022 versus 2021

The loss for the year 2022 amounts to CHF -19'069'226 which, compared to the year 2021 (loss of CHF -246'617) represents an increased loss of CHF 18'822'609.

The Operating Result, i.e., an operating loss of CHF 1'930'147, compares with a 2021 operating loss of CHF 2'600'936, hence an improvement of CHF 670'789 which is explained in more detail as follows:

+ CHF 7.7 million higher operating income in 2022 than in 2021. The main reason being the fact that in 2021, 13 ISU Events were cancelled due to the pandemic. This resulted in a substantial reduction of the 2021 media rights and advertising rights incomes of CHF 8.9 million. On the other hand, the IOC income for the Beijing 2022 Olympic Winter Games that were negatively affected by the Covid-19 pandemic, was lower than the 2018 PyeongChang Games. The reduction, equally spread over 4 years, accounts for an annual reduction of CHF 1.2 million.

- CHF 4.3 million higher ISU contributions and prize money paid by the ISU to the organizing ISU Members in 2022, namely CHF 12.7 million in 2021 versus CHF 17.0 million in 2022. This difference emanates mostly from the above-mentioned cancellations of 13 ISU Events in 2021.

+ CHF 0.7 million marginally lower Development Program expenditures in 2022 than in 2021.

INTERNATIONAL SKATING UNION, Lausanne

- CHF 2.8 million higher "Other Operating Expenses" partly due to the 2022 Congress finally held in Phuket after two consecutive years of postponement. In addition, in 2022 the Covid 19 related travel restrictions were gradually lifted in many countries and the ISU travel, meeting and seminars/courses activity picked up again resulting in higher expenses than in 2021.

- CHF 0.6 million higher ISU Secretariat expenses in 2022 compared to 2021 due to an increase in staff and the revision of employees' pension plan program.

The financial incomes and expenses account for CHF 20.6 million of the above-mentioned negative variance actuals 2022 vs 2021. The main reason for this substantial loss and corresponding variance with 2021 is the unrealized and temporary book loss on bonds as explained below in detail under "Financial Incomes and Expenses".

+ CHF 1.1 million extraordinary profit thanks to the sale of the former ISU offices in Davos in the course of 2022.

Comparison 2022 actuals versus 2022 budget (Budget as approved by ISU Members during the Phuket June 2022 Congress)

The loss for the year 2022 amounts to CHF -19'069'226 which, compared to the 2022 budget (loss of CHF 4'950'416) represents a negative variance actual versus budget of CHF 14'118'810.

The operating result of the year shows a loss of CHF 1'930'147 versus a budgeted loss of CHF 9'065'416 hence a positive variance actual vs budget of CHF 7'135'269. This variance is composed of

+ CHF 1.7 million higher TV rights, advertising rights and various income than budgeted.

+ CHF 0.9 million higher Olympic Winter Games income than budgeted.

+ CHF 1.6 million lower ISU Events and Championships contributions and prize money paid by the ISU to the organizing ISU Members than budgeted. Such underspending emanates from the fact that several provisions made in 2021 for a negative impact due to the pandemic were too high and therefore resulted in a positive correction in 2022.

+ CHF 1.1 million lower Development Program expenditures than budgeted. Please refer to the detailed explanations below under "Development Program".

+ CHF 1.5 million lower "Other Operating Expenses" mostly explained by the ISU activities remaining on a low level for most of the year due to the lingering pandemic during most of 2022.

+ CHF 0.3 million lower ISU Office building and Secretariat expenses than budgeted.

The actual 2022 financial incomes and expenses show a negative variance of CHF 22.3 million compared to the budget mainly due to book losses in the bond portfolio. The main share of those losses on bonds are unrealized and provisory book losses. Please refer to the comments under "Financial Incomes and Expenses" below.

Other Items (incomes) show a positive variance of CHF 1.1 million compared to the budget basically emanating from the not budgeted income thanks to the sale of the former ISU offices in Davos.

INTERNATIONAL SKATING UNION, Lausanne

Development Program

	<u>2022</u>
Payments made and promised for Development Projects:	CHF 1'148'358
Administration / Development Commission Office Expenses / Audit:	<u>CHF 147'327</u>
Total Development Projects	CHF 1'295'686
Council Projects including the ISU Junior World Cup Speed Skating, ISU Junior Grand Prix of Figure Skating, Junior Short Track Challenge competitions, eLearning initiatives, Centers of Excellence projects Worldwide seminars and additional support to Ukrainian Skaters	
Total Council Projects	CHF 3'369'256
ISU C-Contributions to ISU Members:	
Release of expired contributions 2017/suspended ISU Members	CHF -113'894
Currency exchange rates (gain)/loss on 2017-2021 contributions' provision	CHF 104'060
Contributions attributed in 2022	<u>CHF 2'985'341</u>
Total ISU Contributions	CHF 2'975'507
Total amount expensed for the Development Program during 2022	CHF 7'640'449

Compared to the 2022 Development Program budget, this represents an unused budget amount of CHF 1.1 million. In comparison to 2021, the financial support for accepted ISU Member Project applications remained stable in 2022, though there was certainly a lingering post-Covid effect, particularly outside Europe, with numbers of applications from Asia, North and South America and the rest of the world remaining very low. Regarding 2022 Council projects, four Worldwide Seminars were held, as opposed to only one in 2021. In addition, the Council approved extraordinary support for Ukrainian Skaters displaced by the war and living and training in countries outside Ukraine. The ISU continued to expand the eLearning platform and develop the ISU Centers of Excellence (CoE). The C-Contributions to ISU Members returned to their previous level after two years with exceptional contributions approved by the Council as additional support during the pandemic.

Since October 2016, a Development Program Director monitors the financial aspects of the Development Program, which are also reviewed by the Internal Controller. Furthermore, if necessary, the Council may mandate external audits of Development Program Projects.

FINANCIAL INCOMES AND EXPENSES

In accordance with the Swiss accounting standards, financial incomes and expenses are reported separately from the operating incomes and expenses.

The financial incomes and expenses resulted in a loss of CHF 18'232'957 for 2022 compared with a profit of CHF 2'390'418 for 2021 and compared with a 2022 budgeted profit of CHF 4'140'000.

The main development of the financial markets during 2022 was surging inflation and corresponding increasing interest rates on the one hand, but a weak bond market on the other hand. These declining bond rates also had a substantial impact on the overall value of the ISU bond portfolio. Since Swiss accounting regulations require that the financial statements show the situation based on the bond market prices as of December 31, 2022, this conservative valuation of the ISU bond portfolio at year end market prices and without allowing to accrue future interest income, resulted in a loss on bonds amounting to CHF 22.9 million. CHF 1.3 million of such loss represent realized losses due the swapping of very few bond positions with critical ratings (S&P-Moody's bond ratings dropping below the "investment grade" benchmark) against better rated and safer bonds. To note however that the main share or CHF 21.6 million of this 2022 loss on bonds remains an unrealized and temporary book loss since the ISU can hold the bonds to maturity and will recover the face value of the bonds and therefore avoid such loss. Furthermore, by gradually renewing its bond portfolio, the ISU will benefit from the higher interest rates. This is a gradual, time-delayed process showing a first positive impact in the form of higher investment interest income as of 2023. Based on this unrealized and temporary book loss situation, the ISU decided that no special reserve is necessary.

INTERNATIONAL SKATING UNION, Lausanne

The interest income from the bond portfolio amounted to CHF 5.4 million and decreased by CHF 0.2 million compared to 2021. The safekeeping and mandate fees charged by the banks amounting to CHF 1 million slightly increased by CHF 0.060 million compared to 2021 respectively to a similar percentage of the portfolio value.

The basically stable currency exchange rates between 2021 and 2022 resulted in a small currency exchange rate book profit in 2022 of CHF 0.3 million.

OTHER ITEMS

The tax authorities have granted the ISU 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, sold in the course of 2022 for which additional taxes were accrued in relation to the transaction.

On December 31, 2022, the ISU has additionally paid a total amount of CHF 8'559 concerning charges relating to previous years that could not have been previously anticipated.

OTHER INFORMATION

ISU Secretariat Staffing

During 2022, the ISU Secretariat employed an average of 19 full-time employees, and 6 part-time employees (full-time equivalent of 23.225 vs 21.75 in 2021), which is the consequence of the creation and hiring of one new full-time position and an increase of five current part-time positions during the year. The "Salaries & Benefits" amount included in the Income Statement includes a provision for accrued overtime and holidays amounting to CHF 36'426. The provision recorded in the balance sheet is CHF 439'941 (2021: CHF 403'516).

ISU Event Managers and Consultants

Since the 2019/20 season, one Figure Skating Event Manager and two Assistant Figure Skating Event Managers were contracted. The ISU also has a consultancy agreement with a Figure Skating specialist who works on specific tasks assigned to him on a case-by-case basis. On the Speed Skating side, the ISU continues to contract one Short Track Speed Skating Event Director (also acting as Sports Director Speed Skating) who since the 2022/23 season is assisted by an Assistant Short Track Speed Skating Event Manager. Since the season 2020/2021 the Event Manager Speed Skating has been integrated as part of the Secretariat Staffing.

ISU Indemnity Policy

In line with the ISU Indemnity Policy (ISU Circular Letter No. 619) ISU Office Holders receive Office Expenses paid in an annual lumpsum. A limited number of Office Holders, depending on their function and subject to their ISU workload exceeding a reasonable level that can be expected from an elected or appointed volunteer Office Holder, receive Secretarial allowances or a fixed remuneration. During 2022 this applied to 13 Office Holders.

External Audit

The ISU accrued CHF 36'155 for the fees of BDO SA related to the audit of the financial statements 2022 (2021: CHF 36'635). Other audit-related and non-audit services were charged during 2022 by BDO SA for a total of CHF 11'793.

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Other information

To the extent that the corresponding recognition criteria were met at the balance sheet date, the decreasing impact of the Covid-19 pandemic and the impact of the war in Ukraine on the ISU activity were taken into account in the financial statements of ISU. The Council and management of the ISU continue to monitor the events and take action as necessary. At the time of approval of these financial statements, it remains difficult to reliably assess the financial and economic consequences of the direct and indirect impact of the pandemic and the war in the Ukraine on the ISU activity and finances. Apart from the effects of a possible severe and prolonged recession, the ISU's ability to continue as a going concern cannot, from today's point of view, be regarded as threatened within the meaning of Art. 958a, para. 2 of the Swiss Code of Obligations.

Based on the volatility observable in the financial markets, the ISU anticipates continued volatility in equity or debt securities prices, foreign exchange rates, interest rates or other market prices after the reporting date that will significantly impact the measurement of assets and liabilities in future periods. In particular, the renewed inflation, higher interest rates and volatile bond markets (see also "Financial Incomes and Expenses" above) will have a continued impact on the ISU's equity in Swiss Francs.

As to currency exchange rate fluctuations, it must be noted that the ISU's activity, including the majority of its income, expenditures and financial assets, is mainly in US Dollars while the ISU books are kept in Swiss Francs. During periods of volatile currency exchange rates and in particular major US Dollar-Swiss Franc rate fluctuations, the corresponding impact on the ISU's equity in Swiss Franc has a relatively limited impact on the ISU activity, since the incomes, expenditures and financial assets remain mostly in US Dollars.

The impact on the fair value measurement of investment properties cannot be reasonably estimated to date.

The current assessments are based on the information currently available. Due to rapid developments, the actual impact on the financial reporting period 2022 may differ significantly from ISU expectations. Also, considering the above-mentioned circumstances surrounding the coronavirus, in 2019 the ISU created a reserve amounting to CHF 5 million "for crisis situations" out of which CHF 2.5 million remain in place at the end of 2022 (Refer to "Special Provisions / Reserves" above).

The ISU Council has approved the 2022 Financial Statements on May 26, 2023. The ISU Council, Director General, Treasurer and ISU Staff will continue to monitor developments and, in particular referring to the ongoing coronavirus pandemic, will continue to take appropriate and timely measures.

Significant events after the balance sheet date

Due to the conflict between Russia and Ukraine, followed by new sanctions announced by the U.S. and EU countries against Russia, the ISU has assessed the relevant risk factors relating to its activity, results of operations and financial condition in a holistic approach. The ISU has only limited business flows with Russian counterparties, service providers and with Russian banks. Also, considering the above-mentioned reserve for crisis situations, the ISU is therefore not seriously affected as of the date of the approval of these financial statements.

ANNUAL REPORT 2022 (unaudited)

PREAMBLE

After the election of a new ISU President and ISU Council in June 2022, the ISU Council agreed upon the need to put together an overarching strategy and growth plan for the ISU going forward. With the help of external advisors, the "ISU Long-term Growth Roadmap" project focusing on growth opportunities and innovation, has been launched in July 2022.

Pending the conclusions of this project to be formalized during 2023, the ISU Council continued to focus on the previously identified priorities, namely

- Development
- Marketing and Promotion
- Good Governance.

ISU WORKFORCE

During 2022 the ISU Secretariat employed an average of 19 full-time employees and 6 part-time employees (between 40% and 80% - full-time equivalent of 23.23 employees vs 21.75 in 2021). In addition, the ISU contracted freelance personnel in the areas of event management, sports technical monitoring and media coverage as follows:

- 1 Figure Skating Sports Technical Director
- 1 Event Manager Figure Skating (full-time)
- 2 Assistant Event Managers Figure Skating (part-time)
- 1 Event Director Short Track also acting as Speed Skating Sports Technical Director
- 1 Assistant Event Manager Short Track (part-time)
- 1 Consultant with Figure Skating expertise (part-time)
- 1 Legal Counsel with Swiss Law experience (contracted on a case-by-case basis)
- 1 Freelancer for media services at ISU Figure Skating Events (part-time)
- 1 Freelancer for media services at ISU Speed Skating Events (part-time)
- 1 Freelancer for media services at ISU Short Track Events (part-time)
- 2 Freelancers for social media services for all disciplines
- 1 Photographer at every ISU Event (part-time)

The ISU furthermore relies on volunteer-based elected and/or appointed ISU Office Holders serving on the ISU Council (14), ISU Technical Committees (27), ISU Disciplinary Commission (5), ISU Legal Advisors (1), ISU Treasurer (1), ISU Medical Commission (7), ISU Development Commission (3), and ISU Athletes Commission (5).

SPORT/COMMERCIAL/ECONOMIC/FINANCIAL SITUATION AND PROSPECTS

After the negative impact of the Covid-19 pandemic in the years 2020 and 2021, with many ISU Event cancellations as a consequence, the season 2022/23 could again been completed normally. On the other hand, the development, educational, and meeting activities only normalized slowly during 2022 resulting in substantially lower operating expenses than normal and budgeted.

While the slowing pandemic can be considered as a positive aspect, the War in Ukraine and the consequent ISU Council (and subsequently also ISU Congress) decision to apply protective measures by not allowing Competitors and Officials from the ISU Members of Russia and Belarus to participate in International Competitions, gradually had some negative consequences for the ISU. Besides the sporting aspect of the absence of top Skaters from those ISU Members, it also resulted in reduced advertising and media rights incomes especially from Russian sponsors and media partners. Considering the situation in Ukraine, it was decided to maintain the reserve of CHF 2'500'000 to sustain losses during crisis situations.

Despite the negative consequences due to the pandemic and the war in Ukraine, the commercial agreements currently in place represent a stable income situation for the coming three to four years. The incomes for both Branches were substantially higher in 2022 compared to 2021 since in 2021 the ISU Event cancellations and related rights fee reductions resulted in substantially reduced incomes.

The IOC incomes from the Olympic Winter Games in Beijing have been allocated equally over the period 2022 through 2025. Since the Beijing Games financial results were negatively affected by the Covid-19 counter-measures and absence of spectators, the IOC contribution to the 7 International Winter Sports Federation was consequently also lower than in 2018. In the case of the ISU, the reduction amounted to CHF 4.8 million or CHF 1.2 million per year.

Thanks to its long-standing conservative investment policy, the ISU has managed to secure substantial reserves in the form of investment grade rated bonds (see the Balance Sheet) that ensure a substantial and stable annual interest income independent from commercial partners' interests. The interest income in 2022 remained basically stable compared to the previous years.

However, the main development of the financial markets during 2022 was surging inflation and corresponding increasing interest rates on the one hand, but a weak bond market on the other hand. These declining bond rates also had a substantial impact on the overall value of the ISU bond portfolio. Since Swiss accounting regulations require that the financial statements show the situation based on the bond market prices as of December 31, 2022, this conservative valuation of the ISU bond portfolio at year end market prices, and without allowing to accrue future interest income, resulted in a loss on bonds amounting to CHF 22.9 million. About CHF 1.3 million of those losses on bonds represent realized losses caused by swaps that were made due to some bonds becoming underrated. However, the main share, or CHF 21.6 million of this 2022 loss on bonds, remains an unrealized and temporary book loss since the ISU may hold the bonds to maturity to recover the face value of the bonds and therefore avoid such loss.

Furthermore, by gradually renewing its bond portfolio, the ISU will benefit from the higher interest rates. This is a gradual, time-delayed process showing a first positive impact in the form of higher investment interest income as of 2023. Based on this unrealized and temporary book loss situation, the ISU decided that no new special reserve is necessary.

The basically stable currency exchange rates between 2021 and 2022 resulted in a small currency exchange rate book profit in 2022 of CHF 0.3 million. Considering the substantial total amount of the Financial Asset Portfolio, the reserve for currency exchange loss on bonds was left unchanged at CHF 4'000'000, representing about 1.51 % of the bond portfolio. The reserve for currency exchange loss on other financial positions remained unchanged at CHF 1'000'000.

To be noted, that the ISU Wealth Management Working Group was formed in February 2023 to explore and propose to the 2024 ISU Congress new investment strategies and related criteria to target better return on investment.

For detailed information on the ISU Reserves, please refer to the Balance Sheet and the Notes to the Financial Statements "Special Provisions/Reserves".

RISK EVALUATION

Risk related to the War in Ukraine

The sanctions against Russia and the absence of Russian Skaters in ISU Events resulted in basically no advertising and media rights fee incomes from Russia. The first substantial

negative impact of about CHF 1 million on the profit and loss statement will be noticed during 2023. The existing reserve of CHF 2.5 million for crisis situations will be partially dissolved to counter-balance this negative impact.

Risk of economic downturn, reduced audiences for ISU Events and related reduced ISU incomes

As extensively debated during the ongoing Long Term Growth Roadmap project, the ISU continually faces the risk and challenge of finding new ways to attract a larger, wider, and possibly younger global audience and continues to step up its efforts and budget in this area as well as its cooperation with its media and marketing partners and the ISU Members organizing ISU Events.

In parallel, the ISU must monitor and adapt to the global economic activity, trade and geopolitical tensions, and market trends. In this regard, the aftermath of the coronavirus pandemic, the War in Ukraine, surging inflation, high interest rates and consequently the signs of an economic downturn or even threat of recession, results in moderate expectations for economic growth in 2023. In this context, advertising and sponsorship spending on small to medium sports properties is expected to slow in several key markets in the years to come. Furthermore, the bulk of sports sponsoring investment continues to be concentrated on a few top sports/events. This trend, which is not benefiting smaller sports organizations and niche sports, has been confirmed in 2022 and is amplifying. There are also signs of saturation in the sports industry, compounded by growing competition from other entertainment formats. Advertising spending is clearly shifting away from TV broadcasters to social media/digital and the gaming industry, and there is an increased dominance by major tech firms (GAFAs) which capture the largest share of the advertising revenues. With Japan being the main market for the ISU, it must be noted that the afore-mentioned developments have unfortunately also accelerated in Japan. In addition, the retirement from competitive skating of the most popular Japanese Skater further compounded this issue

The above-mentioned situation and trends will have potential detrimental consequences for the ISU's commercial activities and some of the ISU's most valuable TV partners are already expressing their concerns about the recent decrease in their TV ratings

In the short term, the ISU continues to benefit from substantial media rights and advertising/sponsorship rights incomes thanks to existing contracts with its loyal commercial partners. The main partners for the media rights are Fuji TV, TV Asahi, JSports in Japan, Infront in Europe and some additional territories, SBS Korea, IceNetwork USA and Infront/CCTV China.

For the advertising rights, the ISU cooperates with IMG for the Figure Skating Championships and the ISU Grand Prix of Figure Skating Final and with House of Sports for the Speed Skating ISU Events. In the area of Short Track Speed Skating, the ISU decided that, starting with the season 2023/24, substantial advertising rights for the ISU World Cup Short Track shall remain with the organizing ISU Members resulting in only very limited incomes for the ISU. For ISU Short Track Championships, the ISU managed to conclude and will endeavor to conclude further advertising agreements with local and international counterparts with the related incomes however remaining limited compared to other sports.

In the medium and long term, the marketing possibilities for niche sports in a constantly changing, innovative, digitally driven, and increasingly competitive marketplace will call for new expertise and new solutions. To support future sponsorship and media activities, the ISU has to engage in the process of developing a marketing strategy which is more data driven and future proof. Given that the majority of ISU revenue is generated through broadcast and sponsorship rights, greater ownership of the ISU audience is essential in order to offer more value and insight to sponsors in the future. The ISU is seeking to grow its audience, increase fan engagement through personalized communication, and gain a deeper insight into the motivation of skating fans. While the demand for digital marketing opportunities among ISU

sponsors remains limited for the time being, the ISU is taking proactive steps with the objective of delivering more value to sponsors in the future. A key component of such a strategy is the development of a fan database, and of a reasonable level of marketing automation capability.

The main focus in the critical areas of Media/Communications/Public Relations and Marketing, which have also been widely addressed during the Long-Term Growth Roadmap project, remains as follows:

- Reviewing ISU Event formats in order to ensure compact and attractive ISU Events while at the same time allowing the broadest possible participation of ISU Members.
- Increasing the global viewing audience through TV and other online channels (OTT) and multiple carve-outs in the main ISU media rights agreements providing the ISU with opportunities to exploit selected media rights through its own platforms.
- The ISU's social media strategy has greatly improved and continues to evolve over the years and the coverage and growth persists. The ISU's #UpAgain campaign has won the "Best Specialist Campaign" and also won silver for "Best Use of Social Media" in the 2022 International Content Marketing Awards. The #SportOnSocial League Table ranks sports organizations based on their social media performance across various platforms, including Facebook, Twitter, Instagram, YouTube and TikTok. This result makes the ISU the 2nd biggest riser on the table and the highest ranked Winter International Federation.
- Improving event presentation, event promotion and fan engagement through extended cooperation with Organizing Committees and business partners, making available standardized design and branding materials to ISU Event organizers, on-site ISU media support and assigning ISU photographers to ISU Events.
- Maximizing media/television/marketing rights fee income through direct prospecting and negotiations with the commercial partners and/or through marketing agencies such as IMG, Infront, and House of Sports.
- Pursuing digital marketing and fan engagement initiatives. In 2019 the ISU decided to engage in the process of developing a more data-driven and future-proof marketing strategy. The ISU's objective is to grow audiences on its owned and earned platforms, with a focus on increasing fan engagement through personalized communication and gaining a deeper insight into ISU fans. These developments aim at enabling the ISU to propose new benefits and deliver additional value to ISU partners and sponsors. This is an ongoing process for the ISU to become digitally mature and build direct-to-consumers capabilities. The ISU will continue developing this activity and evaluate on a regular basis the level of investment and technology that is necessary for the ISU activity vs the return on investment.
- Exploring new promotion possibilities, including in new markets and by taking advantage of the proximity of Figure Skating to the show-business/music industry. The ISU Skating Awards evolved from a purely digital event to a hybrid one in 2023 with the third edition which was successfully conducted in conjunction with the Art on Ice show in February 2023 in Zurich.
- Launch of the official ISU results App in time for the season 2022/23 which includes live results from all ISU Sports.
- Conducting a UX audit of the ISU website to subsequently redevelop ISU.ORG based on input from stakeholders and users.

Risk of insufficient human resources/staffing

Mindful of the ISU's need and capability to continuously and swiftly innovate in an environment that is ever more dynamic and complex, the ISU Council agreed to cooperate with the consultancy company "Think Sport" based in Lausanne, which is supported by the local government (Canton de Vaud) and the International Olympic Committee and can therefore offer its consultancy services at extremely advantageous financial conditions to International Sport Federations based in Lausanne. Think Sport, through its Sports Foundry Project, performed an innovation audit for the ISU between November 2021 and May 2022. One of the Sports Foundry report conclusions points towards a *"problem related to time management with*

no time to think and prepare strategically – Always under delivery mode". Mindful of many new cost-generating challenges that International Sport Federations are confronted with (Good governance, sustainability, safeguarding etc.), of an upcoming critical transition period due to the retirement at the end of 2023 of the long-standing Director General, and of budgeting concerns, the ISU is striving to maintain an experienced and efficient workforce.

The Sports Foundry report and recommendation remain under review by the ISU Council in conjunction with the Long-Term Growth Roadmap project with conclusions to be reached during the year 2023.

Besides the critical ISU Secretariat staffing, the challenges and risks in the area of Event organization and management continue to increase due to higher demands from the public, media and related commercial partners. The training of a broader base of skilled individuals is increasingly important to maintain high quality ISU Events. Failing to do so might have detrimental consequences, especially related to the income to be secured through commercial agreements. Consequently, the ISU is continually striving to broaden and strengthen its Event management and marketing teams.

Risk of loss of credibility

Good governance and sustainability are of the utmost importance. The ISU, through its Working Groups which have been in place since 2017 and with the cooperation of expert partners continues to strive to improve in this area in order to protect the ISU's good reputation, credibility and integrity. In line with the principles of the ISU Code of Ethics, the focus is on improving awareness and education in the fight against discrimination, harassment/abuse, fraud/corruption and undue influencing. Other initiatives focus on avoiding conflicts of interest, favoring inclusion of all groups in the skating sports, increasing transparency and maximizing internal controls and data protection.

In area of safeguarding and protecting athletes, the ISU is partnering with the ISU Members in France, Hungary and the Netherlands, along with specialist organizations focused on preventing sexual harassment of athletes, and Lyon University, to work together on a project on this crucial topic. The aim is to research best practices within Europe and to develop athlete safeguarding protocols and education tools. Of course, these outcomes will also be relevant and available to sports outside Europe and beyond Ice Skating. The project group has been granted Erasmus+ funding by the European Union for a three-year project that started in March 2022. The ISU furthermore established an Athlete Safeguarding Policy in May 2022 and has recruited a Safeguarding Officer in order to reinforce its efforts in this area.

As to Environmental Sustainability, the ISU committed to the Sport for Nature Framework, an initiative in which the IOC is also involved, which aims to deliver transformative action for nature across sports by 2030 and beyond. The ISU also contracted an expert sustainability agency called THE SHIFT to help develop the ISU's sustainability strategy and action plans.

In the area of Anti-Doping, the ISU maintains a long-standing, high-profile Anti-Doping program thanks to an experienced Medical Commission supported by highly qualified and experienced Anti-Doping managers at the ISU Secretariat. In view of the growing calls for Anti-Doping monitoring by independent entities, the ISU is gradually increasing collaborations with independent bodies but on the condition that the quality, effectiveness and cost efficiency of the services will not be compromised.

RESEARCH AND DEVELOPMENT ACTIVITIES

The ISU continues to run its high-profile Development Program through its Development Commission and the Development team at the ISU Secretariat, supported by Project Groups for eLearning and Centers of Excellence and external expertise for eLearning.

Two new members of the Development Commission were appointed during 2022, following the election of the former Development Commission Coordinator to the ISU Council at the 2022 Congress. One new Commission member started in October 2022, with the other due to start in May 2023.

The number of development projects taking place during 2022 rebounded after the lower numbers during the pandemic period, though the numbers are still not yet back to pre-pandemic levels, particularly outside Europe. The Pair Skating, Novice and Junior Ice Dance, and Synchronized Skating Development Seminars took place in person once again after having been cancelled or held online in 2020 and 2021. All three ISU Junior Speed Skating World Cups were held, and the ISU Junior Grand Prix of Figure Skating series, and Junior Short Track Challenge Series also took place as planned.

The ISU eLearning platform was renamed as the ISU eRink in November 2022 and in December 2022 was migrated to a more performing and futuristic platform. The available materials continued to grow with new courses being developed constantly as well as online training/educational possibilities to support the needs of ISU bodies (e.g., Frankfurt Seminar online hub and exams, Technical Committee online seminars, Officials' recertification learning exercises). In addition, there were virtual classrooms for interactive online courses for Figure Skating Coach education (Level 1-3) with 90 Coaches from around 20 ISU Members participating. ISU eRink is also active in organizing/supporting webinars in cooperation with external experts. Ninety courses (with more than 150 modules) were available for Skaters, Coaches, Officials and administrators at international, national, regional and club levels. In total, there were nearly 5500 registered users on the eRink by the end of 2022.

2022 saw the start of the first full four-year cycle of the ISU Centers of Excellence (CoE). There are now eleven CoEs (six from the Figure Skating Branch and five from the Speed Skating Branch) forming a network that aims to act as an important resource for the ISU and as development hubs, sharing their expertise and serving the ISU community. The CoEs met to review their overall strategy and program during dedicated workshops in 2022. A wide range of CoE activities took place in 2022, primarily focusing on talent development, coaching and preparation of Skaters for competitions and Coach and Officials education activities. In total, there were 49 international activities across all CoEs in 2022 from which 332 Skaters, 36 Coaches and 105 Officials from around 30 ISU Members (excluding CoE host countries) benefited.

The annual C Contribution was distributed to ISU Members in accordance with the criteria set out in Communication 2310.

The first World Ice Skating Day was held on December 4, 2022. The World Ice Skating Day is a festival dedicated to Ice Skating with simultaneous activities taking place all around the world to introduce Ice Skating to first time and beginner Skaters and to create a memorable experience that celebrates the spirit of Ice Skating. This inaugural edition was a great success with events organized in 47 countries and at 170 ice rinks worldwide, including the ISU CoEs. Activities included skating lessons for children and beginners, skating exhibitions, shows, music animations and fun games. The World Ice Skating Day will be held every year on the first Sunday of December.

The ISU will continue to monitor closely the Development Program's effectiveness and apply adjustments, if and when appropriate, with the focus on the following priorities:

- Expanding the ISU eRink content and use
- Consolidating the ISU Centers of Excellence network
- Consolidating the Coach Education Qualification Framework for Coaches in both Branches and providing eLearning tools to support this Framework
- Supporting the enhancement of the quality of ISU Officials by increasingly using eLearning tools

- Increasing the number of participating ISU Members, assessing and refining development projects and their results, and evaluating the impact of the Development Program
- Exploring the use of data analytics and Artificial Intelligence to assist Officials, Skaters, Coaches and improve media coverage
- Continuing the global World Ice Skating Day.

The ISU continued to evaluate a project focusing on the use of data analytics and Artificial Intelligence (AI). The world of sports is abundant in quantifiable elements, making it ideal for the use of AI, and the ISU acknowledges that applications of AI are making inroads into the area of sports with a positive impact and growing capabilities.

The ISU, in cooperation with a specialized company, has concluded a “proof of concept” phase of the project for the possible development of artificial intelligence/technology options with the initial objectives of

- helping Figure Skating Officials to apply the rules correctly, and giving them the technical support to evaluate the performed elements in the fairest and most impartial way possible.
- offering Skaters and Coaches measurement and analysis tools to evaluate and improve their performance, as well as keep track of the work done and goals achieved.
- expanding the multi-media audience, allowing the sport to be enjoyed on different platforms and connecting the key players and their teams with the public and fans by presenting instantaneous statistics/graphics.

The proof of concept phase conclusions confirm that by applying the necessary cutting-edge technology and appropriate framework and methodology for measuring jump rotations, the above-mentioned objectives can be achieved. However, the conclusions also revealed that such project would require a substantial budget, not only for an implementation for ISU Figure Skating Events, but also use by the ISU Members. The ISU Council is therefore currently exploring whether more cost-effective solutions could be available.

EXCEPTIONAL EVENTS

The detrimental consequences of the War in Ukraine and two pending legal proceedings must be considered as exceptional events:

- The impact and detrimental consequences and outlook related to the War in Ukraine is outlined in the section “Commercial/economic/financial situation and prospects” and “Risk evaluation” above.
- As to the Pechstein case, on July 12, 2022 the German Federal Constitutional Court (Bundesverfassungsgericht) published a decision upholding the constitutional complaint of Ms. Claudia Pechstein challenging two decisions of the German Federal Court of Justice which had been issued in 2016. Ms. Pechstein had filed the constitutional complaint after the Federal Court of Justice (Bundesgerichtshof) had declared inadmissible her claim for damages filed against the ISU before German civil courts in 2013 because of an arbitration agreement in favor of the Court of Arbitration for Sports (CAS) in Lausanne. The German Federal Constitutional Court held that when deciding the case in 2016, the Federal Court of Justice had not considered properly the significance of the right to publicity of the proceedings when balancing the interests and rights at stake. Therefore, the Federal Constitutional Court held that the Federal Court of Justice’s decision interfered with Ms. Pechstein’s constitutional rights under two provisions of the German Fundamental Law (Grundgesetz), lifted the latter’s decision, and submitted the case back to the Higher Regional Court Munich (Oberlandesgericht München) for further evaluation. The German Constitutional Court did not discuss in any way the validity of Ms. Pechstein’s doping ban in 2009, which has been confirmed

by CAS and the Swiss Federal Tribunal. Subsequently, the German second instance court (Oberlandesgericht Munich - OLG Munich) raised questions to the parties and the related proceedings are ongoing at the time of writing this report. The ISU continues to contest the substantial but unjustified damage claim by Ms. Pechstein with vigor and determination.

- By its judgment of December 16, 2020, the EU General Court upheld the 2017 decision of the EU Commission finding that the ISU Eligibility Rules in their 2016 and previous versions violated EU competition law. However, the EU General Court accepted the pre-authorization system of the ISU, i.e. the requirement that competitions organized by parties other than the ISU and/or its Members must be previously approved by the ISU Council. Most importantly, the EU General Court acknowledged that the fight against betting and the protection of the economic interests of the ISU are legitimate objectives of its pre-authorization system. The EU General Court further accepted that jurisdiction in appeals against ISU Council eligibility decisions is conferred upon CAS and partly annulled the Commission decision on that basis.

The ISU maintains that its Eligibility Rules have never been enforced with a view to preventing the organization of third-party ice-skating events and regrets that the judgement does not address the substantial evidence put forward by the ISU confirming this. The ISU lodged a partial appeal with the European Court of Justice (ECJ) against those parts of the decision of the EU General Court where it decided against the ISU. A decision is expected during the Spring of 2023.

Apart from its appeal to the ECJ, the ISU amended its eligibility rules (2018 version which remains the current version) in order to meet the objections of the EU Commission. The EU Commission indicated its satisfaction with the respective amendments, without however formally confirming that the current eligibility rules are in conformity with EU competition law.

OUTLOOK

In the short term, the existing commercial agreements in place and the sound financial situation should allow the ISU to continue its current activity, but some limited use of the ISU's financial reserves might be needed.

In the medium and long term beyond the year 2026, however, considering the developments described in the chapter "*Risk Evaluation – Risk of economic downturn, reduced audiences for ISU Events and related reduced ISU incomes*", maintaining the existing income level remains uncertain. Unless we reverse the trend in TV ratings, renewing TV contracts at the current level will be challenging. At the same time, finding new sources of income, including the acquisition of new sponsors, will require time and effort. In addition, expenditures will continue to rise as we strengthen our efforts in good governance, sustainability, and safeguarding athletes.

Taking into consideration the rapidly changing sports landscape as outlined in this report, the ISU must continue to seek ways to evolve our sports to remain attractive to our fans and commercial partners. To that end, the ISU is currently working on the Long-term Growth Roadmap to grow our sports. Implementation of the priorities that come out of the Roadmap will require investment in our products and human resources. In view of these developments, the ISU will need to revisit its financial policy to invest in strategic initiatives for the medium and long term. In case the financial situation would nevertheless deteriorate, the ISU would have to make critical choices and set clear priorities for the best possible continuation of the ISU activity beyond 2026.