

**JOINT STOCK COMPANY RB RAIL
(UNIFIED REGISTRATION NUMBER 40103845025)**

**ANNUAL REPORT
FOR THE YEAR ENDING 31.12.2023
PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL FINANCIAL REPORTS AND
CONSOLIDATED FINANCIAL REPORTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

Riga, 2024

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General information

Name of the company	RB Rail AS
Legal status of the company	Joint Stock Company
Unified registration number, place and date of registration	LV40103845025 Riga, 12 November 2014
Registered office	Riga, Satekles iela 2B LV-1050, Latvia
Shareholders	Rail Baltic Estonia OÜ (33.33%) Registration No. 12734109 Veskiposti tn 2/1, Tallinn, 10138, Estonia Eiropas dzelzceļa līnijas SIA (33.33%) Registration No. 40103836785 Gogola street 3, Riga, LV-1050, Latvia Rail Baltica statyba UAB (33.33%) Registration No. 303227458 Mindaugo street 12, Vilnius, LT-03225, Lithuania
Branches	RB Rail AS Lietuvos filialas, Reg. No. 304430116 J. Basanavičiaus g. 24, Vilnius LT-03224, Lithuania RB Rail AS Eesti filial, Reg. No. 14168654 Veskiposti tn 2/1, Tallinn, 10138, Estonia RB Rail AS Filiāle, Reg. No. 40203254781 Satekles iela 2B, Riga, Latvia
Type of operations	To design, construct and market (including branding) <i>Rail Baltica</i> railway line
NACE code	42.12 Construction of railways and underground railways
Reporting year	1 January 2023 – 31 December 2023
Previous reporting year	1 January 2022 – 31 December 2022
Chief Accountant	Anita Pūka
Auditor and certified auditor name and address	Deloitte Audits Latvia SIA Republikas laukums 2a Riga, LV-1010 Latvia Certified auditor in charge: Inguna Staša Certificate No. 145

Information about the company's management

Members of the Management Board

Name	Position	Elected	Released
Agnis Driksna	Chairperson of the Management Board	02.12.2019	14.02.2023
Marko Kivila	Member of the Management Board	17.11.2022	14.02.2023
Marko Kivila	Chairperson of the Management Board	15.02.2023	-
Marius Narmontas	Member of the Management Board	17.11.2022	-
Anrī Leimanis	Member of the Management Board	17.11.2022	17.12.2023
Thierry Jacques Boussillon	Member of the Management Board	01.02.2023	-
Emilien Leonard Nicolas Dang	Member of the Management Board	03.07.2023	-
Kitija Gruškevica	Member of the Management Board	18.12.2023	-

Members of the Supervisory Board

Name	Position	Elected	Released
Romas Švedas	Member of the Supervisory Board	01.08.2018	-
Romas Švedas	Deputy Chairperson of the Supervisory Board	01.01.2023	-
Ligita Austrupe	Member of the Supervisory Board	31.05.2019	04.01.2024
Ligita Austrupe	Chairperson of the Supervisory Board	01.01.2023	04.01.2024
Sandor Liive	Member of the Supervisory Board	04.12.2020	-
Sandor Liive	Chairperson of the Supervisory Board	05.01.2024	-
Ahti Kuningas	Member of the Supervisory Board	01.01.2022	01.09.2023
Ahti Kuningas	Deputy Chairperson of the Supervisory Board	01.01.2023	01.09.2023
Arenius Jackus	Member of the Supervisory Board	27.07.2022	-
Keit Kasemets	Member of the Supervisory Board	01.09.2023	-
Keit Kasemets	Deputy Chairperson of the Supervisory Board	07.09.2023	04.01.2024

Members of the Supervisory Board (continued)

Name	Position	Elected	Released
Arnis Kākulis	Member of the Supervisory Board	31.01.2023	-
Arnis Kākulis	Deputy Chairperson of the Supervisory Board	05.01.2024	-
Ģirts Rūda	Member of the Supervisory Board	04.01.2024	-

Management report

The Rail Baltica global project is set to become a part of the European Transport Network North Sea–Baltic corridor, representing a European standard gauge railway transportation system. It spans four European Union member states – Poland, Lithuania, Latvia, and Estonia – and indirectly includes Finland. The goal of this global project is to connect the Baltic countries with Poland and the rest of the EU through an efficient, modern, safe, and environmentally friendly railway transportation system.

RB Rail AS (further on – the Company), the joint venture of Rail Baltica, was established on October 28, 2014, in the Republic of Latvia, in equal shares (33.33%) by its shareholders – the national implementers of the Rail Baltica project: OÜ Rail Baltic Estonia, EDZL, and UAB "Rail Baltica statyba."

The Company's assumes role of being a central coordinator for planning and development of the Rail Baltica high-speed railway line in all three Baltic states. Its main functions include implementing design work, supervision of construction activities, and marketing. In carrying out these functions, the Company performs overall coordination of the Rail Baltica global project, planning, managing, and implementing the design, coordinating information among project participating countries, organizing centralized public procurement (including consolidated procurement of construction materials), managing risks within the Company's competence, establishing and overseeing uniform project standards, preparing technical requirements for high-speed railway design and construction projects, attracting and selecting experts to ensure competence in 1435 mm gauge railway construction, conducting marketing activities for future users in passenger and freight segments, and ensuring regular communication with the public regarding the progress of the project.

Additionally, the Company is responsible for submitting EU financing proposals for the Rail Baltica global project on behalf of the national beneficiaries, namely, the Ministry of Climate of the Republic of Estonia, the Ministry of Transport of the Republic of Latvia, and the Ministry of Transport of the Republic of Lithuania.

Governance

The Company acknowledges the critical role that corporate governance plays in ensuring the successful implementation of the Rail Baltica global project. A clear decision-making framework ensures that decisions are made collaboratively, based on accurate information, and aligned with Rail Baltica global project implementation objectives.

In 2023, the Company continued to develop and revise its internal regulatory framework to align with the best corporate and megaproject implementation practices. Approximately 30 internal governance documents, such as the Risk Management Policy and Quality Management Policy, to name a few, were approved by the Management Board and Supervisory Board in 2023, strengthening RB Rail AS's internal regulatory framework.

The Company recognizes the trust and confidence of stakeholders as pivotal to achieving Rail Baltica global project objectives. To engage stakeholders proactively, the Company launched annual Key Stakeholders' surveys in 2023, seeking input, addressing grievances, and incorporating feedback into decision-making processes. The Company Key Stakeholder survey has been conducted since 2019 and is continually improved to address stakeholder expectations accordingly. The primary objective of the survey is to gather the views of the Company's key partners, focusing on the efficiency of collaboration and key project aspects within existing formats. Additionally, the survey aims to identify areas, formats, and aspects that require particular attention in the following year.

In parallel, work continued on the development of the Stakeholder Management framework, including methodology, processes, and tools that will be implemented and followed by the Company to systematize stakeholder management according to the best available practice. A relevant Stakeholder Management structure is a critical part of successful project management and is an ongoing process that takes place throughout the lifecycle of the project. Meanwhile, to ensure proper follow-up of transport industry developments in a sustainable manner at the EU and international scale, the company continued its membership in The Community of European Railway and Infrastructure Companies (CER) and the International Union of Railways (UIC).

In 2023, the Company maintained its membership in the Baltic Institute of Corporate Governance (BICG), demonstrating a commitment to continue setting up the corporate governance framework in line with the best governance practices.

Risk management

Risk management is an integral and substantial part of the Company’s corporate governance, encompassing strategies, methods, and processes to identify, analyze, assess, control, monitor, and report both short-term and long-term risks the company might face. The Company applies a comprehensive approach to risk identification and management, recognizing the dynamic nature of risks in large-scale endeavors and employing proactive strategies to identify, assess, and mitigate potential challenges.

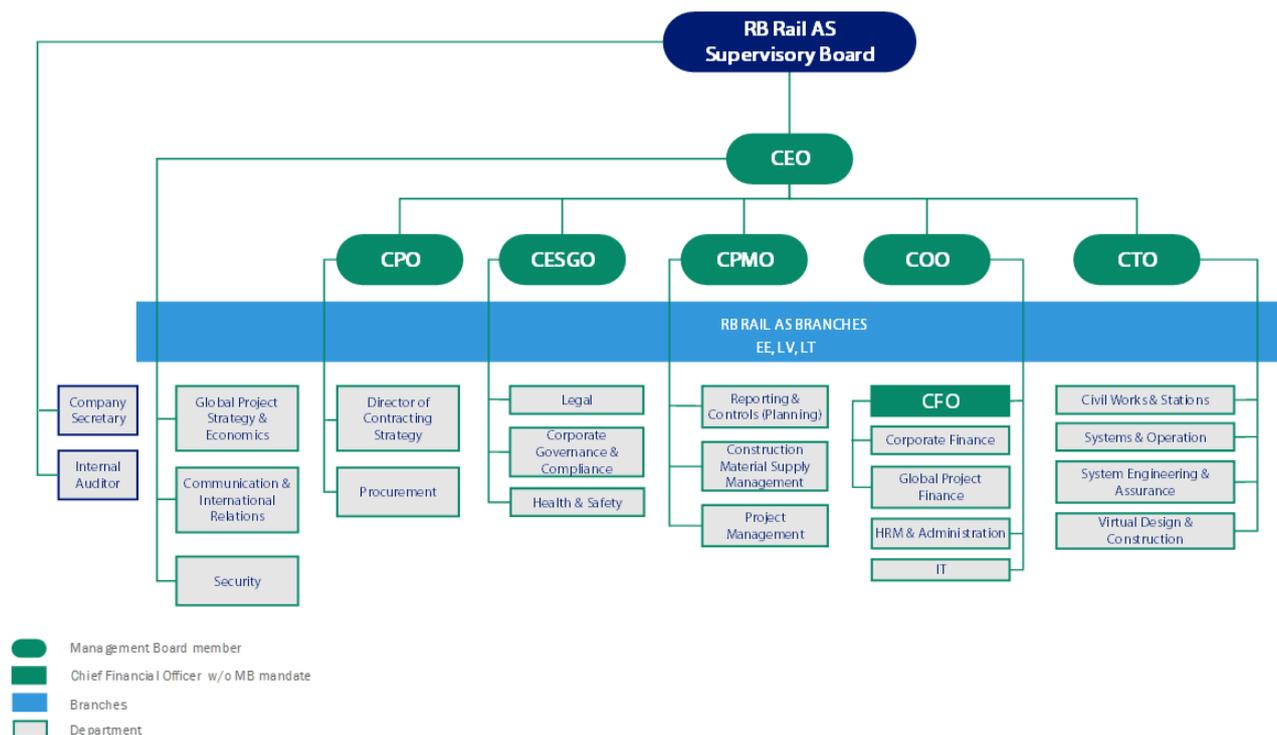
Risk management is performed at all levels of the Company and is organized according to the "three lines of defense" model: 1 - risk takers on the operational level (1st line), 2 - Risk Management Function and Compliance Function (2nd line), and 3 - Internal Audit Function (3rd line).

The current risk profile of the company includes the Rail Baltica global project and the Company’s corporate risks, diversified across strategic risk, financial risk, operational risk, compliance and legal risk, reputational risk, and Rail Baltica railway safety (technical) risk (see more in Note 21).

In 2023, the Company continued improving the risk management framework by further developing and implementing the risk management system. The Risk Review Board was established in the year 2023 to ensure that risks are adequately recognized and effectively managed.

Personnel and Organizational Structure

In 2023, the Company implemented the following organizational changes: based on the modified Annual budget for 2023 of the Company, the Management Board took economic and organizational measures, reducing the headcount by seven for functional areas. Additionally, the internal organizational structure of the Company was changed to make more efficient use of the company’s budget. The new organizational structure was approved by the Company’s Supervisory Board on 27 April 2023 and became effective from 1 June 2023.



Picture No. 1: Organizational Chart, 2023

Another organizational change was due to the gradual reduction of scope, which narrowed the Company's operations, resulting in the elimination of 11 positions. However, to ensure that knowledge continues to benefit the Rail Baltica global project, 8 persons were re-employed by national implementing bodies in Lithuania and Estonia. The changes came into force by 31 December 2023. The elimination of the positions did not affect the already established organizational structure.

At the end of 2023, the Company's team decreased to 201 from 215 in January 2023, where 37 persons were hired, and 51 left the Company, including voluntary and involuntary turnover as well as termination during the probation period and terminated contracts. In December 2023, Chief ESG Officer and Member of the Management Board stepped down from the position and new Management Board member was appointed.

There were 47 internal promotions and transfers within the Company (a 57% increase compared to 2022). Internal talent mobility helps retain top talent for the long term, promotes career development, and enhances employee engagement and satisfaction. Currently, the Company employs individuals from 13 different nationalities, with an average employee age of 38,6 years and an average length of employment in the company of 2,8 years. The proportion between men and women is 59% to 41%.

In 2023, the Performance Management program was carried out to provide a holistic performance review and assessment that reflects the achievement of strategic goals and the implementation of the Company's values.

Global Project financing

In 2023, the Rail Baltica global project progress was further advanced by two successful applications for the next round of financing from the EU Connecting Europe Facility (CEF) under EU Multiannual Financial Framework (MFF) for the period of 2021 – 2027, and as a result additional 1,13 billion euros were secured from CEF and Baltic governments.

Under EU MFF for the period of 2014 – 2020 and period of 2021 – 2027, together with the newly signed agreements, the three Baltic states and the Company in total have signed nine grants under CEF instrument for the construction of the Rail Baltica conventional railway infrastructure. Together with the above-mentioned signed grant agreements and additional funding granted under the Military Mobility envelope, Rail Baltica has secured around 2,6 billion, out of which nearly 85% comes from the Connecting Europe Facility (CEF) and the rest is provided by the governments of the three Baltic States.

Additionally in 2023, together with three Baltic States, the Company continued preparing application for further CEF financing under EU MFF for the period of 2021 – 2027. The decision is expected around mid-2024 and the conclusion of financing contracts in the second half of this year.

During 2023 Grant Agreement amendments for remaining two MFF 2014- 2020 Actions (for Actions 2019 Studies and 2019 Works) were initiated, thus ensuring ability to mitigate risks associated with Global Project delivery delays due to COVID pandemic impact and allowing to complete full scope Grant Agreement delivery up till end of 2024,. Thus, currently all MFF 2014 -2020 Action end dates has been set to 31.12.2024 allowing to incur Action related cost till end of 31.12.2024 and where needed completion of scope using own resources till end of 31.12.2025.

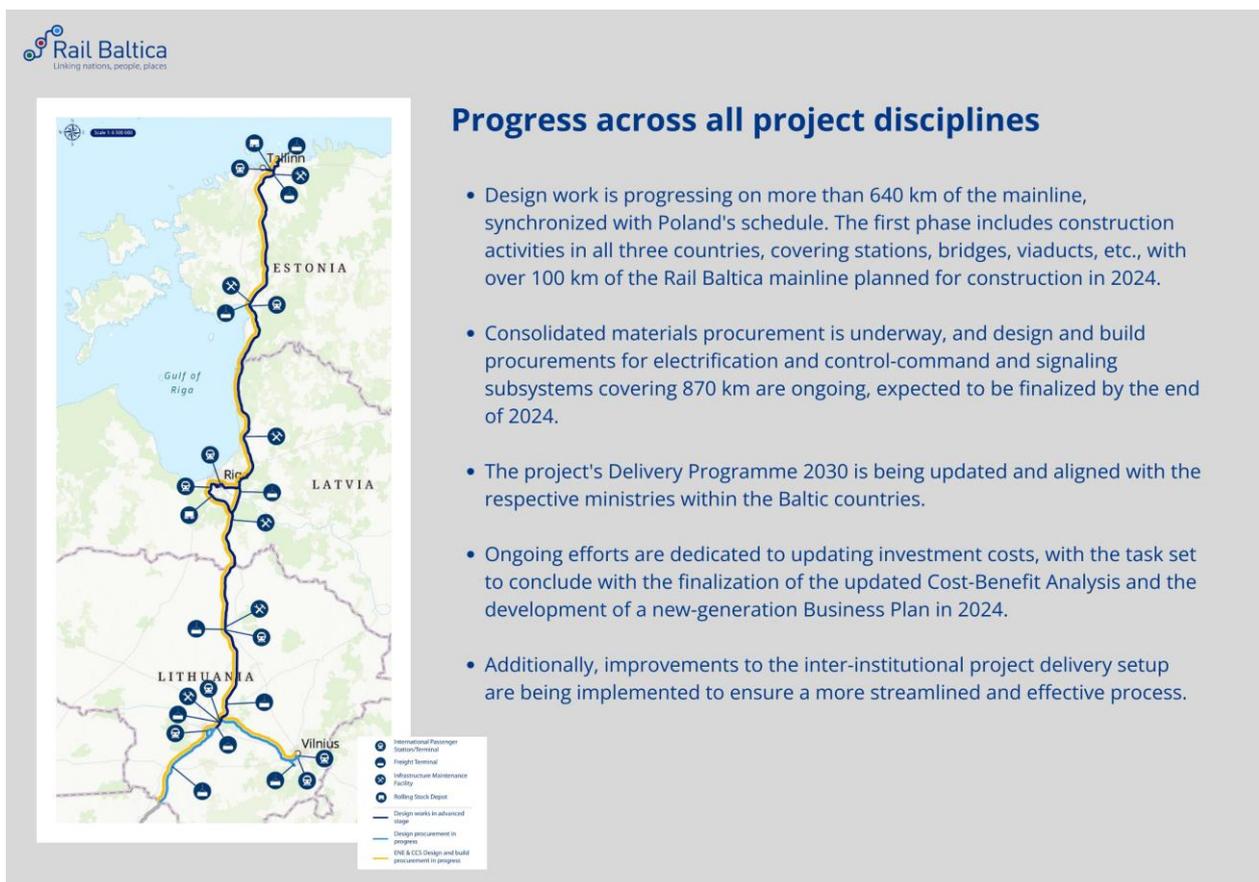
Project progress in 2023

In 2023, the Rail Baltica project made significant progress. Design work for over 640 km of the mainline, in coordination with Poland, has advanced successfully. The initial phase of constructing stations, bridges, and viaducts is underway in all three participating countries. Additionally, efforts are ongoing for consolidated materials procurement, and design and build procurements for electrification and control-command and signalling subsystems, covering 870 km, are in progress, expected to finish by the end of 2024. The Delivery Program 2030, which was endorsed by the Baltic transport minister's statement in January 2023, is currently being updated in coordination with Rail Baltica beneficiaries

Ongoing efforts are also focused on updating investment costs, with the task set to conclude by finalizing the updated Cost-Benefit Analysis and developing a new-generation Business Plan in 2024. To improve project delivery, active measures are being taken to enhance the inter-institutional setup, ensuring a more streamlined and effective process. This overall progress reflects the commitment to the success of the Rail Baltica project and its alignment with strategic objectives and timelines.

The day-by-day increasing project maturity is justified by, for example, the launch of a 20 km mainline construction procurement in Estonia. The goal is to commence construction for the initial 20 km, followed by preparations for construction for more than 50 km of the mainline in 2024. Other significant achievements include the signature of a more than 200 km mainline construction agreement in Latvia and the advancement of construction for 28 km of the mainline in Lithuania with additional 36 km of mainline currently being under procurement with the expectation to sign contracts in 2024.

Additionally, In Estonia, significant strides are made in railway infrastructure development. Ongoing design activities cover mainline railways, terminals, and regional stations. About 42% of the required land plots, totaling 1190, are now in state ownership, with 516 acquisitions completed. Construction procurements, including a 52.6-kilometer mainline stretch, are underway, along with the initiation of Ülemiste terminal construction. Preparations for 11 additional crossings are ongoing, including a building permit obtained for the Pärnu International Passenger Terminal.



Picture No. 2: "Overview of Rail Baltica Global Project Progress in 2023"

In Latvia, 2023 key highlights feature master designs for over 110 km of mainline infrastructure. Completed plans include a rolling stock depot and the master design for the rail-road bridge over the Daugava River. Construction permits for the Rail Baltica Salaspils Intermodal Logistics Center are secured for 14% of necessary land units, with an additional 31% in progress. The construction stage involves a vital contract signed for mainline procurement outside Riga, covering approximately 220 km. Construction is set to commence in early 2024, including sections like the Riga Central Station and International Airport 'Riga.' In Lithuania, key achievements include spatial planning and land acquisition for the Kaunas to Panevėžys section. A new procurement is scheduled for Q1 2024 for the Panevėžys to the Lithuanian/Latvian

state border. Spatial planning is ongoing for other sections, with construction expected to start in 2026 Q3 and 2027 Q2. Construction highlights involve completing access roads, initiating sections totaling 28 km, and ongoing tenders for various sections. Market consultation for upper track construction has concluded. Mainline construction plans for sections to the Lithuanian/Polish border, Kaunas Node, and Kaunas to Vilnius are outlined, with start dates set for 2026 Q3 and 2027 Q2, respectively.

Procurement

With the Global Project progressing towards the active construction phase, the Company has revised both internal and external procedures and processes to enhance and develop a more sophisticated environment for the tendering of active construction work. This includes the establishment of well-defined collaboration between global project organizations and the alignment of practices at the Rail Baltica Procurement Reference Group—a dedicated internal project coordination format through which all key organizations delivering the global project align their approaches, thus improving their best practices. It is crucial to maintain quality while developing and aligning new procedures and processes. According to The Company Supplier Survey 2023, 70% of suppliers stated that the procurement quality of The Company is high or very high.

The Company collaborates with more than 200 Baltic and 50 international partners, holding over 150 active contracts with an estimated value exceeding 900 million euros. In light of ongoing challenges in the supply markets due to the war in Ukraine and the changed geopolitical situation, the Company continuously conducts thorough analyses with project implementation partners on supplier restrictions to mitigate project risks and safeguard investments. Due to moral, ethical, and pragmatic project implementation reasons, cooperation with Russian and Belarusian companies was terminated.

In 2023, procurement procedures at the Company were executed effectively, with four procurement procedures receiving appeals—three in three procurement procedures, with appeal decisions favoring the Company in three cases. Additionally, two procurement processes were terminated/discontinued, and one was relaunched. By the end of 2023, eight ongoing tenders had a total value exceeding 2.5 billion euros. Over the past five years, the Company has coordinated more than 140 regular tenders, signed 160+ procurement contracts, including Framework Agreement commissions, dealt with 19 appeals, and canceled 16 tenders.

The Company has focused its efforts on improving Global Project procurement policies, ensuring transparency, and applying best practices. Throughout 2023, the Company consistently addressed these goals by adapting existing internal and external procedures and processes to the construction phase. In 2023, the Company made changes to its Procurement Policy based on auditors' recommendations, reducing administrative processes. At the Rail Baltica Procurement Reference Group, discussions were held, and alignment was found on amendments to decrease administration in the deviation procedure. The Common Procurement Standards and Guidelines, a project-wide policy, also apply to national implementing bodies.

Public Communication

Rail Baltica's communication goals aim to boost awareness and comprehension of the project's socioeconomic, technical, and financial aspects while securing support from a diverse range of stakeholders at local, national, EU, and international levels. Annual activities involve utilizing various channels, campaigns, and consultation formats to engage target audiences, including the public, municipalities, communities, professional associations, businesses, contractors, decision-makers, and academia.

In 2023, the company prioritized enhancing public awareness and support for the Rail Baltica project. Through diverse events and communication formats, active engagement with target audiences and partners was achieved. Despite challenges in publicity towards the year-end, the annual public opinion poll indicates consistent high support for the project and increased public information levels across all Baltic countries. Communication covered various aspects of the Rail Baltica implementation, providing updates on construction progress, project reports, and significant developments such as the implementation of railway subsystems, procurement, wider project benefits, military mobility, environmental issues, and more. An additional focus was dedicated to preparations for commencing mainline

construction in all Baltic countries. In addition, in 2023, there was an increased emphasis on strengthening Rail Baltica's international image and reputation as an opinion leader and authority.

To assess public attitudes, Rail Baltica conducted an annual pan-Baltic Study of Residents' Attitudes. The December 2023 survey by "Norstat" showed high awareness levels (96% in Latvia, 95% in Estonia, and 90% in Lithuania) and positive attitudes (79% in Lithuania, 70% in Latvia, and 57% in Estonia). Areas for improvement include providing more comprehensive information about costs, financial details, project progress, and potential risks.

In 2023, Rail Baltica increased its media presence, with over 13,140 mentions compared to 10,044 in 2022. Media sentiment improved, with 84% neutral, 9% positive, and 7% negative mentions. The project actively participated in international events, showcasing at key railway fairs, and engaging in over 50 international speaking engagements and events.

Financial performance and Financial position for the reporting period

The reporting period from 1 January 2023 to 31 December 2023 was the Company's ninth year of operations.

In 2023, the Company recognized income from EU grants amounting to 18,149,008 EUR (compared to 18,752,706 EUR in 2022) and other financing income from Latvia, Estonia, and Lithuania (national Beneficiaries) totalling 6,497,728 EUR (compared to 3,942,059 EUR in 2022). The result for the year showed a small profit of 10,594 EUR, primarily attributed to interest earned on cash balances on accounts (compared to a loss of 45,203 EUR in 2022).

In 2023, the company received additional co-financing from EU CEF grants amounting to 25,780,937 EUR (compared to 4,914,478 EUR in 2022). From 2022 until the end of 2025, RB Rail's financing is governed by the Agreement on Financing of The Company, signed with the ministries of the three Baltic States responsible for the implementation of the Rail Baltica project. An additional agreement was concluded during 2023 with the Lithuanian implementing body of the Rail Baltica project – the Cooperation agreement between The Company and LTGI Infra AB for 2023-2025.

The essence of all agreements is financing The Company by sharing and compensating the actual costs of Rail Baltica project coordination and implementation. The net amount of financing received in 2023 was 9,029,633 EUR (compared to 5,195,867 EUR in 2022), and the net amount of bridge loans to finance the eligible expenses of RB Rail until receiving compensation from CEF grants increased by 17,950,701 EUR to 35,193,690 EUR.

The Company's budget for 2024 was approved, considering the availability of adequate financing for the planned activities in 2024.

Goals for 2024

In 2024, the primary objective of the Company is to enhance strategic planning, efficient resource allocation, and foster workforce development with a goal to ensure implementation of operational railway within budget and timeline, by 2030.

A crucial aspect of realizing this objective involves completing the design phase, laying the foundation for subsequent construction and implementation stages. Concurrently, as in 2024 Rail Baltica extends its operations to multiple construction sites across all three Baltic countries, higher focus will be put on work fronts during the construction phase. This encompasses securing main design and construction contracts, with a commitment to prioritizing efficiency and maintaining the quality.

In 2024, financial competence remains of paramount importance, with an emphasis on transparent, result-driven, and efficient handling of public funds, particularly during large-scale constructions.

Cooperation with project beneficiaries will be intensified to ensure a continuous pipeline of financing attraction. Simultaneously, there will be a dedicated focus on strengthening cooperation among strategic stakeholders both within and outside the Baltic States.

Lastly, a key focal point for the year involves refining the governance structures of the Company. This will include optimizing project management, streamlining organizational processes, and implementing tools for effective budgetary control and the timely completion of projects.

Events after the balance sheet date

Subsequent events are disclosed in Note 22.

Marko Kivila
Chairperson of the Management Board

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Statement of profit or loss

	Notes	2023 EUR	2022 EUR
Other operating income	4	24 646 402	22 696 662
Personnel costs	5	(16 121 708)	(14 712 816)
a) Remuneration for work		(13 490 001)	(12 240 434)
b) Mandatory social insurance contributions		(2 631 094)	(2 471 797)
c) Other social insurance costs		(613)	(585)
Depreciation	8	(399 676)	(366 194)
Other costs of economic activity	6	(8 106 623)	(7 655 337)
Interest income		9 047	121
Interest costs		(6 316)	(1801)
Profit / (Loss) before corporate income tax		21 126	(39 365)
Corporate income tax for the financial year	7	(10 532)	(5 838)
Total profit / (loss) for the year		10 594	(45 203)

The accompanying notes form an integral part of these financial statements.

Marko Kivila
Chairperson of the Management Board

Anita Pūka
Chief Accountant

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Balance sheet

		ASSETS			
			Notes		
				31.12.2023	
				EUR	
				31.12.2022	
				EUR	
NON-CURRENT ASSETS					
Intangible assets		8		85 975	138 728
Investment in leased property		8		23 331	29 663
Other fixed assets		8		478 881	581 944
TOTAL NON-CURRENT ASSETS				588 187	750 335
CURRENT ASSETS					
Receivables					
Receivables from associates		9		765 399	1 215 937
Other receivables		10		186 611	177 182
Prepaid expense		11		402 471	289 129
Accrued income		12		21 019 997	20 155 967
TOTAL				22 374 478	21 838 215
Cash		13		39 986 423	13 401 380
TOTAL CURRENT ASSETS				62 360 901	35 239 595
TOTAL ASSETS				62 949 088	35 989 930

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EQUITY AND LIABILITIES			
	Notes	31.12.2023	31.12.2022
EQUITY		EUR	EUR
Share capital	14	1 950 015	1 950 015
Share issue premium	14	9 749 985	9 749 985
Accumulated losses		(5 096 311)	(5 051 108)
Profit / (Loss) for the financial year		10 594	(45 203)
TOTAL EQUITY		6 614 283	6 603 689
LIABILITIES			
Non-current liabilities			
Loans from associates	15	22 887 004	13 505 255
Other liabilities		83 571	111 349
Deferred income	16	239 834	385 302
TOTAL		23 210 409	14 001 906
Current liabilities			
Loans from associates	15	12 306 686	3 737 734
Accounts payable to suppliers and contractors		1 074 122	841 943
Payables to related parties	20	138 994	445 862
Taxes payable	17	234 030	27 965
Other payables		31 209	30 110
Deferred income	16	16 390 310	8 591 831
Accrued liabilities	18	2 949 045	1 708 890
TOTAL		33 124 396	15 384 335
TOTAL LIABILITIES		56 334 805	29 386 241
TOTAL EQUITY AND LIABILITIES		62 949 088	35 989 930

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 Chairperson of the Management Board

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 Chief Accountant

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Statement of cash flows

	Notes	01.01.2023- 31.12.2023 EUR	01.01.2022- 31.12.2022 EUR
Cash flows to/from operating activities			
Profit / (Loss) before tax		21 126	(39 365)
Adjustments for			
Reduction of non-current assets value	8	399 676	366 194
(Gain) / Loss on disposal of non-current assets	4	334	(1 898)
Income from CINEA and other financing	4	(24 646 736)	(22 694 764)
Interest costs		6 316	1 801
Interest income		(9 047)	(121)
<i>Operating profit / (loss) before working capital changes</i>		<i>(24 228 331)</i>	<i>(22 368 153)</i>
Decrease / (increase) in receivables		(122 771)	(79 990)
(Decrease) / increase in payables		436 894	259 071
(Decrease) / increase in accrued expense		1 240 154	307 655
<i>Cash generated from operations</i>		<i>(22 674 054)</i>	<i>(21 881 417)</i>
Corporate income tax paid		(9 427)	(5 838)
Net cash flows to operating activities		(22 683 481)	(21 887 255)
Cash flows to investing activities			
Purchase of non-current assets		(238 110)	(339 214)
Sales proceeds of tangible assets		248	1 898
Interest income		9 047	121
Net cash flows to investing activities		(228 815)	(337 195)
Cash flows from financing activities			
Loans received from associates	15	16 708 995	8 936 361
Loans repaid to associates	15	(1 989 474)	(4 203 685)
Financing from national beneficiaries	4	9 474 222	5 579 435
Financing repaid to national beneficiaries	4	(444 590)	(383 568)
Grant financing from CINEA attributable to the Company	4	25 780 937	4 914 477
Payment of lease liabilities		(26 435)	(6 842)
Interest paid		(6 316)	(1 801)
Net cash flows from financing activities		49 497 339	14 834 377
Change in cash		26 585 043	(7 390 073)
Cash at the beginning of the period	13	13 401 380	20 791 453
Total cash at the end of the year	13	39 986 423	13 401 380

The accompanying notes form an integral part of these financial statements.

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Chairperson of the Management Board

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Statement of changes in equity

	Share capital	Share premium	Accumulated losses	Profit /Loss for the period	Total
Balance as at 31 December 2021, EUR	1 950 015	9 749 985	(4 896 948)	(154 160)	6 648 892
(Loss) for the reporting year	-	-	-	(45 203)	(45 203)
Transfer of prior year result	-	-	(154 160)	154 160	-
Balance as at 31 December 2022, EUR	1 950 015	9 749 985	(5 051 108)	(45 203)	6 603 689
Profit for the reporting year	-	-	-	10 594	10 594
Transfer of prior year result	-	-	(45 203)	45 203	-
Balance as at 31 December 2023, EUR	1 950 015	9 749 985	(5 096 311)	10 594	6 614 283

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Chief Accountant

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Notes to the financial statements

1. Corporate information

RB Rail AS (hereinafter – the Company) was registered with the Republic of Latvia Enterprise Register on 12 November 2014. The registered office of the Company is at Satekles iela 2B, Riga. The shareholders of the Company are Rail Baltic Estonia OÜ, Eiropas dzelzceļa linijas SIA and *Rail Baltica* statyba UAB.

The core business activity of the Company is to design, construct and market (including branding) *Rail Baltica* railway line.

The Company has registered branch offices:

- RB Rail AS Lietuvos filialas with the registered address at J. Basanavičiaus g. 24, Vilnius, Lithuania,
- RB Rail AS Eesti filiaal registered at Veskiposti tn 2/1, Tallinn, 10138, Estonia
- RB Rail AS Latvijas filiāle registered at Satekles iela 2B, Riga, Latvia.

The financial statements of the Company for the period from 1 January 2023 through 31 December 2023 were approved by a resolution of the Company's shareholders on 17 April 2024.

2. Summary of significant accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with the Law of the Republic of Latvia on Annual Financial Reports and Consolidated Financial Reports.

The financial statements have been prepared on a historical cost basis. The monetary unit used in the financial statements is *euro* (hereinafter - EUR), the monetary unit of the Republic of Latvia.

Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised in the normal operating cycle;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

The Company has determined that it's normal operating cycle is full delivery of each grant agreement, therefore it classifies accrued income and deferred income from CEF co-financing as current even though it is estimated that some balances might be settled after a period of one year.

Other operating income

The following specific recognition criteria must be met before income is recognised:

Income from CEF co-financing and related national co-financing is recognized when direct eligible costs are incurred, applying CEF co-financing rate and national co-financing rate in the respective CEF Grant Agreement:

	CEF co-financing rate	National co-financing rate
2014 Action (INEA/CEF/TRAN/M2014/1045990)	85%*	15%
2015 Action (INEA/CEF/TRAN/M2015/1129482)	85%	15%
2016 Action (INEA/CEF/TRAN/M2016/1360716)	85%	15%
2019 Action S (INEA/CEF/TRAN/M2019/2098304)	85%	15%
2019 Actio W (INEA/CEF/TRAN/M2019/2098073)	85%	15%
2020 Action (INEA/CEF/TRAN/M2020/2428991)	85%	15%
21-LV-TM-RBMMLV CEF2-1MM*	50%	50%
2021 Action (101079279-21-EU-TC-RBGP Part VII C)	85%	15%
2022 Action (101122614-22-EU-TC-RBGP Part VIII C), except	85%	15%
work package 4, T4.1.	50%	50%
2022 Action (101122611-22-EU-TG-RBGP Part VIII G), except	85%	15%
work packages 2, T2.1. , T2.2. and 4, T4.1.	81%	19%
work package 5, T5.1.	30%	70%

*CEF Military Mobility project, where LV Ministry of Transport is a project coordinator and RBR have to perform delivery of specific tasks

Corporate income tax

In accordance with Corporate Income Tax laws in Latvia and Estonia tax is payable only at the moment of distribution of profits or for transactions considered as deemed distribution at a rate of 20%. Corporate income tax in Lithuania is payable on taxable income at a rate of 15%, after tax relief of 70% for prior period losses. The Company has accumulated tax losses of 221 569 EUR in Lithuania as at the end of 2023. Deferred tax asset is not recognized.

Intangible assets

Intangible assets are stated at costs less amortization and any impairment of value, and are amortised over their useful lives. Software licenses are amortised over the license period. Development costs of software applications are capitalized and amortised over the period of three years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office furniture	- 5 years
Other fixed assets	- 3 years

Depreciation is calculated starting with the following month after the asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

To the extent that the Company depreciates separately some parts of plant, property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of an asset's net selling price and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the statement of profit or loss in the decrease in value adjustments caption.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the depreciation caption.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at historical costs less repayments, write-offs and provisions for bad debts.

Cash

Cash comprises balances of current accounts with banks.

Loans received

Loans received are financial instruments which are measured at historical costs less repayments of principal amounts.

Leases

A lease is a contractual arrangement under which lessor provides to lessee rights of use of a particular asset for a given period of time for a consideration. Accounting treatment of a lease is determined by its classification at inception date.

A lease is classified as finance lease if it transfers to lessee substantially all risks and rewards of ownership, and at least one of the following conditions is true:

- Ownership rights are transferred to lessee by the end of a lease period;
- A lease period covers substantially all of asset's useful life even if ownership rights are not transferred;
- The leased asset is of a specific nature such that only the lessee can use it without major modifications being made.

At commencement of the lease term, finance leases are recorded as an asset and a liability at the present value of the minimum lease payments as discounted at the interest rate implicit in the lease.

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The depreciation policy for assets held under finance leases is the same as for owned assets.

A lease which does not transfer substantially all risks and rewards of ownership to lessee is classified as operating lease. Payments under operating leases are recognized in the statement of profit or loss over the lease term.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants received from the European Commission for the purchase, development or construction of non-current assets are initially recognised as deferred income and taken to the statement of profit or loss on a systematic basis over the useful life of the relevant non-current assets. Other government grants are recognised as income on a systematic basis over the period when the Company expenses the costs that the grants compensate. A government grant that becomes receivable as compensation for expenses already incurred is recognised as income of the period in which it becomes receivable.

From 2022 until end of 2025 RB Rail financing is governed by Agreement on Financing of The Company signed with the ministries of the three Baltic States responsible for implementation of Rail Baltica project. Additional agreement was concluded during 2023 with Lithuanian implementing body of Rail Baltica project – Cooperation agreement between The Company and LTGI Infra AB for 2023-2025. The substance of all agreements is financing RB Rail AS by sharing and compensating actual costs of Rail Baltica project coordination and implementation, therefore their accounting treatment is identical to that of government grants.

Because of the different legal forms of the agreements, the Company sought a joint view of the three tax administrations of Baltic States on the application of VAT and corporate income tax to these cost-sharing transactions, and received answers that the economic activity of RB Rail AS is not provision of services in the context of VAT and income tax laws.

Deferred income

Deferred income is recognised when funds from European Commission's European Climate, Infrastructure and Environment Executive Agency (CINEA) and the three Baltic governments have been used for acquiring non-current assets. Deferred income is taken to income gradually over the useful lives of the relevant non-current assets. Part of the deferred income, which will be recognized in income later than one year, is classified as non-current deferred income. Balances of grant pre-financing received, and not yet used for planned eligible expenses, are also recognized as deferred income and classified as current.

Subsequent events

Post-period-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Use of significant accounting judgments and estimates

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Useful life of property, plant and equipment

Useful life of property, plant and equipment is reviewed regularly, at least once a year, at the close of reporting period. As at the end of 2023 no adjustments to useful life assumptions were necessary.

Carrying amounts of property, plant and equipment

The Company's management reviews the carrying amounts of property, plant and equipment and assesses whenever indications exist that the assets' recoverable amounts are lower than their carrying amounts. Taking into consideration the Company's planned level of activities and the estimated total value of Rail Baltica project, the Company's management considers that no significant adjustments to the carrying values of property, plant and equipment are necessary as of 31 December 2023.

Recognition of income from CEF grants

The Company recognizes income from CEF grants based on eligible costs incurred for each Action covered by a Grant Agreement. Cost eligibility of the Company is based on Grant Agreement conditions, European Commission Guidelines on the Eligibility of Costs under the Connecting Europe Facility, various European Commission guidelines and various internal procedures that enables the cost eligibility criteria set by the European Commission. Company's management has considered the classification of expenses as eligible and non-eligible for 2023 and believes that no adjustments are necessary.

Accrued income

Accrued income represents the excess of eligible costs incurred over the grant financing already received and allocated to the Company as well as the grant and national co-financing receivable from national Beneficiaries – stakeholders of Rail Baltica project according to the concluded financing agreements. Management considers accrued income balances recoverable as of 31 December 2023.

Going concern

At each year-end management makes assessment whether the Company has adequate resources to continue its operations for at least one year from the end of the reporting year. See Note 23.

4. Other operating income

	2023 EUR	2022 EUR
Income from CEF grants co-financing from CINEA to compensate the following costs:		
Project implementation support measures*	14 152 709	17 094 106*
Technical and operational studies and IT systems	3 588 727	1 322 537
PR, marketing and business development	407 572	336 063
Total income from CEF grants	18 149 008	18 752 706
Financing income from Latvia	1 701 068	1 418 761
Non-deductible input VAT compensation from the Government of Latvia	1 147 449	1 215 937
Financing income from Estonia*	1 457 227	(800 927)
Financing income from Lithuania	2 191 984	2 108 287
Gain/(Loss) on sale and disposal of assets	(334)	1 898
TOTAL:	24 646 402	22 696 662

*Financing income from Estonia was reduced by 2 103 859 EUR in 2022, and Income from CEF grants, project implementation support measures, increased for the same amount. Reasons for re-classification are explained further in this note.

Implementation of the Rail Baltica Global Project is financed under Connecting Europe Facility instrument. Up to now Company, on behalf of the national Beneficiaries, has signed 9 Grant Agreements, that allow the implementation of Rail Baltica Global Project, and Company is being part of 1 Grant Agreement, which is managed by Ministry of Transport of Latvia. Total estimated eligible costs under signed grant agreements exceed 2,6 billion EUR with a maximum co financing rate of 85% from the European Commission side.

	Grant Agreement No.	Signed on	Total eligible costs, EUR	CEF co-financing, EUR	National co-financing, EUR
1.	INEA/CEF/TRAN/M2014/1045990	24.11.2015	536 710 101	442 230 614	94 479 487
2.	INEA/CEF/TRAN/M2015/1129482	18.11.2016	153 168 872	130 193 541	22 975 331
3.	INEA/CEF/TRAN/M2016/1360716	13.06.2018	129 966 867	110 471 838	19 495 029
4.	INEA/CEF/TRAN/M2019/2098304	16.11.2020	86 145 749	73 223 887	12 921 862
5.	INEA/CEF/TRAN/M2019/2098073	16.11.2020	128 119 171	108 901 296	19 217 875
6.	INEA/CEF/TRAN/M2020/2428991	19.10.2021	19 646 555	16 699 572	2 946 983
7.*	21-LV-TM-RBMMLV CEF2-1MM	09.08.2022	112 947 493	56 473 747	56 473 746
8.	101079279-21-EU-TC-RBGP Part VII C	19.10.2022	422 629 844	353 879 159	68 750 685
9.	101122614-22-EU-TC-RBGP Part VIII C	16.10.2023	411 321 203	323 530 274	87 790 929
10.	101122611-22-EU-TG-RBGP Part VIII G	16.10.2023	713 437 285	605 437 332	107 999 953
	TOTAL:		2 714 093 140	2 221 041 260	493 051 880

*CEF Military Mobility project, where Ministry of Transport of the Republic of Latvia is a project coordinator and RB Rail AS have to perform delivery of specific tasks

As the main task of the Company, as set by the shareholders, is to design, construct and market Rail Baltica, all Company's expenses are regarded as fully CEF eligible, with the exception of certain types of expenses of clearly administrative nature, which are specifically referred to in the CEF Grant Agreements as non-eligible. Compensation for these non-eligible expenses is part of financing income from Latvia, Estonia and Lithuania reflected above.

In 2023 and 2022 income from CEF grants was recognized in the amount of 85% from eligible expenses incurred during the reporting year.

Since 2020 the governments of Latvia, Estonia and Lithuania undertake to finance the costs of RB Rail AS not covered from CEF grants from the national funds available for Rail Baltica project. From 2022 until end of 2025 RB Rail financing is governed by Agreement on Financing of The Company signed with the ministries of the three Baltic States responsible for implementation of Rail Baltica project. Additional agreement was concluded during 2023 with Lithuanian implementing body of Rail Baltica project – Cooperation agreement between The Company and LTGI Infra AB for 2023-2025.

Since December 2019 the Government of Latvia undertakes to compensate the non-deductible input VAT incurred by the Company in Latvia. 1 597 988 EUR for the period from 1 January 2022 to 30 June 2023 was transferred to RB Rail AS by the Ministry of Transport of the Republic of Latvia during 2023. The balance of accrued VAT compensation income for the period 1 July 2023 to 31 December 2023 of 765 399 EUR is included in Receivables from associates (see Note 9).

The substance of all agreements is financing RB Rail AS by sharing and compensating actual costs of Rail Baltica project coordination and implementation.

The financing income from the national beneficiaries of the Rail Baltica project are recognized following the same accounting principles as income from CEF and other government grants.

In 2023 the Company and other Beneficiaries of the enacted CEF grant agreements submitted to CINEA their individual Interim Financial Statements (IFS) on costs incurred for delivery of the Grant Agreement tasks during 2021-2022 period (Grant agreements 1, 2 and 3 only). Subsequently CINEA performed desk review of submitted costs and approved the claim in full for costs related to particular CEF Grant Agreements.

As RB Rail recognizes financing income for eligible costs on accrual basis – in the same reporting periods, when costs were incurred, annual report of the Company for 2021 included income accrual for compensation receivable from the Estonian Beneficiary in amount of 2 103 859 EUR, in line with the previous reporting of IFS. In the light of the CINEA audit opinion received, the Company now reported these eligible costs in its own IFS for 2021 submitted in 2023. The previously accrued financing income from Estonia of 2 103 859 EUR was, therefore, re-classified in 2022 financial statements to income from CEF grants.

5. Personnel costs

	2023	2022
	EUR	EUR
a) Remuneration for work		
Project management team remuneration	11 907 999	10 861 250
Management board remuneration	1 400 359	1 198 660
Supervisory board remuneration	181 643	180 524
TOTAL:	13 490 001	12 240 434
b) Social insurance costs		
	2023	2022
	EUR	EUR
Project management team	2 368 042	2 254 794
Management Board members	227 411	184 605
Supervisory board members	35641	32 398
TOTAL:	2 631 094	2 471 797
c) Other social insurance costs		
	2023	2022
	EUR	EUR
Entrepreneurship state risk duty	613	585
TOTAL:	613	585

At the end of financial year 2023 the Company employed 215 employees, and had 5 Management Board members and 6 Supervisory Board members (2022: 215, 4 and 5 respectively). The average number of employees during the reporting year was 209 (2022: 209).

6. Other costs of economic activity

	2023 EUR	2022 EUR
Professional service fees	3 844 152	3 236 766
Travel costs	290 433	442 037
Public relations, communications and marketing	169 692	234 214
Office rent, maintenance and administrative expenses	1 227 073	1 146 505
Other project implementation support measures	1 101 150	961 047
Recruitment and training	258 934	347 323
Non-recoverable input VAT	1 215 189	1 287 445
TOTAL:	8 106 623	7 655 337

7. Corporate income tax

	2023 EUR	2022 EUR
Current corporate income tax charge for the reporting year in Latvia	699	749
Current corporate income tax charge for the reporting year in Estonia	8 124	4 604
Current corporate income tax charge for the reporting year in Lithuania	1 709	485
Total corporate income tax expense:	10 532	5 838

8. Non-current assets

	Intangible assets	Investments in leased property	Other fixed assets	TOTAL
Carrying amount as at 31 December 2022	310 412	5 669	316 608	632 689
Additions 2022	17 018	25 995	440 828	483 840
Disposal	-	-	(30 391)	(30 391)
Disposal Depreciation in Period 2022	-	-	30 391	30 391
Depreciation charge 2022	(188 702)	(2 000)	(175 492)	(366 194)
Carrying amount as at 31 December 2023	138 728	29 664	581 944	750 335
Additions 2023	100 805	-	137 305	238 110
Disposal	-	-	(13 802)	(13 802)
Disposal Depreciation in Period 2023	-	-	13 220	13 220
Depreciation charge 2023	(153 558)	(6 333)	(239 786)	(399 676)
Carrying amount as at 31 December 2024	85 975	23 331	478 881	588 187

9. Receivables from associates

	31.12.2023 EUR	31.12.2022 EUR
VAT compensation receivable from Ministry of Transport of the Republic of Latvia	765 399	1 215 937
TOTAL:	765 399	1 215 937

Since December 2019 the Government of Latvia undertakes to compensate the non-deductible input VAT incurred by the Company in Latvia. 1 597 988 EUR for the period from 1 January 2022 to 30 June 2023 was transferred to RB Rail AS by the Ministry of Transport of the Republic of Latvia during 2023. The amount included in receivables from associates as at 31.12.2023 represents the compensation receivable for period from 1 July 2023 to 31 December 2023.

10. Other receivables

	31.12.2023 EUR	31.12.2022 EUR
Tax receivables (see Note 17)	123 902	114 323
Security deposit for office rent	62 047	62 047
Other receivables	662	812
TOTAL:	186 611	177 182

11. Prepaid expense

	31.12.2023 EUR	31.12.2022 EUR
Insurance	17 533	27 544
Software and other subscription costs	180 966	196 864
Participation in exhibitions and conferences	275	-
Training	2 995	4 200
Office rent	41 664	35 523
Advances to suppliers	159 038	24 998
TOTAL:	402 471	289 129

12. Accrued Income

	31.12.2023 EUR	31.12.2022 EUR
Accrued 2014 Action income	1 494 747	7 742 443
Accrued 2015 Action income	137 516	92 807
Accrued 2016 Action income	1 265 467	1 241 701
Accrued 2019 Action income	17 979 494	10 308 324
Accrued 2020 Action income	142 773	-
Accrued income from Latvia	-	770 692
TOTAL:	21 019 997	20 155 967

Accrued income from CEF grants comprises grant financing receivable under CEF Grant Agreements from the European Commission's The European Climate, Infrastructure and Environment Executive Agency (CINEA) based on the eligible costs of the Company incurred until the end of the reporting year.

Accrued income from Latvia represent financing receivable form the Ministry of Transport of the Republic of Latvia according the Financing agreement of RB Rail AS in 2022 – 2025, and was based on the costs of the Company incurred until the end of year 2022, for which the respective financing share form Latvia was not yet received.

13. Cash

	31.12.2023 EUR	31.12.2022 EUR
Company's operational accounts	39 986 423	13 401 380
TOTAL:	39 986 423	13 401 380

14. Share capital

As at 31 December 2023 the share capital of the Company is 1 950 015 EUR (31.12.2022: 1 950 015 EUR) and consists of 1 950 015 shares. The share capital is fully paid up. The par value of each share is 1 EUR. As at 31 December 2023, the share premium amounted to 9 749 985 EUR (31.12.2022: 9 749 985 EUR).

As at 31 December 2023, the shares were distributed as follows:

	%	Number of shares	Share premium
Rail Baltic Estonia OU	33.33	650 005	3 249 995
Eiropas dzelzcela linijas SIA	33.33	650 005	3 249 995
Rail Baltica Statyba UAB	33.33	650 005	3 249 995
TOTAL:	100	1 950 015	9 749 985

15. Loans from associates

The carrying amounts of the loans received at the end of reporting period were as follows:

	31.12.2023 EUR	31.12.2022 EUR
Non-current portion of the bridge loans:		
Bridge loan from the Ministry of Transport and Communications of the Republic of Lithuania	7 108 308	1 150 788
Bridge loan from the Ministry of Transport of the Republic of Latvia	8 248 697	6 699 650
*Bridge loan from the Ministry of Economic Affairs and Communications / Ministry of Climate of the Republic of Estonia	7 529 999	5 654 817
Total non-current portion of bridge loans from related parties	22 887 004	13 505 255
Current portion of the bridge loans:		
Bridge loan from the Ministry of Transport and Communications of the Republic of Lithuania	3 067 735	392 204
Bridge loan from the Ministry of Transport of the Republic of Latvia	3 898 170	1 206 177
*Bridge loan from the Ministry of Economic Affairs and Communications / Ministry of Climate of the Republic of Estonia	5 340 781	2 139 353
Total current portion of bridge loans from related parties	12 306 686	3 737 734
TOTAL:	35 193 690	17 242 989

The terms of the CEF grant agreements provide a significant time gap between the 50% pre-financing and receiving the remaining 50% of approved grant financing. To help RB Rail overcome this financing gap other Beneficiaries of Rail Baltica project in the Agreement on Interim Financing of RB Rail AS in 2019, and subsequent Agreements on Interim Financing of RB Rail AS in 2020 and 2021 and 2022-2025, agreed to provide interest-free bridge loans to the Company from the CEF funds available to them until the time when RB Rail will receive the respective interim and final payments from CINEA.

The Ministry of Transport and Communications of the Republic of Lithuania transferred 8 633 050 EUR loans to RB Rail AS bank account during 2023. The loans from the Ministry of Transport of the Republic of Latvia and from the Estonian

Beneficiary - Ministry of Economic Affairs and Communications and, after the Beneficiary in Estonia role transfer, to the Ministry of Climate of the Republic of Estonia, effective since 1 July 2023, were withheld by RB Rail AS by mutual agreement from the CEF pre-financing amounts received on coordinator's account and attributable to the Beneficiary during the pre-financing distribution. In 2023 additional loans were withheld from CEF pre-financing payments due to the Ministry of Transport of the Republic of Latvia of 4 241 041 EUR and from the Estonian Beneficiary – 3 834 904 EUR. A partial repayment was made to the Ministry of Economic Affairs and Communications of the Republic of Estonia in amount of 1 989 474 EUR.

*In September 2023 a three-party agreement was signed among RB Rail AS, Ministry of Climate of the Republic of Estonia and the Rail Baltica national implementing organization Rail Baltic Eesti OU, re-classifying a balance of excess national financing received by RB Rail from Rail Baltic Eesti OU, in amount of 3 231 181 EUR, to bridge loans repayable by RB Rail AS to the Ministry of Climate of the Republic of Estonia. The excess financing accumulated during 2021 and 2022 due to the change of cost reporting mechanism in IFS, required by CINEA, as described in Note 4. The respective amount is, therefore, included in the balance of bridge loans from The Ministry of Climate of the Republic of Estonia at the end of the reporting period.

16. Deferred income

Non-current deferred income comprises grant financing and national financing used for acquisition of non-current assets recognised as income gradually over the useful life of the assets in periods later than one year, and balances of grant pre-financing, if they are expected to be used for eligible costs later than in one year's time.

Current deferred income comprises unused balances of financing received and expected to be used for eligible costs in one year's time as well as financing used for acquisition of non-current assets to be recognised in income next year.

	31.12.2023 EUR	31.12.2022 EUR
Non-current portion of deferred income related to non-current assets	239 834	385 302
Current portion of deferred income related to non-current assets	256 152	364 853
Current portion of deferred income related to balance of 2020 Action financing	-	1 597 309
Current portion of deferred income related to balance of 2021 Action financing	2 867 993	3 231 442
Current portion of deferred income related to balance of 2022 Action financing	11 458 220	-
Current portion of deferred income related to balance of financing from Latvia	789 833	-
Current portion of deferred income related to balance of financing from Estonia	1 018 112	3 398 227
TOTAL:	16 630 144	8 977 133

17. Taxes (payable) /overpaid

	31.12.2023 EUR	31.12.2022 EUR
Latvia		
Value added tax	(232 926)	(27 965)
Accrued solidarity tax recoverable	104 917	101 875
Estonia		
Balance of tax prepayments	6 139	4 463
Lithuania		
Value added tax	210	1 741
Statutory social insurance contributions	12 112	5 800
Personal income tax	524	444
Accrued corporate income tax for 2023	(1 104)	-
TOTAL:	(110 128)	86 358
TOTAL LIABILITY:	(234 030)	(27 965)
TOTAL OVERPAYMENT (See Note 10):	123 902	114 323

18. Accrued liabilities

	31.12.2023 EUR	31.12.2022 EUR
Accrued liabilities for unused vacations	639 496	639 560
Accrued liabilities for employee annual bonuses	1 281 652	987 789
Accrued liabilities for professional services	997 365	51 320
Accrued liabilities for audit services	25 350	23 750
Other accrued liabilities	5 182	6 471
TOTAL:	2 949 045	1 708 890

19. Contingent liabilities

Lease commitments at the end of the reporting period:

	31.12.2023 EUR	31.12.2022 EUR
Lease of premises	2 366 927	2 995 779
Lease of furniture	122 363	155 114
Lease of cars	32 361	64 367
Other leases	5 696	9 992
TOTAL:	2 527 347	3 225 252

20. Related party disclosures

Related parties are defined as shareholders that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions, members of the key management personnel of the Company or its shareholders, and close members of the families of any individual referred to previously, and entities over which these persons exercise significant influence or control.

The Company is a joint venture by Rail Baltic Estonia OÜ, Eiropas dzelzceļa līnijas SIA and Rail Baltica statyba UAB, each of them owning 33.33% of the Company's shares. The Company's shareholders have been established by the respective Ministry in each country: Ministry of Economic Affairs and Communications in Estonia, Ministry of Transport in Latvia and Ministry of Transport in Lithuania (as a subsidiary of the state owned company Lithuanian Railways – Lietuvos Geležinkeliai AB). RB Rail AS and the three Baltic ministries are the Beneficiaries of the CEF Grant agreements.

Following the parliamentary elections in Estonia government ministries were reorganized, and the Ministry of Climate took over the tasks related to Rail Baltica in Estonia from the Ministry of Economic Affairs and Communications, effective from 1 July 2023.

During 2023 the Company as a coordinator received pre-financing amounts from CINEA in line with the signed and active Grant Agreements. All pre-financing was distributed to all four Beneficiaries with exception of the bridge loans withheld from Latvian and Estonian Beneficiaries as described in Note 15.

During 2023 the Company made a partial repayment of bridge loans to the Estonian Beneficiary (see Note 15).

Ministry of Transport of the Republic of Latvia transferred to the bank account of RB Rail AS 3 254 422 EUR financing during 2023 in line with the Interim Financing Agreement (IFA) 2022-2025 as well as a compensation of non-deductible input VAT incurred by the Company of 1 597 988 EUR, while compensation for July to December 2023 remained receivable (see Note 9).

Other related party is the national implementing body in Lithuania – LTG Infra AB, subsidiary of Lietuvos Geležinkeliai AB, with whom an Agreements were signed in 2021, 2022 and 2023 for financing of the relevant share of RB Rail AS costs. Based on the Agreement on Interim Financing of RB Rail AS in 2023-2025 the Ministry of Transport of the Republic of Lithuania provided financing of 2 321 613 EUR through the national implementing body LTG Infra AB, of which 137 723 EUR remained unused and repayable as at 31.12.2023. The balance of un-used financing for 2022 of 444 590 EUR was repaid to LTG Infra AB in 2023.

Rail Baltic Estonia OU, the national implementing body of Rail Baltica project in Estonia, transferred financing of 2 300 200 EUR to RB Rail AS based on the Cooperation Agreement signed in 2022.

Included in the Payables to related parties as of 31 December 2023 and 2022 is 1272 EUR re-payable to the Ministry of Climate of the Republic of Estonia for the financing provided to RB Rail AS to cover costs incurred for 2019 activities. The amount originated from the solidarity tax refund received in 2020 for the costs reported in 2019.

There were no other payables to or receivables from related parties at the end of the current period and previous reporting period.

21. Risk profile

The risk profile refers to the risks that RB Rail AS is exposed to. Current risk profile is composed of RailBaltica Global Project and RB Rail AS Corporate risks, where Corporate risks are diversified in strategic risk, financial risk, operational risk, compliance and legal risk, reputational risk. RailBaltica Global Project risk portfolio is formed from strategic and program (project) risks.

In line with the integrated risk management framework, all risks are documented within risk registers, depositories of risk data are established with aim to ensure availability of reliable data for risk analysis and decision making. Risks are assessed both qualitatively and quantitatively to ensure holistic overview on the Company and Rail Baltica Global Project levels.

The Corporate risk profile refers to the risks that RB Rail AS is exposed to. Financial risk, operational risk, reputational risk, compliance risk and strategic risk are considered as material risks.

Financial risk

The main financial risks arising from the Company's financial activity are liquidity risk, eligibility risk and credit risk.

Liquidity risk

The Company manages its liquidity risk by arranging adequate amount of shareholders' and national Beneficiaries' financing and applying for CEF pre-financing and interim payments, planning of payment terms for trade payables, developing and analyzing future cash flows, as well as consolidated cash flows for the Project.

In 2022, the Agreement on Financing of RB Rail AS in 2022 - 2025 was signed with the national Beneficiaries as well as the related agreements with Rail Baltic Estonia OU for 2022-2025. In 2023 agreement with AB LTG Infra was signed for 2023-2025. The agreements ensure national co-financing for activities financed by CEF grants, financing of expenses regarded as non-eligible under grant agreements (including VAT) and bridge financing to cover periods of RB Rail AS operations when costs eligible for grant financing had been incurred, but grant payments are not yet received.

The Company's budget for 2024 was approved considering availability of adequate financing for the planned activities in 2024.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments. Financial risks arising from the Company's financial instruments are liquidity risk, eligibility risk, credit risk and operational risk.

	31.12.2023 EUR	31.12.2022 EUR
Payable in less than 3 months		
Accounts payable to suppliers and contractors	1 074 122	841 944
Taxes payable	232 926	27 965
Bridge loans repayable	2 355 230	1 989 474
Other payable to related parties	138 994	445 862
Total payable in less than 3 months	3 801 272	3 305 245
Bridge loans repayable in 3 to 12 months	9 951 456	1 748 260
Bridge loans repayable later than in 1 year	22 887 004	13 505 255
TOTAL:	36 639 732	18 558 760

Eligibility risk

The Company is exposed to cost eligibility risk through assigning European Union co-financing for Rail Baltica Project implementation. Based on the provisions of the Inter-Beneficiary Agreement, each party shall be liable for its own actions or omissions which are in breach of the grant agreements. However, based on the provisions of grant agreements, RB Rail AS as the project Coordinator has assumed liability to repay CINEA amounts, even if it has not been the final recipient of the amounts due. The Company manages its Eligibility risk through developing internal governance documents related to cost compliance control, and implementing internal control systems to ensure that cost compliance conditions are followed. For Multiannual Financial Framework 2014 – 2020 Actions eligibility risk is mostly associated with the non-delivery of the Action's scope and ability to incur all CEF available financing till the end of 31.12.2024 thus increasing national contributions needed to complete various CEF grant agreements tasks in further years. Mostly, this risk is associated with scope of work national Beneficiaries are accountable for. Externally, CINEA and EC have been informed and requested to consider the possible extensions of the CEF grant agreement until 31.12.2025 under MFF 2014-2020 to mitigate risk amounts. Internally, at RB Rail level tasks and activities, that are under potential risk, are being monitored, and acceleration plans have been requested to be developed already in 2023. Considering that under Multiannual Financial Framework 2021- 2027 regulatory framework changed compared to the previous periods (Multiannual Financial Framework 2014 - 2020), the eligibility risks have increased, including overheads cost management. Continuous discussions with Beneficiaries are held to find appropriate risk mitigation measures on future financing of the Company.

Credit risk

RB Rail AS partners in money market and payment transactions are financial institutions with appropriate credit ratings and reputation. Company's financial resources can be kept in banks, which themselves or their parent received credit rating by international rating agencies, which is at least one notch above the investment grade. Considering the materiality of CEF grant amounts received on the Company's as Coordinator's account and attributable to all Beneficiaries all EU grants financing are received on Treasury account. Since the beginning of the Russian military aggression in Ukraine and the international sanctions imposed on many banks and their clients, the overall credit risk increased, therefore the Company's management made a policy decision to keep majority of its funds at State Treasury.

Operational risk

Operational risks are inherent to RB Rail AS business operations and should be mitigated, transferred, or avoided, if possible, if this is economically feasible. The potential and realized operational risks are assessed both qualitatively and quantitatively. Operational risks are mitigated mainly on process level by setting up controls and specific mitigation activities for each identified risk. To reduce process risks, internal documentation is elaborated, reviewed, and upgraded to ensure availability of process description and standardized approach.

A lot of attention is paid to Security, including person and information security, and Health and Safety areas, trainings for employees are performed to ensure necessary level of knowledge in these specific areas.

To reduce the possible exposure of pandemic or epidemic event risk reoccurrence, as well in order to ensure the continuity of operations, a hybrid working model was introduced since 2022.

Strategic risk

Strategic risk might arise from wrong business decisions or inadequate implementation. In order to set a long-term goal, define activities to achieve strategic targets, the Corporate Strategy was elaborated and approved in 2020. Main strategic risks were identified within SWAT analysis, being a part of Corporate Strategy, and possible mitigation measures incorporated into strategic priorities, cascaded as strategic activities to operational unit level that are aimed to successful achievement of strategic targets and ensuring business continuity. A process to monitor the implementation of strategic activities and its quality, thus, to monitor and mitigate the strategic risks, was established. Strategic risks are managed by

interlocking strategic decision making and risk management processes, meaning that possible risks are identified and evaluated prior decision making.

Compliance and legal risk

Compliance function ensures advisory tasks for RB Rail AS both on corporate and Rail Baltica Global Project levels on compliance with the applicable external regulations. Compliance risk management is ensured by identification of possible threats of changes or new regulatory requirements in the legal area on the business operations of the Company and provide recommendations and requirements for risk mitigation and elimination; monitors the adherence to legal requirements on a regular basis, ensuring that internal processes and documentation are elaborated in compliance.

Reputational risk

Reputational risk is a threat to the image of RB Rail AS, which may be caused by adverse publicity regarding Rail Baltica Global Project or the Company's activities and cause loss of confidence. Main sources of the reputational risk are identified as actions of the Company, Company's employees, Shareholders or third parties – partners, suppliers etc. Reputational risks may arise in conjunction with or as a consequence of the realization of other risks, e.g. compliance, operational, strategic or financial, therefore, reputational risk exposure is controlled indirectly through the controls of the respective risk types where it may arise – elaboration of mitigation measures of other risk types includes reputational risk mitigation activities, if relevant. Mainly, in 2023 reputational risk arise from negative publicity, thus, constant monitoring of publications in media is ensured and as preventive mitigation measures development of communication strategy and mitigation activities in case of negative publications was performed.

22. Subsequent events

On 30 January 2024 the Company submitted two project proposals to European Commission for further financing of Rail Baltica project under the 2023 CEF Transport MAP call. The total value of the application is up to 2,2 billion EUR, of which total costs for RB Rail AS activities are planned for around 100 million EUR. The approval and the amount of the potential grant is not certain, and will be announced later in 2024.

As of the last day of the reporting year until the date of signing these financial statements, there have been no other events that could produce a substantial impact on the results of the year.

23. Going concern

RB Rail AS Budget 2024 was approved considering the balances of funds already at Company's disposal at 31 December 2023, the expected financing under the enacted CEF grant agreements and the remaining financing to be provided by the Beneficiaries within the framework of the Financing agreement of RB Rail AS for 2022-2025.

The Company has sufficient financial and other resources as at the end of the financial year 2023 to continue operations at least for one year, therefore these financial statements are prepared on a going concern basis.

Marko Kivila
Chairman of the Management Board

Anita Pūka
Chief Accountant

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