

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

**ANNUAL REPORT  
FOR THE YEAR ENDING 31.12.2021  
(7<sup>th</sup> financial year)**

**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, 2022**

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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	<p>Rail Baltic Estonia OÜ (33.33%) Registration No. 12734109 Endla 16, Tallinn 10142, Estonia</p> <p>Eiropas dzelzcela linijas SIA (33.33%) Registration No. 40103836785 Gogola street 3, Riga, LV-1050, Latvia</p> <p><i>Rail Baltica</i> statyba UAB (33.33%) Registration No. 303227458 Mindaugo street 12, Vilnius, LT-03225, Lithuania</p>
Branches	<p>RB Rail AS Lietuvos filialas, Reg. No. 304430116 J. Basanavičiaus g. 24, Vilnius LT-03224, Lithuania</p> <p>RB Rail AS Eesti filial, Reg. No. 14168654 Endla 16, Tallinn 10142, Estonia</p> <p>RB Rail AS Filiāle, Reg. No. 40203254781 Satekles iela 2B, Riga, Latvia</p>
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 2021 – 31 December 2021
Previous reporting year	1 January 2020 – 31 December 2020
Chief Accountant	Anita Pūka
Auditor and certified auditor name and address	<p>Deloitte Audits Latvia SIA Grēdu iela 4A Riga, LV-1019 Latvia</p> <p>Certified auditor in charge: Inguna Staša Certificate No. 145</p>

## 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	14.10.2020
Agnis Driksna	Chairperson of the Management Board	15.10.2020	-
Ignas Degutis	Member of the Management Board	11.03.2019	29.01.2021
Ignas Degutis	Member of the Management Board	14.03.2022	-
Mark Stephen Loader	Member of the Management Board	01.02.2020	13.03.2022
Marc Philippe El Beze	Member of the Management Board	16.11.2020	-
Veiko Haavapuu	Member of the management Board	01.09.2021	13.03.2022

### Members of the Supervisory Board

Name	Position	Elected	Released
Sandor Liive	Member of the Supervisory Board	29.10.2020	14.01.2021
Sandor Liive	Chairman of the Supervisory Board	14.01.2021	31.12.2021
Sandor Liive	Member of the Supervisory Board	01.01.2022	-
Anrī Leimanis	Chairman of the Supervisory Board	11.11.2020	14.01.2021
Anrī Leimanis	Deputy Chairman of the Supervisory Board	14.01.2021	-
Karolis Sankovski	Deputy Chairman of the Supervisory Board	11.11.2020	31.12.2021
Karolis Sankovski	Chairman of the Supervisory Board	01.01.2022	-
Ahti Kuningas	Deputy Chairman of the Supervisory Board	11.11.2020	14.01.2021
Ahti Kuningas	Member of the Supervisory Board	14.01.2021	31.12.2021
Ahti Kuningas	Deputy Chairman of the Supervisory Board	01.01.2022	-
Ligita Austrupe	Member of the Supervisory Board	21.12.2020	-
Romas Švedas	Member of the Supervisory Board	21.12.2020	-

## Management report

The Joint Venture of the Baltic States, RB Rail AS (here in after – the Company) was established in 2014 to lead and coordinate the implementation of the Rail Baltica Global Project – a cross-border project in the territories of Estonia, Latvia and Lithuania being a critical missing link of the EU's North Sea – Baltic core network corridor.

Owned by three shareholders, the Company's business according to the Shareholders Agreement is design, construction, and marketing, including branding, of the Rail Baltica Global Project. The role of the Company also includes coordination of the Global Project, monitoring and supervision of implementation of the Activities by other Global Project parties, development and supervision of technical and procurement standards and guidelines, and others.

The Company also submits EU financing proposals for the Rail Baltica Global Project on behalf of the national Beneficiaries (the Ministry of Economic Affairs and Communications of the Republic of Estonia, the Ministry of Transport of the Republic of Latvia, and the Ministry of Transport of the Republic of Lithuania).

It also serves as the central purchasing body for all parties for the procurement of studies, plans, designs for the Global Project, railway sub-systems, including Control, Command and Signalling as well as Energy, construction materials and key components, and cross-border track sections.

### Governance

In 2021 the Company implemented wide range of activities to further strengthen the governance of the Company, and work continued to further implement the RB Rail's AS Corporate Strategy 2021 – 2026 by developing and approving the Company's annual strategic goals (KPIs) aligned with strategic objectives.

A new version of Articles of Association was approved in May 2021 *inter alia* clarifying the role and responsibilities of the Company's management and supervisory bodies in the decision-making process. More than twenty (20) internal governance documents were approved by the Management Board in 2021 strengthening the internal regulatory framework in procurement, health and safety, project management, finance, and other key areas. The internal control system is set up in accordance with the "Three Lines of Defence" model where both internal audit and risk management play key roles to ensure compliance and efficient risk management.

### Risk management

Risk management is an integral and substantial part of RB Rail AS corporate governance and includes strategies, methods, and processes to identify, analyse, assess, control, monitor and report the short-term and long-term risks the Company might face. Risk management is performed at all levels of the Company and is organized according to the "three lines of defence" model: 1 - risk takers on 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 RB Rail AS Corporate risks, diversified in strategic risk, financial risk, operational risk, compliance and legal risk, reputational risk, and Rail Baltica railway safety risk.

In 2021 the Company continued implementation and upgrade of the risk management framework by further development of Rail Baltica Global Project risk management system and development and alignment of RB Rail AS Corporate risk management system.

### Organizational Structure changes

First, in the second half of 2021 an amended organization structure of the Company was implemented with changes concerning two key areas: 1) Technical Division was reorganized to better reflect an railway organization and covering all necessary disciplines, and 2) Project management implementation function related to activities delegated by the Baltic States, in particular – the main line detailed technical designs, was separated from the Project management methodology and quality function and as a result – moved under the Company's branches in Lithuania, Latvia and Estonia.

The Company's team in 2021 grew from 132 people to 194, where 80 persons were hired and 18 left the Company. Additional staff members were hired across the whole organisation and locations to deal with the increasing project workload in the Technical Division, Project Management, Finance, Procurement and Administration. Key positions to ensure successful implementation of the Global project at the Company were filled by the end 2021, i.e., Head of Project Reporting and Control, Head of Project Management, Head of the Latvian Branch and Head of System Engineering and Assurance. Full effect of those changes and knowledge will be witnessed during 2022 and onwards.

In 2021 Performance Management programme was implemented to provide holistic performance review and assessment that reflects achievement of the strategic goals and implementation of the Company's values.

2021 was the first year where the Company's corporate KPI's were introduced following up the performance on the Company's, division, and individual level, and connected to a monetary bonus - a percentage of each employee's gross annual salary. Also, in 2021 the Company implemented Present Forward succession planning, carrying out a comprehensive list of activities to identify key positions, identify potential successors and identify short-term emergency deputies.

Present Forward succession plan is reviewed twice a year with the latest review taking place in December 2021.

### Global Project financing

In 2021 the Rail Baltica Global Project progress was further advanced by successful application for the next round of financing from the EU Connecting Europe Facility (CEF), and as a result additional 19.7 million EUR were secured from CEF and Baltic governments. Under the 2014 – 2020 EU Multiannual Financial Framework period, together with the newly signed agreement the three Baltic states and RB Rail AS have signed in total seven grants under CEF instrument for the construction of the Rail Baltica conventional railway infrastructure. Together with the previously signed grant agreements, Rail Baltica has thereby already secured around 1.2 billion EUR from the EU and national funds.

Additionally, together with three Baltic States, the Company has applied for further CEF financing under the 2021-2027 EU's Multi-annual Financial Framework. The decision based on applications submitted is expected in the first half of 2022 and the conclusion of financing contracts in the second half of this year.

### Project progress in 2021

In 2021 the Rail Baltica Global Project achieved several important milestones - delivery of the already ongoing activities has been continuously prioritised in particular the designs of the mainline that are progressing on more than 640 km of the total 870 km line, the first phase of construction works have started in all Baltic countries, numerous consolidated procurements for the construction materials have been launched, including launch of the procurement of a large-scale mainline construction in Latvia.

Also, in 2021 RB Rail AS selected an engineering service provider (ENE Engineer) for the Global project energy subsystem deployment to start the work by performing several technical and economic studies necessary to prepare for the procurement of the electrification design and build tender. Further, during the implementation phase, ENE Engineer will be acting as FIDIC Engineer covering the design and construction supervision, testing and commissioning duties,

till the end of defect notification period. In addition, together with the national project implementors SIA Eiropas Dzelzceļa līnijas, Rail Baltic Estonia OÜ and AB LTG Infra signed the contract with Certifer SA as the single safety assessment services provider (AsBo) for the entire Rail Baltica line, throughout the design, construction, and integration phases of the Global project. In the end of 2021 final preparations were made to ensure contract signing for the Rail Baltica Control-Command and Signalling Engineering and Works Supervision and was signed in the beginning of 2022.

Finally, in 2021 work on several significant studies was conducted. For example, in the beginning of 2021 the Company signed a contract for the implementation of the Rail Baltica Transport Demand Model with the primary objective – to forecast the passenger and freight demand for the Rail Baltica infrastructure for the first 30 years of operation with the model results expected in 2022. Later in the year, additional studies were started on how to promote long-term value creation and around Rail Baltica's seven international and numerous regional railway stations.

Additionally work on the next generation Cost Benefit Analysis and Business Plan for the Rail Baltica was started by launching a public procurement procedure.

Finally, the Company made public the strategic study for the railway passenger services in Latvia - the "Riga Node operation optimisation study" with the key objective to make an in-depth analysis, including benchmarking with international railway transport services and latest developments, and to redefine the future offer for an alternative and overarching railway transport in Latvia and in the neighbouring countries, considering all future benefits and opportunities which will be brought with implementation of the Rail Baltica mainline and economic corridor.

## **Procurement**

Procurement procedures at the Company were executed effectively – 5 procurement procedures received appeals, for 4 of which appeal decisions were in favour of the Company. Additionally, 5 procurement processes were terminated/discontinued, out of which 2 procurement procedures were relaunched. According to the RB Rail AS Supplier Survey 2021, 77% of suppliers said that the procurement quality of RB Rail AS is high or very high.

Efforts to improve the Global Project procurement policies and to ensure transparency and best practice application throughout the project is continuously on the agenda of the Company. In 2021 the Common Procurement Standards and Guidelines for the Rail Baltica Project were updated, considering the market feedback on the Covid-19-related challenges, and following the feedback from the State Audit Institutions of Estonia, Latvia, and Lithuania, including the updated minimum qualification requirements, which shall also be applied by the national implementing bodies.

## **Public Communication**

Public awareness and support about the project and support remained high on the agenda in 2021. The Company continued several already existing initiatives and introduced new ones.

In 2021 despite Covid-19, diverse online and physical gathering formats were used to engage with the relevant audiences and project partners, including the Rail Baltica Industry Day 2021 which was organised in November 2021 gathering online over 4500 participants from 35 countries to provide updates on the Rail Baltica Global Project progress and answer relevant questions on the diverse areas of the project. Additionally, and to expand audiences who follow the Rail Baltica project and can contribute with ideas and solutions, an international Rail Baltica hackathon (innovation booth) was organised bringing together over 150 people from more than 20 countries who in various roles worked on 17 solutions in the areas of connectivity, society engagement and environmental sustainability.

Each year many public communication and community engagement activities, campaigns and communication initiatives are being carried out to ensure visibility of the project in the Baltic States and beyond, ensure feedback loop with the relevant communities and build the trust and support for the project. To ensure regular feedback on the public communication efforts, the Company conveys an annual pan-Baltic Study of the Resident's Attitudes

At the end of 2021, the annual pan-Baltic survey on the resident's attitudes towards the Rail Baltica Global Project was conducted. The public opinion poll, which was conveyed already for the fourth consecutive year by the Rail Baltica project implementers, shows an increase of the general support for the Rail Baltica, but at the same time provides insights on numerous areas of the project where the Baltic countries residents might want to receive more information or be engaged. The results showed that the general support level for the largest railway infrastructure project in the Baltics has slightly increased comparing to the previous years across all three Baltic States. The highest support for the project is seen in Lithuania with more than 70% of the respondents sharing their positive attitude, followed by Latvia (66%) and Estonia (47%). The general awareness and information level have remained stable compared to the year before in all three countries.

Also, in September a special Baltic States express train started its journey from Tallinn to Vilnius to celebrate the European Year of Rail in 2021. For the first time together aboard this train, are the ministers of transport of all three Baltic States, along with the representatives from the Baltic States rail, the European Commission (EC), the Company and national implementing bodies. The purpose of the Connecting Europe Express Baltic States express train was to demonstrate the willingness of the Baltic States to integrate into the European railway network and emphasize the strength of connecting east-west and north-south, different gauge railway corridors. These events also marked the strong will of all stakeholders from the Baltic States to cooperate in building high-speed railway Rail Baltica, that will change not only the capitals but also regions, which this line will run through.

Finally, to offer an opportunity to STEM students and the public interested in railway engineering, planning, innovation, virtual design, construction, environmental and other issues related to the Rail Baltica megaproject, in 2021 the Company continued an education initiative – the "Rail Baltica Academy". During series of lectures presented by the top experts from the Company and national implementing bodies in Lithuania, Estonia, and Latvia respectively, and other project partners, participants had a unique opportunity to access inside knowledge about different angles of the Rail Baltica project. Online sessions that were organised during the summer 2021 gathered over 3000 viewers from 19 different countries.

### **Financial performance and the Financial position for the Reporting Period**

The reporting period from 1 January 2021 to 31 December 2021 was the Company's seventh year of operations.

In 2021 the Company recognised income from EU grants of 9 811 272 EUR (in 2020 – 7 068 624 EUR) and other financing income from Rail Baltica stakeholders from Latvia, Estonia and Lithuania (national Beneficiaries) of 6 313 219 EUR (in 2020 – 3 678 350 EUR). The result for the year was a loss of 154 160 EUR (in 2020 – a loss of 60 063 EUR).

In 2020 and 2021 the Company was receiving financing from the national Beneficiaries based on the Agreement on Interim Financing of RB Rail AS in 2020 and 2021. Budget for year 2022 was approved together with the expected financing from the signed EU grants and the three national beneficiaries. A new Agreement on Financing of RB Rail AS in 2022-2025 is under preparation. Considering that and the financing balances available as at 31 December 2021 the Company has sufficient funds for fulfilling its plans for 2022.

### **Goals for 2022**

On the project planning and development side 2022 goal is to significantly progress and start completing the mainline designs as per the priority section programme, further advance with the development of the railway Energy subsystem and Control Command and Signalling subsystems, successfully launch and/or complete consolidated construction material procurements as well as to launch the procurements for the design of two remaining mainline sections Kaunas – Vilnius and Kaunas - Lithuania/Poland border, construction procurement of the first cross border section between Latvia and Lithuania, and progress with large-scale construction works both on the main line as well as local facilities, such as stations.



Considering that in January 2022 the Company applied for the 2021 CEF call of proposal and more such calls are expected in the coming years, the Company in 2022 intends to continue strengthening the finance competence and increase focus on transparent, result-driven, and efficient treatment of public funds across the whole project in the period of large-scale constructions reaching full maturity by 2024.

In addition, and building on the strategic Global Project studies started in 2021, the Company plans to facilitate discussion amongst the decision-makers on policy areas where action is required to use the full potential of Rail Baltica as a new economic corridor.

### Events after the balance sheet date

Subsequent events are disclosed in Note 22.



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Agnis Driksna  
Chairman of the Management Board

18 March 2022

The annual report was approved by the shareholders' meeting on 29 March 2022

## Statement of profit or loss

	Notes	2021 EUR	2020 EUR
Other operating income	4	16,123,330	10,779,150
Personnel costs	5	(10,944,667)	(7,079,639)
a) remuneration for work		(9,064,601)	(5,778,831)
b) mandatory state social insurance contributions		(1,879,613)	(1,300,491)
c) other social insurance costs		(453)	(317)
Depreciation	8	(306,655)	(184,254)
Other costs of economic activity	6	(5,021,989)	(3,573,818)
<b>Loss before corporate income tax</b>		<b>(149,981)</b>	<b>(58,561)</b>
Corporate income tax for the financial year	7	(4,179)	(1,502)
<b>Total loss for the year</b>		<b>(154,160)</b>	<b>(60,063)</b>

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



Agnis Driksna  
Chairman of the Management Board



Anita Pūka  
Chief Accountant

18 March 2022

## Balance sheet

ASSETS			
	Notes	31.12.2021 EUR	31.12.2020 EUR
NON-CURRENT ASSETS			
Intangible assets			
Intangible assets	8	310 412	453 804
Advance payments for intangible assets	8	-	17 010
TOTAL		310 412	470 814
Investment in leased property	8	5 669	-
Other fixed assets	8	316 608	172 945
TOTAL NON-CURRENT ASSETS		632 689	643 759
CURRENT ASSETS			
Receivables			
Receivables from associates	9	546 194	129 871
Other receivables	10	139 146	75 129
Prepaid expense	11	247 177	160 546
Accrued income	12	3 512 170	7 928 491
TOTAL		4 444 687	8 294 037
Cash	13	20 791 453	24 676 931
TOTAL CURRENT ASSETS		25 236 140	32 970 968
TOTAL ASSETS		25 868 829	33 614 727

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

  
 Agnis Driksna  
 Chairman of the Management Board

  
 Anita Pūka  
 Chief Accountant

18 March 2022

## Balance sheet

EQUITY AND LIABILITIES			
	Notes	31.12.2021 EUR	31.12.2020 EUR
<b>EQUITY</b>			
Share capital	14	1 950 015	1 950 015
Share issue premium	14	9 749 985	9 749 985
Accumulated losses		(4 896 948)	(4 836 885)
Losses for the financial year		(154 160)	(60 063)
<b>TOTAL EQUITY</b>		<b>6 648 892</b>	<b>6 803 052</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from associates	15	6 317 153	6 965 538
Deferred income	16	304 576	366 822
<b>TOTAL</b>		<b>6 621 729</b>	<b>7 332 360</b>
<b>Current liabilities</b>			
Loans from associates	15	6 193 159	7 915 540
Accounts payable to suppliers and contractors		337 543	309 584
Payables to related parties	20	384 840	1 344 659
Taxes payable	17	275 291	34 612
Other payables		1 680	-
Deferred income	16	4 004 459	9 435 898
Accrued liabilities	18	1 401 236	439 022
<b>TOTAL</b>		<b>12 598 208</b>	<b>19 479 315</b>
<b>TOTAL LIABILITIES</b>		<b>19 219 937</b>	<b>26 811 675</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>25 868 829</b>	<b>33 614 727</b>

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



Agnis Driksna  
Chairman of the Management Board



Anita Pūka  
Chief Accountant

18 March 2022

## Statement of cash flows

	Notes	01.01.2021- 31.12.2021 EUR	01.01.2020- 31.12.2020 EUR
<b>Cash flows to/ from operating activities</b>			
Loss before tax		(149 981)	(58 561)
Adjustments for:			
Reduction of non-current assets value	8	306 655	184 254
Loss on sale and disposal of non-current assets	4	1 161	-
Income from CINEA and other financing	4	(16 124 491)	(10 746 973)
<b>Operating profit or (loss) before working capital changes</b>		<b>(15 966 656)</b>	<b>(10 621 280)</b>
Decrease / (increase) in receivables		(150 647)	(73 606)
(Decrease)/ increase in payables		271 514	16 171
(Decrease)/increase in accrued expense		962 214	168 849
<b>Cash generated from operations</b>		<b>(14 883 575)</b>	<b>(10 509 866)</b>
Corporate income tax paid		(5 375)	(1 001)
<b>Net cash flows to operating activities</b>		<b>(14 888 950)</b>	<b>(10 510 867)</b>
<b>Cash flows to investing activities</b>			
Purchase of intangible assets		(29 972)	(424 374)
Purchase of tangible assets		(272 176)	(102 648)
Sales proceeds of tangible assets		5 401	-
<b>Net cash flows to investing activities</b>		<b>(296 747)</b>	<b>(527 022)</b>
<b>Cash flows from financing activities</b>			
Loans received from (repaid to) associates	15	(2 370 766)	9 812 925
Financing from national beneficiaries	4	4 539 840	6 897 290
Grants / Pre-financing from CINEA attributable to the Company	4	9 131 145	13 305 679
<b>Net cash flows to/ from financing activities</b>		<b>11 300 219</b>	<b>30 015 894</b>
Change in cash		(3 885 478)	18 978 005
Cash at the beginning of the period	13	24 676 931	5 698 926
<b>Total cash at the end of the year</b>		<b>20 791 453</b>	<b>24 676 931</b>

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



Agnis Driksna  
Chairman of the Management Board



Anita Pūka  
Chief Accountant

18 March 2022

## Statement of changes in equity

	Share capital	Share premium	Accumulated losses	Loss for the period	Total
<b>Balance as at 31 December 2019</b>	<b>1 950 015</b>	<b>9 749 985</b>	<b>(3 427 685)</b>	<b>(1 409 201)</b>	<b>6 863 115</b>
(Loss) for the reporting year	-	-	-	(60 063)	(60 063)
Transfer of prior year result	-	-	(1 409 201)	1 409 201	-
<b>Balance as at 31 December 2020</b>	<b>1 950 015</b>	<b>9 749 985</b>	<b>(4 836 885)</b>	<b>(60 063)</b>	<b>6 803 052</b>
(Loss) for the reporting year	-	-	-	(154 160)	(154 160)
Transfer of prior year result	-	-	(60 063)	60 063	-
<b>Balance as at 31 December 2021</b>	<b>1 950 015</b>	<b>9 749 985</b>	<b>(4 896 948)</b>	<b>(154 160)</b>	<b>6 648 892</b>

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



Agnis Driksna  
Chairman of the Management Board



Anita Pūka  
Chief Accountant

18 March 2022

## 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 līnijas 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 filial registered at Endla 16, Tallin, 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 2021 through 31 December 2021 were approved by a resolution of the Company's shareholders on 29 March 2022.

### 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.

#### *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%

\*Up to 85%, for some activities co-financing rate is 81%

#### *Corporate income tax*

In accordance with Corporate Income Tax law, which entered into force on 1 January 2018, tax is payable only at the moment of distribution of profits or for transactions considered as deemed distribution.

### ***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.

In 2020 the Company concluded Agreement on Interim Financing of RB Rail AS in 2020 and 2021 with the ministries of the three Baltic States responsible for implementation of Rail Baltica project. Two more agreements were concluded during 2020 with other implementing bodies of Rail Baltica project – Cooperation agreement between RB Rail AS and Rail Baltic Estonia OU for 2020-2021 and Service agreement between RB Rail and LTGI Infra AB for 2020. 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 or non-current depending of the estimated period of use.

#### ***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 2021 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 2021.

#### ***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.

#### ***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 the concluded financing agreements.

#### ***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

	2021 EUR	2020 EUR
Income from CEF grants co-financing from CINEA to compensate the following costs:		
Project implementation support measures	7 957 100	5 474 169
Technical and operational studies and IT systems	1 449 526	1 111 660
PR, marketing and business development	404 646	482 795
<b>Total income from CEF grants</b>	<b>9 811 272</b>	<b>7 068 624</b>
Financing income from Latvia	940 454	631 845
Non-deductible input VAT compensation from the Government of Latvia	820 124	663 631
Financing income from Estonia	2 984 580	1 671 493
Financing income from Lithuania	1 568 061	711 381
Contractual penalty income	-	32 176
Loss on sale and disposal of assets	(1 161)	-
<b>TOTAL:</b>	<b>16 123 330</b>	<b>10 779 150</b>

The implementation of the Rail Baltica Global Project is financed under Connecting Europe Facility instrument. Up to now Company has signed 6 Grant Agreements that allow the implementation of Rail Baltica Global Project. Total estimated eligible costs under signed grant agreements exceed 1 bnEUR 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. –2014 Action - INEA/CEF/TRAN/M2014/1045990	24.11.2015	536 720 094	442 230 615	94 489 479
2. 2015 Action INEA/CEF/TRAN/M2015/1129482	18.11.2016	153 168 872	130 193 541	22 975 331
3. 2016 Action INEA/CEF/TRAN/M2016/1360716	13.06.2018	129 966 867	110 471 838	19 495 029
4. –2019 Action S INEA/CEF/TRAN/M2019/2098304	16.11.2020	86 145 749	73 223 887	12 921 862
5. 2019 Action W INEA/CEF/TRAN/M2019/2098073	16.11.2020	128 119 171	108 901 296	19 217 875
6. 2020 Action INEA/CEF/TRAN/M2020/2428991	19.10.2021	19 646 555	16 699 572	2 946 983
<b>TOTAL:</b>		<b>1 053 767 308</b>	<b>881 720 749</b>	<b>172 046 559</b>

As the main task of the Company, as set by 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 expenses is part of financing income from Latvia, Estonia and Lithuania reflected above.

In 2021 and 2020 income from CEF grants was recognized in the amount of 85% from eligible expenses incurred during the reporting year.

Since 2019 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. On 28 October 2020 the Company concluded Agreement on Interim Financing of RB Rail AS in 2020 and 2021 with the ministries of the three Baltic States responsible for implementation of Rail Baltica project. Two more agreements were concluded during 2020 with other implementing bodies of Rail Baltica project – Cooperation agreement between RB Rail AS and Rail Baltic Estonia OU and Service agreement between RB Rail and LTGI Infra AB.

Since December 2019 the Government of Latvia undertakes to compensate the non-deductible input VAT incurred by the Company in Latvia. 403 801 EUR for the period from 1 October 2020 to 30 June 2021 was transferred to RB Rail AS by the Ministry of Transport of the Republic of Latvia during 2021. The balance of accrued VAT compensation income for the period 1 July 2021 to 31 December 2021 of 546 194 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.

## 5. Personnel costs

	2021 EUR	2020 EUR
<b>a) Remuneration for work</b>		
Project management team remuneration	8 091 239	5 081 855
Management board remuneration	787 362	511 026
Supervisory board remuneration	186 000	185 950
<b>TOTAL:</b>	<b>9 064 601</b>	<b>5 778 831</b>
<b>b) Social insurance costs</b>		
Project management team	1 703 623	1 190 047
Management Board members	140 077	74 757
Supervisory board members	35 913	35 687
<b>TOTAL:</b>	<b>1 879 613</b>	<b>1 300 491</b>
<b>c) Other social insurance costs</b>		
Entrepreneurship state risk duty	453	317
<b>TOTAL:</b>	<b>453</b>	<b>317</b>

At the end of financial year 2021 the Company employed 194 employees, and had 4 Management Board members and 6 Supervisory Board members (2020: 132, 3 and 6 respectively). The average number of employees during the reporting year was 166 (2020: 113).

**6. Other costs of economic activity**

	2021 EUR	2020 EUR
Professional service fees	1 857 988	1 139 568
Travel costs	146 037	91 289
Public relations, communications and marketing	191 123	356 690
Office rent, maintenance and administrative expenses	665 671	466 551
Other project implementation support measures	943 715	534 093
Recruitment and training	345 282	290 716
Non-recoverable input VAT	872 173	694 911
<b>TOTAL:</b>	<b>5 021 989</b>	<b>3 573 818</b>

**7. Corporate income tax**

	2021 EUR	2020 EUR
Current corporate income tax charge for the reporting year in Latvia	286	808
Current corporate income tax charge for the reporting year in Estonia	3 670	694
Current corporate income tax charge for the reporting year in Lithuania	223	-
<b>Total corporate income tax expense:</b>	<b>4 179</b>	<b>1 502</b>

**8. Non-current assets**

	Intangible assets	Advance payments for intangible assets	Investments in leased property	Other fixed assets	TOTAL
Carrying amount as at 31 December 2019	142 464	-	-	158 527	300 991
Additions 2020	314 364	110 010	-	102 648	527 022
Reclassification	93 000	(93 000)	-	-	-
Depreciation charge 2020	(96 025)	-	-	(88 229)	(184 254)
Carrying amount as at 31 December 2020	453 804	17 010	-	172 945	643 759
Additions 2021	29 972	-	5 858	266 318	302 148
Reclassification	17 010	(17 010)	-	-	-
Disposal	-	-	-	(6 563)	(6 563)
Depreciation charge 2021	(190 374)	-	( 189)	(116 092)	(306 655)
Carrying amount as at 31 December 2021	310 412	-	5 669	316 608	632 689

**9. Receivables from associates**

	31.12.2021 EUR	31.12.2020 EUR
VAT compensation receivable from Ministry of Transport of the Republic of Latvia	546 194	129 871
<b>TOTAL:</b>	<b>546 194</b>	<b>129 871</b>

Since December 2019 the Government of Latvia undertakes to compensate the non-deductible input VAT incurred by the Company in Latvia. 403 801 EUR for the period from 1 October 2020 to 30 June 2021 was transferred to RB Rail AS by the Ministry of Transport of the Republic of Latvia during 2021. The amount included in other receivables as at 31.12.2021 represents the compensation receivable for period from 1 July 2021 to 31 December 2021.

**10. Other receivables**

	31.12.2021 EUR	31.12.2020 EUR
Tax receivables (see Note 17)	68 829	39 956
Security deposit for office rent	67 364	33 931
Other receivables	2 953	1 242
<b>TOTAL:</b>	<b>139 146</b>	<b>75 129</b>

**11. Prepaid expense**

	31.12.2021 EUR	31.12.2020 EUR
Insurance	6 927	15 357
Software and other subscription costs	171 158	140 857
Participation in exhibitions and conferences	185	-
Training	300	-
Office rent	35 523	-
Advances to suppliers	33 084	4 332
<b>TOTAL:</b>	<b>247 177</b>	<b>160 546</b>

**12. Accrued Income**

	31.12.2021 EUR	31.12.2020 EUR
Accrued 2014 Action income	2 467 867	3 746 723
Accrued 2015 Action income	83 106	76 279
Accrued 2016 Action income	961 197	4 105 489
<b>TOTAL:</b>	<b>3 512 170</b>	<b>7 928 491</b>

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.

### 13. Cash

	31.12.2021 EUR	31.12.2020 EUR
Company's operational account	20 791 453	24 676 931
<b>TOTAL:</b>	<b>20 791 453</b>	<b>24 676 931</b>

The bank account designated for CEF financing contains restricted cash attributable to the Company and the other Beneficiaries of the Project. According to the Inter-Beneficiary Agreement, RB Rail AS as the Coordinator of the Grant must distribute the CEF pre-financing to the other Beneficiaries without undue delay. As at the year-end 2020 and 2021 all CEF financing received during the year were distributed to Beneficiaries.

### 14. Share capital

As at 31 December 2021 the share capital of the Company is 1 950 015 EUR (31.12.2020: 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 2021, the share premium amounted to 9 749 985 EUR (31.12.2020: 9 749 985 EUR).

As at 31 December 2021, the shares were distributed as follows:

	%	Number of shares	Share premium
Rail Baltic Estonia OU	33.33	650 005	3 249 995
Eiropas dzelzceļa līnijas SIA	33.33	650 005	3 249 995
Rail Baltica Statyba UAB	33.33	650 005	3 249 995
<b>TOTAL:</b>	<b>100</b>	<b>1 950 015</b>	<b>9 749 985</b>

## 15. Loans from associates

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

	31.12.2021 EUR	31.12.2020 EUR
<b>Non-current portion of the bridge loans:</b>		
Bridge loan from the Ministry of Transport and Communications of the Republic of Lithuania	1 542 992	1 652 089
Bridge loan from the Ministry of Transport of the Republic of Latvia	3 402 505	3 832 696
Bridge loan from the Ministry of Economic Affairs and Communications of the Republic of Estonia	1 371 656	1 480 753
<b>Total non-current portion of bridge loans from related parties</b>	<b>6 317 153</b>	<b>6 965 538</b>
<b>Current portion of the bridge loans:</b>		
Bridge loan from the Ministry of Transport and Communications of the Republic of Lithuania	2 246 478	2 599 437
Bridge loan from the Ministry of Transport of the Republic of Latvia	1 957 207	3 425 840
Bridge loan from the Ministry of Economic Affairs and Communications of the Republic of Estonia	1 989 474	1 890 263
<b>Total current portion of bridge loans from related parties</b>	<b>6 193 159</b>	<b>7 915 540</b>
<b>TOTAL:</b>	<b>12 510 312</b>	<b>14 881 078</b>

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 later in the Agreement on Interim Financing of RB Rail AS in 2020 and 2021, 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 to RB Rail AS bank account 2 534 077 EUR in May 2019 and 1 717 449 EUR in May 2020. The loans from the Ministry of Transport of the Republic of Latvia were withheld by RB Rail AS by mutual agreement from the CEF pre-financing amounts received on coordinator's account and attributable to the Ministry during the pre-financing distribution in May 2020 at the nominal value of 2 534 077 EUR and 4 724 460 EUR in April 2020. Similarly, bridge loan from the Ministry of Economic Affairs and Communications of the Republic of Estonia of 3 371 016 EUR was withheld from the CEF pre-financing amounts received and attributable to the Ministry in April 2020. In 2021 bridge loan partial repayments were made as follows: 9 886 EUR to Ministry of Economic Affairs and Communications of the Republic of Estonia, 1 898 824 EUR to the Ministry of Transport of the Republic of Latvia and 462 056 EUR to the Ministry of Transport and Communications of the Republic of Lithuania.

## 16. Deferred income

Non-current deferred income comprises grant 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 grant 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.

	31.12.2021 EUR	31.12.2020 EUR
Non-current portion of deferred income related to non-current assets	304 576	366 822
Current portion of deferred income related to non-current assets	319 530	252 750
Current portion of deferred income related to balance of 2020 Action financing	2 142 884	-
Current portion of deferred income related to balance of 2019 Action financing	749 766	7 978 636
Current portion of deferred income related to balance of financing from Latvia	658 119	736 024
Current portion of deferred income related to balance of financing from Estonia	134 160	468 488
<b>TOTAL:</b>	<b>4 309 035</b>	<b>9 802 720</b>

#### 17. Taxes (payable) /overpaid

	31.12.2021 EUR	31.12.2020 EUR
<b>Latvia</b>		
Value added tax	(43 234)	(31 114)
Personal income tax	(105 334)	214
Mandatory state social insurance contributions	(126 656)	209
Solidarity tax	62 418	27 470
Unemployment risk fee	(45)	-
Corporate income tax	-	(51)
<b>Estonia</b>		
Value added tax	2 867	7 510
Corporate income tax	-	(1 145)
Statutory social insurance contributions	982	(2 302)
Personal income tax	(22)	-
<b>Lithuania</b>		
Value added tax	910	2 631
Statutory social insurance contributions	1 486	1 632
Personal income tax	166	290
<b>TOTAL:</b>	<b>(206 462)</b>	<b>5 344</b>
<b>TOTAL LIABILITY:</b>	<b>(275 291)</b>	<b>(34 612)</b>
<b>TOTAL OVERPAYMENT (See Note 10):</b>	<b>68 829</b>	<b>39 956</b>

#### 18. Accrued liabilities

	31.12.2021 EUR	31.12.2020 EUR
Accrued liabilities for unused vacations	537 254	383 042
Accrued liabilities for employee annual bonuses	684 832	-
Accrued liabilities for professional services	102 572	2 700
Accrued liabilities for audit services	44 000	42 000
Other accrued liabilities	32 578	11 280
<b>TOTAL:</b>	<b>1 401 236</b>	<b>439 022</b>

#### 19. Contingent liabilities

Operating lease commitments at the end of the reporting period:

	31.12.2021 EUR	31.12.2020 EUR
Lease of premises	2 432 345	455 194
Lease of cars	96 341	67 138
Other leases	6 117	8 889
<b>TOTAL:</b>	<b>2 534 803</b>	<b>531 221</b>

#### 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: Estonia, Latvia and Lithuania (by state owned company Lithuanian Railways – Lietuvos Geležinkeliai AB).

During 2021 the Company as a coordinator received pre-financing amounts from CINEA in line with 2014 and 2016 Action and 2020 Action Grant Agreements. All pre-financing was distributed to all four Beneficiaries.

During 2021 the Company made a partial repayment of bridge loans from the Beneficiaries (see Note 15).

Ministry of Transport of the Republic of Latvia transferred to the bank account of RB Rail AS during 2021 compensation of non-deductible input VAT incurred by the Company of 403 802 EUR, while compensation for July to December 2021 remained receivable (see Note 9).

Based on the Agreement on Interim Financing of RB Rail AS in 2020 and 2021 the Ministry of Transport of the Republic of Latvia provided financing of 868 372 EUR, of which 658 119 EUR remained unused as at 31 December 2021 (see Note 16).

Rail Baltic Estonia OU, in its capacity of the national implementing body of Rail Baltica project in Estonia, provided financing of 2 654 838 EUR to RB Rail AS based on the Cooperation Agreement signed in 2020, of which 134 160 EUR remained unused at 31 December 2021 (see Note 16).

Other related party is the national implementing body in Lithuania – LTG Infra AB, subsidiary of Lietuvos Geležinkeliai AB, with whom a Service Agreement was signed in 2020 for financing of the relevant share of RB Rail AS costs. LTG Infra AB transferred 1 956 216 EUR financing to RB Rail AS, of which 383 568 EUR were not used by 31 December 2021. Based on Service Agreement clauses, the unused balance has to be repaid, therefore it is presented as Payable to related party as of 31 December 2021.

Included in the Payable to related parties as of 31 December 2021 and 2020 is 1272 EUR re-payable to the Ministry of Economic Affairs and Communications of the Republic of Estonia for the financing provided to RB Rail AS 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 of RB Rail AS includes RailBaltica Global Project and RB Rail AS Corporate risks, diversified in strategic risk, financial risk, operational risk, compliance and legal risk, reputational risk.

Identified risks are documented in risk register, being also an analytical tool, that was implemented in 2020, and assessed both qualitatively and quantitatively to ensure holistic overview on the Company and Rail Baltica Global Project levels. In 2021 a development of quantitative risk modelling was started. The risk profile refers to the risks that RB Rail AS is exposed to. The main financial risks arising from the Company's financial instruments are liquidity risk and eligibility risk. As other material risks operational risk, reputational risk, compliance risk and strategic risk are considered.

### Financial risk

The main financial risks arising from the Company's financial activity are liquidity risk and eligibility 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 2020, the Agreement on Interim Financing of RB Rail AS in 2020 and 2021 with the national Beneficiaries and related agreements with AB LTG Infra for 2020 and Rail Baltic Estonia OU for 2020-2021 were signed. 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.

Similar financing agreement is in preparation stage with the national Beneficiaries for financing the part of RB Rail AS costs not covered by EU grants in 2022-2025. The Company's budget for 2022 was approved considering availability of adequate financing for the planned activities in 2022.

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.

	31.12.2021 EUR	31.12.20 EUR
Payable in less than 3 months		
Accounts payable to suppliers and contractors	337 543	309 584
Taxes payable	275 291	34 612
Payable to related parties	383 568	1 344 659
<b>TOTAL:</b>	<b>996 402</b>	<b>1 688 855</b>

#### *Eligibility risk*

The Company is exposed to 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 Eligibility Policy and Guidelines, and implementing internal control systems to ensure that eligibility compliance conditions are embedded in its operations.

#### *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, a contract was concluded with the State Treasury of the Republic of Latvia about opening RB Rail account there in December 2021. All future EU grants financing will be received on Treasury account. 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. Mainly, operational risks are mitigated on process level by setting up controls and specific mitigation activities for each identified risk over threshold. 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.

In 2021, Global spread of Covid-19 posed an increase in operational risk level. On corporate side this risk was successfully managed and mitigated, continuous control ensured, thus no significant quantitative or qualitative impact exposed.

#### 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 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. Thus, in addition to constant monitoring of publications in media, development of communication strategy and mitigation activities in case of negative publications appears, 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.

## **22. Subsequent events**

On 18 January 2022 the Company submitted to European Commission next financing proposal for Rail Baltica project under the 2021 CEF Transport MAP call for proposals in two envelopes. The total value of the application is almost 1,5 billion EUR, of which funds for RB Rail AS activities are planned for more than 38 million EUR. The approval and the amount of the potential grant is not certain, and will be announced later in 2022.

On 24 February 2022 Russian Federation started a military offensive in Ukraine, and a wide range of economic sanctions were imposed in response by Baltic states, EU and USA on Russian and Belorussian state enterprises and certain individuals. The Company has not been involved in any cooperation with these countries prior to the conflict, and therefore is not expected to be directly negatively affected by the conflict itself or any restrictions due to the sanctions. There are uncertainties related to any potential long-term effects on the Company of the military conflict, which can not be assessed yet at this point of time.

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 2022 was approved considering the balances of funds already at Company's disposal at 31 December 2021, 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, which is under preparation. The draft agreement includes 11,7 million EUR financing for RB Rail AS in 2022, and it is expected to be signed during the second quarter of the year. As of the date of issuing these financial statements the agreement has not been signed.

RB Rail AS  
Address: Satekles iela 2B, Riga, LV-1050  
Unified registration number: 40103845025

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Annual report for the year ending 31.12.2021

Considering the additional financing to be approved the Company has sufficient financial and other resources as at the end of the financial year 2021 to continue operations at least for one year, therefore these financial statements are prepared on a going concern basis.



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Agnis Driksna  
Chairman of the Management Board



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Anita Pūka  
Chief Accountant

18 March 2022

## **Translation from Latvian**

### **INDEPENDENT AUDITORS' REPORT**

To the shareholders of RB Rail AS

#### ***Our Opinion on the Financial Statements***

We have audited the accompanying financial statements of RB Rail AS ("the Company") set out on pages 10 to 30 of the accompanying annual report, which comprise the Balance sheet as at 31 December 2021, the statement of profit or loss, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of RB Rail AS as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

#### ***Basis for Opinion***

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

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

#### ***Emphasis of matter***

We draw attention to Note 23 to the financial statements, where main assumptions on the Company's ability to continue as going concern related with ensuring adequate financing in 2022 and beyond are described.

Our opinion is not modified in respect of this matter.

#### ***Reporting on Other Information***

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on pages 3 to 4 of the accompanying Annual Report,
- the Management Report, as set out on pages 5 to 9 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

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 and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, 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.

### ***Other reporting responsibilities in accordance with the legislation of the Republic of Latvia***

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Law On the Annual Reports and Consolidated Annual Reports of the Republic of Latvia and for such internal control as management 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, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditors' Responsibility 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 ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Inguna Staša  
Board member  
Certified auditor  
Certificate No. 145

Riga, Latvia  
18 March 2022