

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

**ANNUAL REPORT  
FOR THE YEAR ENDING 31.12.2022  
(8<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, 2023**

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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 dzelzcela linijas SIA (33.33%) Registration No. 40103836785 Gogola street 3, Riga, LV-1050, Latvia  <i>Rail Baltica</i> 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 2022 – 31 December 2022
Previous reporting year	1 January 2021 – 31 December 2021
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
Ignas Degutis	Member of the Management Board	14.03.2022	16.11.2022
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	13.12.2022
Veiko Haavapuu	Member of the Management Board	01.09.2021	13.03.2022
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	
Thierry Jacques Boussillon	Member of the Management Board	01.02.2023	

### Members of the Supervisory Board

Name	Position	Elected	Released
Sandor Liive	Member of the Supervisory Board	01.01.2022	
Anrī Leimanis	Deputy Chairman of the Supervisory Board	14.01.2021	26.10.2022
Karolis Sankovskis	Chairman of the Supervisory Board	01.01.2022	27.07.2022
Ahti Kuningas	Deputy Chairman of the Supervisory Board	01.01.2022	
Ligita Austrupe	Member of the Supervisory Board	21.12.2020	31.12.2022
Ligita Austrupe	Chairperson of the Supervisory Board	01.01.2023	
Romas Švedas	Member of the Supervisory Board	21.12.2020	26.07.2022
Romas Švedas	Chairperson of the Supervisory Board	27.07.2022	31.12.2022
Romas Švedas	Vice-Chairperson of the Supervisory Board	01.01.2023	
Arenius Jackus	Member of the Supervisory Board	27.07.2022	-
Arnīs Kākulis	Member of the Supervisory Board	01.02.2023	

## Management report

RB Rail AS (hereinafter – the Company), the joint venture of Rail Baltica, was established in 2014 to design, construct, and market 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.

The main task of the Company is to coordinate and oversee Rail Baltica implementation as a cross-border Global Project both in terms of technical solutions that ensure interoperability, unify delivery approaches and quality, at the same time ensuring that sustainability and climate-neutral transport infrastructure goals are met. The Company 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.

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.

### Governance

In 2022 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.

More than twenty (20) internal governance documents were approved by the Management Board and Supervisory Board in 2022 strengthening the internal regulatory framework in procurement, health and safety, risk management, finance, internal audit, and other key areas.

Twenty-six (26) Supervisory Board meetings were held in 2022 to monitor the performance of the Company and the implementation progress of the Rail Baltica Global Progress.

Since August 2022, the Company is a member of Baltic Institute of Corporate Governance (BICG) hence demonstrating commitment to continue setting up the corporate governance framework in line with the best governance practices.

### Risk management

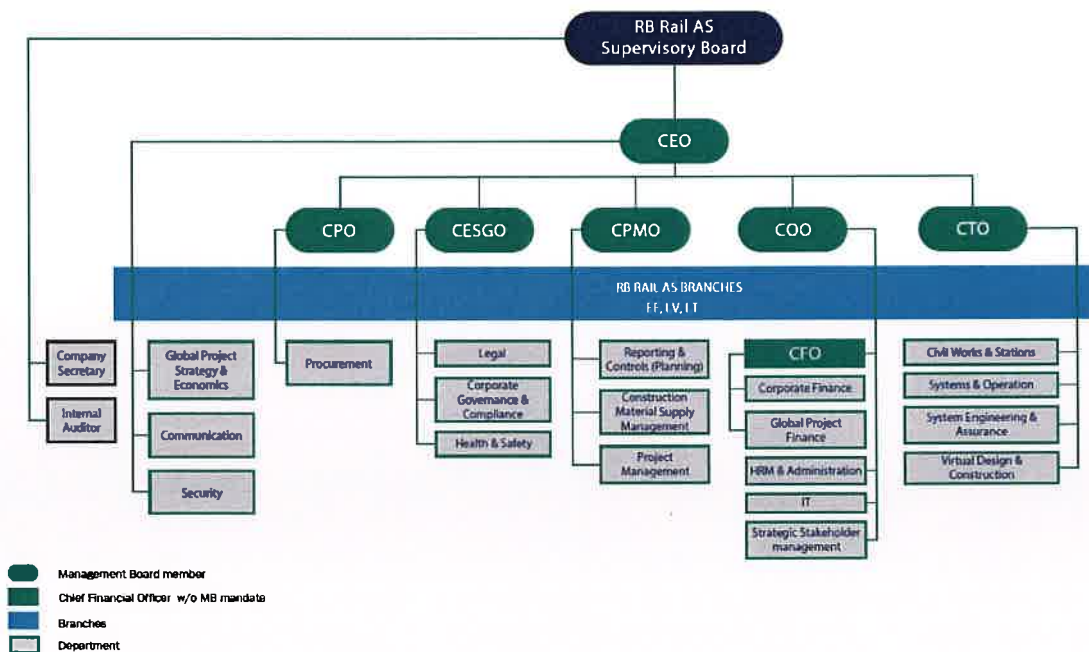
Risk management is an integral and substantial part of RB Rail AS corporate governance and includes strategies, methods, and processes to identify, analyse, assess, control, monitor and report the short-term and long-term risks the Company might face. Risk management is performed at all levels of the 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 2022 the Company continued implementation and upgrade of the risk management framework by further development and implementation of risk management system.

Organizational Structure changes

In November 2022, the Company's Supervisory Board initiated changes to the Management Board's composition of the Company. Starting 17 November 2022, new Management Board became effective consisting of six members - Chief Executive Officer (CEO), Vice-Chairperson and Chief Operating Officer (COO), Vice-Chairperson and Chief ESG Officer (CESG), Chief Technical Officer (CTO), Chief Program Management Officer (CPMO) and Chief Procurement Officer (CPO), elected for a term of three years. With the respective changes, the new management continues to work in full capacity to complete detailed technical designs, ensure further financing and delivering Rail Baltica project in close cooperation with the national and EU project partners and strategic stakeholders, which are the strategic priorities for the Company. Considering change at the Management Board level, further amendments to organization structure of the Company was implemented with aim to strengthen Company's core business, maintain the technical excellency across the company and the whole Global Project, address the quality standards both in Company and Project levels, compliance, and good corporate governance issues at the highest level, improve stakeholder relations, branch function and representation in the Baltic States as well as other areas, making necessary adjustments to better respond to the current stage as well as internal and external challenges of Rail Baltica global project. The new organization structure was approved by the Company's Supervisory Board on 22 December 2022 and is to become effective as of 1 February 2023 to allow necessary preparations.



The Company's team in 2022 grew from 198 people to 219 where 64 persons were hired, and 43 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, Estonian, Latvian and Lithuanian Branches, Project Management, Finance, Procurement and Administration. Key positions to ensure successful implementation of the Global project at the Company were filled by the end of 2022, i.e., RAMS Manager, System Engineering Team Leader, Quality Assurance Manager, Construction Material Project Manager for consolidated material supply.

In 2022 Performance Management programme was carried out to provide holistic performance review and assessment that reflects achievement of the strategic goals and implementation of the Company's values. Based on Development plan needs three external training were organised on FIDIC Contract Application and Control, as well as Leadership trainings for senior and middle management.

2022 was the second 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 2022 the Company continued Present Forward succession planning, identifying potential successors and short-term emergency deputies.

#### Global Project financing

In 2022, 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) under EU Multiannual Financial Framework (MFF) for the period of 2021 – 2027, and as a result additional 422.6 million euros were secured from CEF and Baltic governments.

Under EU MFF for the period of 2014 – 2020, together with the newly signed agreement under EU MFF for the period of 2021 – 2027 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 above-mentioned signed grant agreements and additional funding granted under the Military Mobility envelope, Rail Baltica has secured around 1.57 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 2022, together with three Baltic States, the Company continued with application for further CEF financing under EU MFF for the period of 2021 – 2027. The decision is expected during first half of 2023 and the conclusion of financing contracts in the second half of this year.

During 2022 Grant Agreement amendments (for Actions 2014, 2015 and 2016) were signed 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.

#### Project progress in 2022

In 2022 the Company continued work on the design works which are in advanced staged on more than 640 km of the total 870 km mainline, including decision on the alignment for Kaunas – Lithuanian / Polish border was made. In the beginning of 2022, an agreement was signed between RB Rail AS and an international consortium for the Control-Command and Signalling engineering and works supervision for Rail Baltica to provide engineering and project management services for preparation, procurement and supervision of Rail Baltica Control-Command and Signalling subsystem deployment that include the European Rail Traffic Management System (ERTMS) Level 2, interlocking, traffic management, information, and communication technologies (ICT), ancillary, station, and non-traction power supply subsystems. Later, design and build tender for the full scope of the Control-Command and Signalling subsystem (CCS) implementation for the Rail Baltica mainline was launched. Also, RB Rail AS also announced a public procurement for the Rail Baltica energy subsystem design and construction for the entire Rail Baltica, which makes the Rail Baltica electrification the largest railway electrification project in Europe implemented as a single project. It will allow full compliance with safety and interoperability requirements, benefit from economies of scale, as well as maximize the benefits for the environment.



## Significant progress across all project disciplines – designs and railway subsystems

### Mainline

- Design works for the mainline approaching completion (advanced on > 640km)
- Alignment for Kaunas – Lithuanian/ Polish border chosen; on section Kaunas – Vilnius, procurement ongoing, design works to commence in 2023
- Synchronizing schedule with Poland

### Local facilities

- Infrastructure maintenance facilities (construction logistics sites)
- International and regional passenger stations
- Intermodal freight terminals
- Rolling stock depots

### Railway subsystems development

- ENE subsystem 870km design & build procurement ongoing
- CCS subsystem Design & Build procurement launched
- Engagement with EU and UIC partners on FRMCS standardisation ongoing

## Procurement

One of the pillars of the procurement practice for the Global Project as well as the Company is continuous improvement and this involves openness to supplier feedback and assessment, as well as practice alignment at the Rail Baltica Procurement Reference Group, a dedicated internal project coordination format through which all the key organisations delivering the Global Project align approaches, improving their best practice. According to the RB Rail AS Supplier Survey 2022, 73% of suppliers said that the procurement quality of RB Rail AS is high or very high, whereas 78% of the surveyed suppliers emphasised the high quality of the service during the procurement procedure.

Now, the Company is collaborating with more than 200 Baltic and 50 international partners and has more than 150 active contracts with an estimated value of over 900 million euro. Considering the war in Ukraine and the changed geopolitical situation, the Company undertook thorough analysis with our project implementation partners on supplier restrictions to mitigate project risks and safeguard the investments into the project. Due to moral, ethical, and pragmatic project implementation reasons, cooperation with businesses with Russian and Belarusian companies was stopped.

In 2022 procurement procedures at the Company were executed effectively – 3 procurement procedures received appeals - 5 appeals in 3 procurement procedures, for 4 of which appeal decisions were in favour of the Company. Additionally, 4 procurement processes were terminated/discontinued, which were all relaunched. At the end of 2022, there were 17 ongoing tenders with a total value more than 2.5 billion euros. Over the course of five years the Company has coordinated over 130 regular tenders, signed 150+ procurement contracts including Framework Agreement commissions, has had 17 appeals, cancelled 14 tenders.

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 2022 the Company produced a report on the Rail Baltica project sanctions and restrictions in relation with the Russian war of aggression towards Ukraine considering the legalities, EU and national sanctions and project risks, which will be reflected also in the Common Procurement Standards and Guidelines, to be updated. The policy updates are expected to take into consideration also relevant market feedback on the post-Covid related challenges, and feedback from the State Audit Institutions of Estonia, Latvia, and Lithuania. The Common Procurement Standards and Guidelines is a project-wide policy, which is also applicable to the national implementing bodies.



### Public Communication

In 2022 public awareness and support about the project and support remained high on the agenda, and the Company introduced diverse online and physical events and communication formats to engage with the relevant audiences and project partners.

Active communication on the different aspects related to Global Project implementation were carried out, including communication about the start of Rail Baltica International Station construction at Riga International Airport, start of construction of the Neris bridge in Lithuania, project progress reports in Estonia as well as regular project progress updates on other significant developments e.g., construction updates, implementation of the railway subsystems – electrification, control-command and signaling systems, procurement, wider benefits of Rail Baltica, military mobility in the context of the geopolitical situation, environmental issues and other topics. In addition, numerous high-level visits with the policymakers, government, embassy representatives and other opinion leaders from numerous EU countries are organized throughout the year, followed by publicity within the Baltic countries and outside.

Furthermore, Rail Baltica communication continues addressing publicly information on works related to the project's technical design phase, including providing necessary support in cooperation with municipalities, NGOs and activities related to environmental procedures.

### Financial performance and the Financial position for the reporting period

The reporting period from 1 January 2022 to 31 December 2022 was the Company's eighth year of operations.

In 2022, the Company recognised income from EU grants of 18 752 705 EUR (in 2021 – 9 811 272 EUR) and other financing income from Latvia, Estonia and Lithuania (national Beneficiaries) of 3 942 059 EUR (in 2021 – 6 313 219 EUR). The result for the year was a loss of 45 203 EUR (in 2021 – a loss of 154 160 EUR).

In September 2022 RB Rail concluded Agreement on Financing of RB Rail AS in 2022 - 2025 with the ministries of the three Baltic States responsible for implementation of Rail Baltica project. Two more agreements were concluded during 2022 with other implementing bodies of Rail Baltica project – Cooperation agreement between RB Rail AS and Rail Baltic Estonia OU for 2022-2025 and Cooperation agreement between RB Rail and LTGI Infra AB for 2022. The substance of all agreements is financing RB Rail AS by sharing and compensating actual costs of Rail Baltica project coordination and implementation. Net amount of financing received in 2022 was 5 195 867 EUR (in 2021 – 4 539 840 EUR), and net amount of bridge loans to finance the eligible expenses of RB Rail until receiving a compensation from CEF grants increased by 4 732 676 EUR to 17 242 989 EUR (in 2021 decreased by 2 370 766 EUR).

The Company's budget for 2023 was approved considering availability of adequate financing for the planned activities in 2023.

### Goals for 2023

Rail Baltica has reached a new level of maturity, and attention must be paid to the important preparations for the construction of large-scale civil works, while moving from discussion to decisions on issues that ensure the readiness of the corridor for the start of operations. On the project planning and development side 2023 goal is to progress with the completion of the designs to ensure full maturity to continue with large-scale mainline construction in 2024, which will require further improvements in Rail Baltica detailed technical design management.

The Company in 2023 also 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 and ensuring the full construction of the cross-border corridor by the end of 2030.

In addition, and building on the strategic Global Project studies, the Company plans to strengthen cooperation among the strategic stakeholders within and outside the Baltic States, as well as 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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Marko Kivila  
Chairperson of the Management Board

9 March 2023

The annual report was approved by the shareholders' meeting on 30 March 2023

## Statement of profit or loss

	Notes	2022 EUR	2021 EUR
Other operating income	4	22 696 662	16 123 330
Personnel costs	5	(14 712 816)	(10 944 667)
a) Remuneration for work		(12 240 434)	(9 064 601)
b) Mandatory social insurance contributions		(2 471 797)	(1 879 613)
c) Other social insurance costs		(585)	(453)
Depreciation	8	(366 194)	(306 655)
Other costs of economic activity	6	(7 655 337)	(5 021 989)
Interest income		121	-
Interest costs		(1801)	-
<b>Loss before corporate income tax</b>		<b>(39 365)</b>	<b>(149 981)</b>
Corporate income tax for the financial year	7	(5 838)	(4 179)
<b>Total loss for the year</b>		<b>(45 203)</b>	<b>(154 160)</b>

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

  
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Marko Kivila  
Chairperson of the Management Board

  
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Anita Pūka  
Chief Accountant


9 March 2023

## Balance sheet

		Notes	31.12.2022 EUR	31.12.2021 EUR
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets		8	138 728	310 412
Investment in leased property		8	29 663	5 669
Other fixed assets		8	581 944	316 608
<b>TOTAL NON-CURRENT ASSETS</b>			<b>750 335</b>	<b>632 689</b>
<b>CURRENT ASSETS</b>				
<b>Receivables</b>				
Receivables from associates		9	1 215 937	546 194
Other receivables		10	177 182	139 146
Prepaid expense		11	289 129	247 177
Accrued income		12	20 155 967	3 512 170
<b>TOTAL</b>			<b>21 838 215</b>	<b>4 444 687</b>
Cash		13	13 401 380	20 791 453
<b>TOTAL CURRENT ASSETS</b>			<b>35 239 595</b>	<b>25 236 140</b>
<b>TOTAL ASSETS</b>			<b>35 989 930</b>	<b>25 868 829</b>

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

  
Marko Kivila  
Chairperson of the Management Board

  
Anita Pūka  
Chief Accountant

9 March 2023

<b>EQUITY AND LIABILITIES</b>			
	Notes	31.12.2022	31.12.2021
<b>EQUITY</b>		<b>EUR</b>	<b>EUR</b>
Share capital	14	1 950 015	1 950 015
Share issue premium	14	9 749 985	9 749 985
Accumulated losses		(5 051 108)	(4 896 948)
Losses for the financial year		(45 203)	(154 160)
<b>TOTAL EQUITY</b>		<b>6 603 689</b>	<b>6 648 892</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from associates	15	13 505 255	6 317 153
Other liabilities		111 349	-
Deferred income	16	385 302	304 576
<b>TOTAL</b>		<b>14 001 906</b>	<b>6 621 729</b>
<b>Current liabilities</b>			
Loans from associates	15	3 737 734	6 193 159
Accounts payable to suppliers and contractors		841 943	337 543
Payables to related parties	20	445 862	384 840
Taxes payable	17	27 965	275 291
Other payables		30 110	1 680
Deferred income	16	8 591 831	4 004 459
Accrued liabilities	18	1 708 890	1 401 236
<b>TOTAL</b>		<b>15 384 335</b>	<b>12 598 208</b>
<b>TOTAL LIABILITIES</b>		<b>29 386 241</b>	<b>19 219 937</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35 989 930</b>	<b>25 868 829</b>

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

  
 Marko Kivila

Chairperson of the Management Board

  
 Anita Puka

Chief Accountant


9 March 2023

## Statement of cash flows

	Notes	01.01.2022- 31.12.2022 EUR	01.01.2021- 31.12.2022 EUR
<b>Cash flows to/from operating activities</b>			
Loss before tax		(39 365)	(149 981)
Adjustments for			
Reduction of non-current assets value	8	366 194	306 655
(Gain) / Loss on disposal of non-current assets	4	(1 898)	1 161
Income from CINEA and other financing	4	(22 694 764)	(16 124 491)
Interest costs		1 801	-
Interest income		(121)	-
<i>Operating profit / (loss) before working capital changes</i>		<i>(22 368 153)</i>	<i>(15 966 656)-</i>
Decrease / (increase) in receivables		(79 990)	(150 647)
(Decrease) / increase in payables		259 071	271 514
(Decrease) / increase in accrued expense		307 655	962 214
<i>Cash generated from operations</i>		<i>(21 881 417)</i>	<i>(14 883 575)</i>
Corporate income tax paid		(5 838)	(5 375)
<b>Net cash flows to operating activities</b>		<b>(21 887 255)</b>	<b>(14 888 950)</b>
<b>Cash flows to investing activities</b>			
Purchase of non-current assets		(339 214)	(302 148)
Sales proceeds of tangible assets		1 898	5 401
Interest income		121	-
<b>Net cash flows to investing activities</b>		<b>(337 195)</b>	<b>(296 747)</b>
<b>Cash flows from financing activities</b>			
Loans received from associates	15	8 936 361	-
Loans repaid to associates	15	(4 203 685)	(2 370 766)
Financing from national beneficiaries	4	5 579 435	5 883 227
Financing repaid to national beneficiaries	4	(383 568)	(1 343 387)
Grant financing from CINEA attributable to the Company	4	4 914 477	9 131 145
Payment of lease liabilities		(6 842)	-
Interest paid		(1 801)	-
<b>Net cash flows from financing activities</b>		<b>14 834 377</b>	<b>11 300 219</b>
Change in cash		(7 390 073)	(3 885 478)
Cash at the beginning of the period	13	20 791 453	24 676 931
<b>Total cash at the end of the year</b>	13	<b>13 401 380</b>	<b>20 791 453</b>

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

  
Marko Kivila  
Chairperson of the Management Board

  
Anita Pūka  
Chief Accountant

9 March 2023

## Statement of changes in equity

	Share capital	Share premium	Accumulated losses	Loss for the period	Total
Balance as at 31 December 2020, EUR	1 950 015	9 749 985	(4 836 885)	(60 063)	6 803 052
(Loss) for the reporting year	-	-	-	(154 160)	(154 160)
Transfer of prior year result	-	-	(60 063)	60 063	-
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

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

  
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Marko Kivila  
Chairperson of the Management Board

  
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Anita Pūka  
Chief Accountant

9 March 2023

## 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 filiālas with the registered address at J. Basanavičiaus g. 24, Vilnius, Lithuania,
- RB Rail AS Eesti filial 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 2022 through 31 December 2022 were approved by a resolution of the Company's shareholders on 30 March 2023.

### 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%
2021 Action (101079279-21-EU-TC-RBGP Part VII C)	85%*	15%

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



### ***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 235 001 EUR in Lithuania as at the end of 2022. 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.

In 2022 the Company concluded Agreement on Financing of RB Rail AS in 2022 - 2025 with the ministries of the three Baltic States responsible for implementation of Rail Baltica project. Two more agreements were concluded during 2022 with other implementing bodies of Rail Baltica project – Cooperation agreement between RB Rail AS and Rail Baltic Estonia OU for 2022-2025 and Cooperation agreement between RB Rail and LTGI Infra AB for 2022. 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 2022 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 2022.

#### ***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 guidenaces 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 2022 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 2022.

### **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**

	2022 EUR	2021 EUR
Income from CEF grants co-financing from CINEA to compensate the following costs:		
Project implementation support measures*	17 094 106	7 957 100
Technical and operational studies and IT systems	1 322 537	1 449 526
PR, marketing and business development	336 063	404 646
<b>Total income from CEF grants</b>	<b>18 752 706</b>	<b>9 811 272</b>
Financing income from Latvia	1 418 761	940 454
Non-deductible input VAT compensation from the Government of Latvia	1 215 937	820 124
Financing income from Estonia*	(800 927)	2 984 580
Financing income from Lithuania	2 108 287	1 568 061
Gain/(Loss) on sale and disposal of assets	1 898	(1 161)
<b>TOTAL:</b>	<b>22 696 662</b>	<b>16 123 330</b>

\*Financing income from Estonia is 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 explained further in this note.

The implementation of the Rail Baltica Global Project is financed under Connecting Europe Facility instrument. Up to now Company has signed 7 Grant Agreements that allow the implementation of Rail Baltica Global Project. Total estimated eligible costs under signed grant agreements exceed 1 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. 101079279-21-EU-TC-RBGP Part VII C	19.10.2022	422 629 844	353 879 159	68 750 685
<b>TOTAL:</b>		<b>1 476 387 159</b>	<b>1 235 599 907</b>	<b>240 787 252</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 2022 and 2021 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 7 September 2022 the Company concluded Agreement on Financing of RB Rail AS in 2022-2025 with the ministries of the three Baltic States responsible for implementation of Rail Baltica project. Two more agreements were concluded during 2022 with other implementing bodies of Rail Baltica project – Cooperation agreement between RB Rail AS and Rail Baltic Estonia OU and Cooperation 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. 546 194 EUR for the period from 1 July 2021 to 31 December 2021 was transferred to RB Rail AS by the Ministry of Transport of the Republic of Latvia during 2022. The balance of accrued VAT compensation income for the period 1 January 2022 to 31 December 2022 of 1 215 937 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 2022 the Company and other Beneficiaries of the enacted CEF grant agreements submitted to CINEA their individual Interim Financial Statements (IFS) on eligible expenses during 2019-2020 period. Part of the Company's eligible expenses for this period, which were related to the Estonia scope of Global Project activities, were included in the IFS reported to CINEA by the Estonian Beneficiary, Ministry of Economic Affairs and Communications of the Republic of Estonia, in line with the Interim Financing Agreement of RB Rail AS in 2020-2021 and similar agreement for 2019.

Subsequently, in December 2022, CINEA auditors performed audit of the respective IFS. The formal report on audit findings is not issued yet, however, in January 2023 CINEA Head of External Audit informed RB Rail, that, while the expenses as such were eligible for the grant financing, the practice that IFS of one Beneficiary includes costs of another Beneficiary is not in line with the grant agreement, but CINEA will not process a financial adjustment towards the auditee and will not require IFS resubmission by RB Rail. There is a recommendation to stop such practice for future reporting periods.

IFS for 2021 should be submitted to CINEA by 31 August 2023, but, 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 recently, the Company now intends to report these eligible costs in its own IFS for 2021 to be submitted in 2023. The previously accrued financing income from Estonia of 2 103 859 EUR is, therefore, reclassified in 2022 financial statements to income from CEF grants.

**5. Personnel costs**

	2022 EUR	2021 EUR
<b>a) Remuneration for work</b>		
Project management team remuneration	10 861 250	8 091 239
Management board remuneration	1 198 660	787 362
Supervisory board remuneration	180 524	186 000
<b>TOTAL:</b>	<b>12 240 434</b>	<b>9 064 601</b>
<b>b) Social insurance costs</b>		
Project management team	2 254 794	1 703 623
Management Board members	184 605	140 077
Supervisory board members	32 398	35 913
<b>TOTAL:</b>	<b>2 471 797</b>	<b>1 879 613</b>
<b>c) Other social insurance costs</b>		
Entrepreneurship state risk duty	585	453
<b>TOTAL:</b>	<b>585</b>	<b>453</b>

At the end of financial year 2022 the Company employed 215 employees, and had 4 Management Board members and 5 Supervisory Board members (2021: 194, 4 and 6 respectively). The average number of employees during the reporting year was 209 (2021: 166).

**6. Other costs of economic activity**

	2022 EUR	2021 EUR
Professional service fees	3 236 766	1 857 988
Travel costs	442 037	146 037
Public relations, communications and marketing	234 214	191 123
Office rent, maintenance and administrative expenses	1 146 505	665 671
Other project implementation support measures	961 047	943 715
Recruitment and training	347 323	345 282
Non-recoverable input VAT	1 287 445	872 173
<b>TOTAL:</b>	<b>7 655 337</b>	<b>5 021 989</b>

#### 7. Corporate income tax

	2022 EUR	2021 EUR
Current corporate income tax charge for the reporting year in Latvia	749	286
Current corporate income tax charge for the reporting year in Estonia	4 604	3 670
Current corporate income tax charge for the reporting year in Lithuania	485	223
<b>Total corporate income tax expense:</b>	<b>5 838</b>	<b>4 179</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 2021	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 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 2022	138 728	-	29 664	581 944	750 335

#### 9. Receivables from associates

	31.12.2022 EUR	31.12.2021 EUR
VAT compensation receivable from Ministry of Transport of the Republic of Latvia	1 215 937	546 194
<b>TOTAL:</b>	<b>1 215 937</b>	<b>546 194</b>

Since December 2019 the Government of Latvia undertakes to compensate the non-deductible input VAT incurred by the Company in Latvia. 546 194 EUR for the period from 1 July 2021 to 31 December 2021 was transferred to RB Rail AS by the Ministry of Transport of the Republic of Latvia during 2022. The amount included in receivables from associates as at 31.12.2022 represents the compensation receivable for period from 1 January 2022 to 31 December 2022.

#### 10. Other receivables

	31.12.2022 EUR	31.12.2021 EUR
Tax receivables (see Note 17)	114 323	68 829
Security deposit for office rent	62 047	67 364
Other receivables	812	2 953
<b>TOTAL:</b>	<b>177 182</b>	<b>139 146</b>

### 11. Prepaid expense

	31.12.2022 EUR	31.12.2021 EUR
Insurance	27 544	6 927
Software and other subscription costs	196 864	171 158
Participation in exhibitions and conferences	-	185
Training	4 200	300
Office rent	35 523	35 523
Advances to suppliers	24 998	33 084
<b>TOTAL:</b>	<b>289 129</b>	<b>247 177</b>

### 12. Accrued Income

	31.12.2022 EUR	31.12.2021 EUR
Accrued 2014 Action income	7 742 443	2 467 867
Accrued 2015 Action income	92 807	83 106
Accrued 2016 Action income	1 241 701	961 197
Accrued 2019 Action income	10 308 324	-
Accrued income from Latvia	770 692	-
<b>TOTAL:</b>	<b>20 155 967</b>	<b>3 512 170</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.

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 it based on the costs of the Company incurred until the end of the reporting year, for which the respective financing share form Latvia was not yet received.

### 13. Cash

	31.12.2022 EUR	31.12.2021 EUR
Company's operational account	13 401 380	20 791 453
<b>TOTAL:</b>	<b>13 401 380</b>	<b>20 791 453</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 2021 and 2022 all CEF financing received during the year were distributed to Beneficiaries.



#### 14. Share capital

As at 31 December 2022 the share capital of the Company is 1 950 015 EUR (31.12.2021: 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 2022, the share premium amounted to 9 749 985 EUR (31.12.2021: 9 749 985 EUR).

As at 31 December 2022, 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
<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:

	31.12.2022 EUR	31.12.2021 EUR
<b>Non-current portion of the bridge loans:</b>		
Bridge loan from the Ministry of Transport and Communications of the Republic of Lithuania	1 150 788	1 542 992
Bridge loan from the Ministry of Transport of the Republic of Latvia	6 699 650	3 402 505
Bridge loan from the Ministry of Economic Affairs and Communications of the Republic of Estonia	5 654 817	1 371 656
<b>Total non-current portion of bridge loans from related parties</b>	<b>13 505 255</b>	<b>6 317 153</b>
<b>Current portion of the bridge loans:</b>		
Bridge loan from the Ministry of Transport and Communications of the Republic of Lithuania	392 204	2 246 478
Bridge loan from the Ministry of Transport of the Republic of Latvia	1 206 177	1 957 207
Bridge loan from the Ministry of Economic Affairs and Communications of the Republic of Estonia	2,139,353	1 989 474
<b>Total current portion of bridge loans from related parties</b>	<b>3 737 734</b>	<b>6 193 159</b>
<b>TOTAL:</b>	<b>17 242 989</b>	<b>12 510 312</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 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 transfers loans to RB Rail AS bank account. No new loans were received from Lithuania in 2022, but 2 246 478 EUR were repaid by RB Rail after receiving respective

grant financing amounts from CINEA. The loans from the Ministry of Transport of the Republic of Latvia and Ministry of Economic Affairs and Communications of the Republic of Estonia 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 April 2022 additional loan was withheld from CEF pre-financing payments due to the Ministry of Transport of the Republic of Latvia of 4 503 321 EUR and from the Ministry of Economic Affairs and Communications of the Republic of Estonia – 4 433 041 EUR. In 2022 bridge loan partial repayment was made also to the Ministry of Transport of the Republic of Latvia in amount of 1 957 207 EUR.

## 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.

	31.12.2022 EUR	31.12.2021 EUR
Non-current portion of deferred income related to non-current assets	385 302	304 576
Current portion of deferred income related to non-current assets	364 853	319 530
Current portion of deferred income related to balance of 2020 Action financing	1 597 309	2 142 884
Current portion of deferred income related to balance of 2021 Action financing	3 231 442	-
Current portion of deferred income related to balance of 2019 Action financing	-	749 766
Current portion of deferred income related to balance of financing from Latvia	-	658 119
Current portion of deferred income related to balance of financing from Estonia	3 398 227	134 160
<b>TOTAL:</b>	<b>8 977 133</b>	<b>4 309 035</b>

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

	31.12.2022 EUR	31.12.2021 EUR
<b>Latvia</b>		
Value added tax	(27 965)	(43 234)
Personal income tax	-	(105 334)
Mandatory state social insurance contributions	-	(126 656)
Solidarity tax	101 875	62 418
Unemployment risk fee	-	(45)
<b>Estonia</b>		
Value added tax	4 463	2 867
Statutory social insurance contributions	-	982
Personal income tax	-	(22)
<b>Lithuania</b>		
Value added tax	1 741	910
Statutory social insurance contributions	5 800	1 486
Personal income tax	444	166
<b>TOTAL:</b>	<b>86 358</b>	<b>(206 462)</b>
<b>TOTAL LIABILITY:</b>	<b>(27 965)</b>	<b>(275 291)</b>
<b>TOTAL OVERPAYMENT (See Note 10):</b>	<b>114 323</b>	<b>68 829</b>

**18. Accrued liabilities**

	31.12.2022 EUR	31.12.2021 EUR
Accrued liabilities for unused vacations	639 560	537 254
Accrued liabilities for employee annual bonuses	987 789	684 832
Accrued liabilities for professional services	51 320	102 572
Accrued liabilities for audit services	23 750	44 000
Other accrued liabilities	6 471	32 578
<b>TOTAL:</b>	<b>1 708 890</b>	<b>1 401 236</b>

## 19. Contingent liabilities

Operating lease commitments at the end of the reporting period:

	31.12.2022 EUR	31.12.2021 EUR
Lease of premises	2 995 779	2 432 345
Lease of furniture	155 114	-
Lease of cars	64 367	96 341
Other leases	9 992	6 117
<b>TOTAL:</b>	<b>3 225 252</b>	<b>2 534 803</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 2022 the Company as a coordinator received pre-financing amounts from CINEA in line with 2014, 2016, 2020 and 2021 Action Grant Agreements. All pre-financing was distributed to all four Beneficiaries with exception of the bridge loan withheld from Latvian and Estonian Beneficiaries as described in Note 15.

During 2022 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 2022 compensation of non-deductible input VAT incurred by the Company of 546 194 EUR, while compensation for January to December 2022 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 and 2022 for financing of the relevant share of RB Rail AS costs. Based on the Agreement on Interim Financing of RB Rail AS in 2022-2025 the Ministry of Transport and Communications of the Republic of Lithuania provided financing of 2 561 488 EUR through the national implementing body LTG Infra AB, of which 444 590 EUR remained unused and repayable as at 31.12.2022. The balance of un-used financing for 2021 of 383 568 EUR was repaid to LTG Infra AB in 2022.

Rail Baltic Estonia OU, the national implementing body of Rail Baltica project in Estonia, transferred financing of 2 471 752 EUR to RB Rail AS based on the Cooperation Agreement signed in 2022. The financing was provided with intention to report eligible costs of RB Rail, which were related to activities for the benefit of the Estonia part of the Global Project, within the Interim Financial Statements of the Ministry of the Economic Affairs and Communications of the Republic of Estonia according the Interim Financing Agreement of RB Rail in 2022-2025. Subsequently CINEA informed the beneficiaries that each Beneficiary should report its eligible costs in its own Interim Financial Statements. Therefore, part of the provided financing in amount of 1 127 322 EUR will not be used to cover eligible costs of RB Rail in 2022, and, the total balance of unused subsidy financing from Rail Baltic Estonia OU as at the end of 2022 amounts to 3 398 227 (see Note 16).

Included in the Payables to related parties as of 31 December 2022 and 2021 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 and still is in progress. 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 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 AB LTG Infra for 2022 and Rail Baltic Estonia OU for 2022-2025. 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 2023 was approved considering availability of adequate financing for the planned activities in 2023.

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.

	31.12.2022 EUR	31.12.21 EUR
Payable in less than 3 months		
Accounts payable to suppliers and contractors	841 944	337 543
Taxes payable	27 965	275 291
Bridge loans repayable	1 989 474	1 957 207
Other payable to related parties	445 862	383 568
<b>Total payable in less than 3 months</b>	<b>3 305 245</b>	<b>2 953 609</b>
Bridge loans repayable in 3 to 12 months	1 748 260	4 235 952
Bridge loans repayable later than in 1 year	13 505 255	6 317 153
<b>TOTAL:</b>	<b>18 558 760</b>	<b>13 506 714</b>

### *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.

### *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. 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. 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.

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 in 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 2022 reputational risk expose 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 appears was performed.

## **22. Subsequent events**

On 18 January 2023 the Company submitted to European Commission next financing proposal for Rail Baltica project under the 2022 CEF Transport MAP call for proposals in two envelopes. The total value of the application is up to 1,15 billion EUR, of which total costs for RB Rail AS activities are planned for around 59 million EUR. The approval and the amount of the potential grant is not certain, and will be announced later in 2023.

On 19 January 2023 the Company received a preliminary result of CINEA audit of the Interim Financial Statements submitted by the Beneficiaries for costs incurred in 2019 and 2020. While no financial adjustments are to be made for already reported periods, CINEA opinion is that inclusion of costs incurred by one of the grant Beneficiaries into Interim Financial Statements of another Beneficiary, as was the case with the costs of RB rail AS reported by the Ministry of Economic Affairs and Communications of the Republic of Estonia, is contrary to the terms of grant agreement and should be discontinued prospectively. The Company will, therefore, report the respective part of its eligible costs related to Estonia part of Global Project activities for 2021 and onwards directly to CINEA, and has re-classified the income recognized for 2021 between the sources of income accordingly as explained in Note 4. The resulting accumulated subsidy received from Rail Baltic Estonia OU is currently shown within deferred income (see Note 16), and may be either used for future co-financing or repaid to Estonian Beneficiary.

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 2023 was approved considering the balances of funds already at Company's disposal at 31 December 2022, 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 2022 to continue operations at least for one year, therefore these financial statements are prepared on a going concern basis.



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Marko Kivila  
Chairman of the Management Board



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Anīta Pūka  
Chief Accountant

9 March 2023



## 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 11 to 32 of the accompanying annual report, which comprise the Balance sheet as at 31 December 2022, 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 2022, 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.

#### ***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 10 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.

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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:

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- 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  
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