

**JOINT STOCK COMPANY RB RAIL
(UNIFIED REGISTRATION NUMBER 40103845025)
ANNUAL REPORT
FOR THE YEAR ENDING 31.12.2017
(3rd financial year)
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT
Riga, 2018**

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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, K. Valdemara iela 8-7 LV-1050, Latvia
Shareholders	Rail Baltic Estonia OÜ (33.33%) Registration No. 12734109 Harju tn 11, Tallinn, Harju county, 15072, Estonia Eiropas dzelzceļa 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 Gedimino pr. 20, Vilnius, Lithuania RB Rail AS Eesti filial, Reg. No. 14168654 Valukoja tn 8 – Ēpiku mājā, Tallinn 11415, Estonia
Type of operations	To design, construct and market <i>Rail Baltica</i> railway line
NACE code	42.12 Construction of railways and underground railways
Reporting period	1 January 2017 – 31 December 2017
Previous reporting period	1 January 2016 – 31 December 2016
Chief Accountant	Anita Pūka
Auditor and certified auditor name and address	Deloitte Audits Latvia SIA Grēdu iela 4A Riga, LV-1019 Latvia Certified auditor in charge: Roberts Stūģis Certificate No. 203

Information about the company's management

Members of the Management Board

Name	Position	Elected	Released
Baiba Anda Rubesa	CEO and Chairperson of the Management Board	30.10.2015	-
Kaspars Rokens	Member of the Management Board	24.04.2017	-
Ignas Degutis	Member of the Management Board	01.06.2017	-
Deniss Muraško	Member of the Management Board	09.05.2017	26.06.2017
Mart Nielsen	Member of the Management Board	20.02.2018	-

Members of the Supervisory Board

Name	Position	Elected	Released
Riia Sillave	Chairperson of the Supervisory Board	19.01.2018	-
Edvīns Bērziņš	Deputy chairman of the Supervisory Board	19.01.2018	-
Karolis Sankovski	Deputy chairman of the Supervisory Board	19.01.2018	-
Vineta Rudzite	Member of the Supervisory Board	21.10.2016	-
Arenijus Jackus	Member of the Supervisory Board	09.11.2017	-
Anti Moppel	Member of the Supervisory Board	15.01.2018	-
Riia Sillave	Member of the Supervisory Board	15.01.2018	19.01.2018
Edvīns Bērziņš	Deputy Chairman of the Supervisory Board	28.01.2016	21.10.2016
Edvīns Bērziņš	Member of the Supervisory Board	21.10.2016	24.10.2016
Edvīns Bērziņš	Deputy Chairman of the Supervisory Board	24.10.2016	20.01.2017
Edvīns Bērziņš	Chairman of the Supervisory Board	20.01.2017	20.06.2017
Edvīns Bērziņš	Member of the Supervisory Board	20.06.2017	03.07.2017
Edvīns Bērziņš	Chairman of the Supervisory Board	03.07.2017	15.01.2018
Edvīns Bērziņš	member of the Supervisory Board	15.01.2018	19.01.2018
Karolis Sankovski	Member of the Supervisory Board	20.06.2017	03.07.2017

Members of the Supervisory Board (cont'd)

Karolis Sankovski	Deputy Chairman of the Supervisory Board	03.07.2017.	15.01.2018
Karolis Sankovski	Member of the Supervisory Board	15.01.2018	19.01.2018
Indrek Orav	Member of the Supervisory Board	21.10.2016	15.01.2018
Anti Moppel	Chairman of the Supervisory Board	12.11.2014	28.01.2016
Anti Moppel	Deputy chairman of the Supervisory Board	28.01.2016	21.10.2016
Anti Moppel	Member of the Supervisory Board	21.10.2016	24.10.2016
Anti Moppel	Deputy chairman of the Supervisory Board	24.10.2016	20.06.2017
Anti Moppel	Member of the Supervisory Board	20.06.2017	03.07.2017
Anti Moppel	Deputy chairman of the Supervisory Board	03.07.2017	15.01.2018
Steponas Šaltmeris	Member of the Supervisory Board	20.06.2017	09.11.2017
Dainius Budrys	Deputy Chairman of the Supervisory Board	14.10.2015	28.01.2016
Dainius Budrys	Chairman of the Supervisory Board	18.01.2016	21.10.2016
Dainius Budrys	Member of the Supervisory Board	21.10.2016	24.10.2016
Dainius Budrys	Chairman of the Supervisory Board	24.10.2016	20.01.2017
Dainius Budrys	Member of the Supervisory Board	20.01.2017	20.06.2017
Danielius Dolgich	Member of the Supervisory Board	21.10.2016	01.11.2016
Danielius Dolgich	Deputy chairman of the Supervisory Board	01.11.2016	20.06.2017

Management report

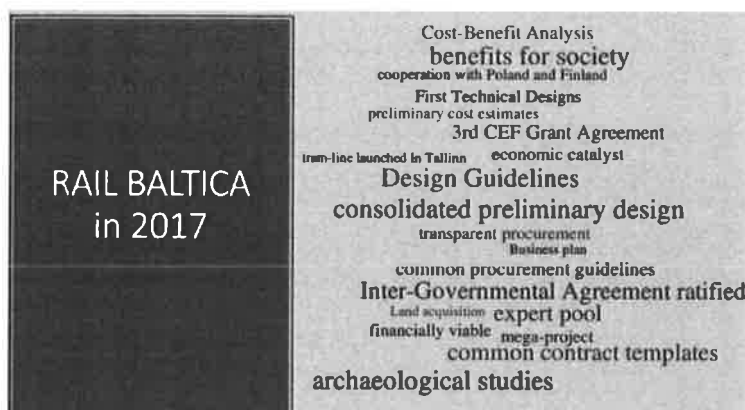
Rail Baltica is a European rail transport infrastructure project with the goal to fully integrate the Baltic States into the core European rail network. Starting in the Baltic countries, when completed, *Rail Baltica* will connect five European Union countries – Poland, Lithuania, Latvia, Estonia and Finland.

The joint venture RB Rail AS was established based on the joint declaration of the Prime Ministers of Estonia, Latvia and Lithuania on 21 June 2014, by approving the Shareholders' Agreement, whereby *Rail Baltica* is defined as a fast conventional double track 1435 mm gauge electrified continuous high speed railway line for a route that spans Tallinn-Pärnu-Rīga-Panevezys-Kaunas to the Lithuanian-Polish border, including a connection from Kaunas to Vilnius.

RB Rail AS achievements for the *Rail Baltica* project in 2017

Throughout 2017, the *Rail Baltica* project has been replete with essentially positive developments:

First, it is notable that all three Baltic Governments and parliaments have ratified the Inter-Government Agreement for the *Rail Baltica* project. With this act, they have confirmed their long-term commitment to the *Rail Baltica* project. This is a key milestone to demonstrate Baltic commitment project implementation, relevant to many different stakeholders: the public in the region, potential customers, contractors, industries connected with both construction and railway, and last, but not least important to the EU Commission, our main investor as well as Finland and Poland, our partners in *Rail Baltica* implementation.



Second, the Rail Baltic Global Project's Cost-Benefit Analysis that was delivered by Ernst & Young and Atkins international experts, based on EU CBA guidelines proved that the project is financially feasible and viable and its measurable benefits will outweigh the costs. Namely, with a 5.8 billion EURO investment, a benefit of 16.2 billion is envisaged, thus, giving the beneficiaries sufficient grounds to continue the project's development. Additional – non-measurable –

benefits have also been identified, mostly of induced and catalytic nature, which will inevitably contribute positively to the Baltic societies.

Third, all the project implementation entities working well as a team have managed to enter the Design phase of the *Rail Baltica* project in 2017.

Fourth, in 2017 RB Rail, together with Beneficiaries, submitted the third application of the Connecting Europe Facility Financing for the project implementation for which *Rail Baltica* got the positive decision at the EU, and now Grant Agreement is in the final preparation process. It is notable that in the last CEF call for the first time ever the Commission has attributed additional funding of EUR 19 million beyond national allocations, demonstrating the Commission's strong commitment to the *Rail Baltica* project.

All parties have aligned on the CEF 3 Grant Agreement conditions, expected to be signed in Q2 2018. With three grant agreements RB Rail AS has ensured financing of 824 million euro, of which 683 million euro come from the Connecting Europe Facility grants, and the rest is contributed by National Beneficiaries.

Rail Baltica financial contributions from EU and member states*



IN TOTAL: € 824 000 000



	Eligible cost	CEF Grant
EE	€ 235 000 000	€194 000 000
LV	€ 303 000 000	€247 000 000
LT	€ 286 000 000	€242 000 000
TOTAL:	€ 824 000 000	€683 000 000

* After signing the CEF3 Grant Agreement in 2018

Finalization of the *Rail Baltica* planning phase

The *Rail Baltica* project is divided into three phases before testing of the new line is expected to begin in 2025/2026.

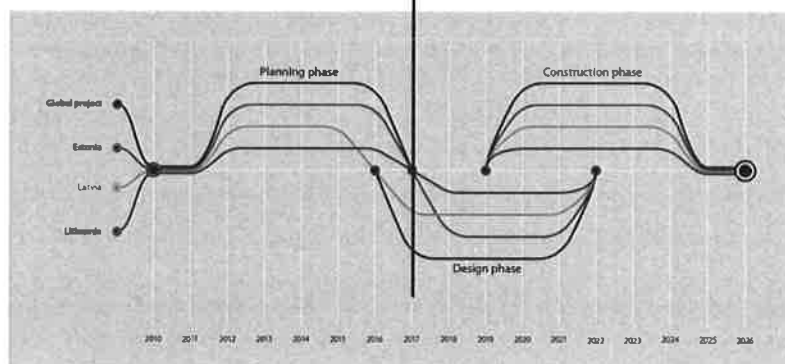
The project Progress in 2017 - RB Rail Finalising the Planning Phase – Entering the Design Phase

PLANNING PHASE in 2017:

- CBA - completed
- Preliminary estimated costs - known

MAIN STUDIES:

- In preparation: Business plan tender – contract signed; Study on Upgrading the railway line section "PL/LT state border-Kaunas-RRT Palemonas" - in final phase
- Ready to enter into contract: Operational plan, Feasibility study on rail bound connection from RB Ülemiste passenger terminal to Tallinn passenger port
- Tender evaluation: RB infrastructure manager study – assessment of proposals
- In tender documentation final preparation phase: several supplier market studies



In 2017, following the commitments for the Planning phase activities addressed in the Shareholders Agreement, RB Rail AS has made significant steps to finalize the planning phase of the project:

- ✓ Last year in April, the Cost-Benefit Analysis of the Global project was concluded and presented to the general public at the first *Rail Baltica* Global Forum. This study underpinned the financial viability and feasibility of *Rail Baltica* project;

In 2017, together with the study's supplier Ernst & Young Baltic, RB Rail engaged in discussions on the study's results, particularly, in Estonia. RB Rail AS management strongly believes that this study's results, prepared by internationally experienced experts who have done similar work in the past, follow the European Commission's Cost-Benefit Analysis Guidelines. In addition, the EU's Transport Commission has noted that the study is conducted fully in line with this methodology. As requested for the planning phase of the project, the CBA

- determined the preliminary estimated costs of the project: 5,8 billion euro for the three countries versus a potential return of 16.2 billion euro in socio-economic benefits;
- ✓ Following a thorough tender process, RB Rail AS has entered into contract with Railistic and DB Engineering & Consulting GmbH to deliver a long-term *Rail Baltica* Global Project Business plan;
 - ✓ Work on the PL/LT Border - Kaunas-Palemonas RRT Upgrade Feasibility Study with the Spanish supplier Ardanuy Ingenieria S.A. is in its final phase;
 - ✓ Operational Plan procurement was completed on January 23, 2018 and subsequently the agreement was signed with a German company, ETC Consultants GmbH. The *Rail Baltica* Operation plan should be completed by the end of 2018;
 - ✓ A feasibility and technical framework study for a rail bound (light rail or tram) connection from RB Ülemiste passenger terminal to TEN-T core network Tallinn passenger port (Old city Harbour / Vanasadam) procurement was completed on 22.01.2018. The study is being delivered by the French company Egis Rail S.A.;
 - ✓ Technical expertise of the cut – and – cover railway tunnel procurement was completed on 31.01.2018 with the winner Ardanuy Ingenieria S.A.;
 - ✓ *Rail Baltica's* Infrastructure management study procurement was announced in November 2017 and is in its final phase;
 - ✓ On 29.12.2017 RB Rail announced 2 important tenders for the Global *Rail Baltica* project development: Design and design supervision services for the construction of the new line from Kaunas to Ramygala and Design and design supervision services for the construction of the new line from Pärnu to Rapla;
 - ✓ In addition, several tenders are in the final documentation preparation stage for diverse supplier market studies such as Superstructure components, or ERTMS signalling systems;
 - ✓ For more information of the finalized and ongoing procurements please visit *Rail Baltica's* website: <http://www.railbaltica.org/tenders/>.

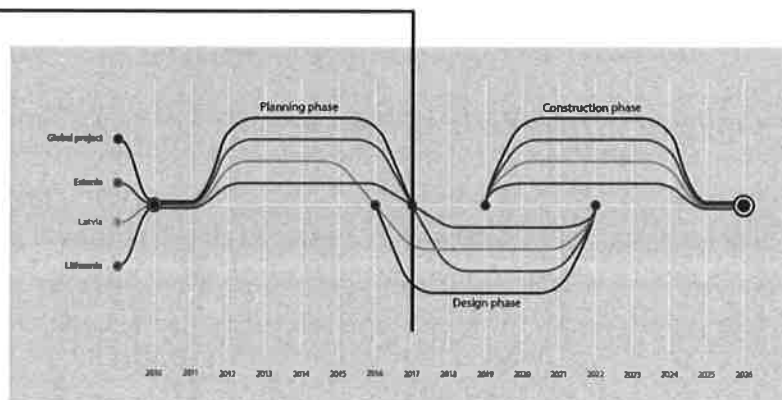
Entering into the Design phase of the Global *Rail Baltica* project

In 2017, RB Rail has entered in the Design phase of the *Rail Baltica* project implementation:

The project Progress in 2017 - RB Rail Finalising the Planning Phase – Entering the Design Phase

DESIGN PHASE in 2017:

- Design Guidelines Final Report submitted (approval process started)
- Consolidated Preliminary Technical Design commenced (to be finalized by Q4 2018)
- Consultations with professional community on design tender in November
- Detailed Technical Design tenders in Estonia, Lithuania, phase I – announced, Latvia – announcement in January 2018



Design guidelines for the *Rail Baltica* Global project developed by the French company Systra S.A. is in its final stage of approval by stakeholders in March 2018.

Consolidated Preliminary Technical Design – RB Rail's technical team commenced work on the consolidation of preliminary technical design in 2017 after receiving the first preliminary design materials from national implementing bodies. In the beginning of 2018, the Consolidated Preliminary Technical Design for the first sections in three Baltic states are in the finalization process to be able to continue with the tenders of the services for detailed technical design. This essential task is about aligning three preliminary technical designs of the national states, seeking potential design improvements that contribute to construction and operational expense savings.

The first *Rail Baltica* Global Project Detailed Technical Design tenders were announced for the 71 km section in Estonia for the main line, 76.6 km section in LT for the main line and 56.6 km section for the main line in Latvia. It is important that before the tenders were announced, RB RAIL AS met thirty European, including Baltic, railway design suppliers to discuss their lessons learned and vision on the best railway design practice applicable to *Rail Baltica* implementation.

RB Rail AS procurement principles and transparency

To successfully carry out our work with studies and design, RB Rail had to strengthen its **Procurement** capacity and build a transparent procurement system for all *Rail Baltica* tenders.

In 2017, under RB Rail's leadership Common procurement guidelines, with minimal established criteria for suppliers were defined according to national and EU regulations as well as international megaproject implementation standards. All the information was presented to potential suppliers in the first *Rail Baltica* Global Forum. In addition, common contract templates were prepared for all *Rail Baltica* tenders. The templates are in use and everyone can acquaint themselves with the documents by reading Tender documentation on www.railbaltica.org. The three-person Procurement team at the beginning of 2017 has reached its maximum size of 7 by the end of 2017.

In 2017, RB Rail announced 28 tenders, of which 21 decisions were taken and 3 tenders relaunched as in two tenders the candidates did not qualify and in one tender the proposed service fee exceeded the contract price. In addition, in parallel to their daily duties, the Procurement team prepared the internal RB Rail system for the e-procurement system introduced in Latvia at the end of the year as well as extended support to the Latvian national Authorities with expertise on how to better introduce this system considering international participation in the Latvian tenders.

Project Progress in 2017 - RB Rail

01	Procurement	02	Transparency of Project and RB Rail
	<ul style="list-style-type: none">▪ Common Procurement guidelines, minimum qualification criteria, contract templates for all implementers▪ Announced: 28▪ Relaunched: 3▪ Decisions taken: 21▪ E-procurement system▪ Suppliers' Industry Day (500 participants) <p>Prevention of COI situations - regulated by the Inter-Beneficiary Agreement, Common Procurement Standards & Guidelines, Contracting Scheme</p>		<ul style="list-style-type: none">▪ FINANCIAL TRANSPARENCY: Published online:<ul style="list-style-type: none">- RB Rail's Annual Reports, Grant Agreements, CBAAuditing:<ul style="list-style-type: none">- External Annual Audits- Meetings with State Auditors of five countriesCost Eligibility:<ul style="list-style-type: none">- INEA: confirmed that project costs for 2016 - 1.6 million euro- are considered eligible (CEF2 Agreement)▪ INFORMATIONAL TRANSPARENCY:<ul style="list-style-type: none">- Global project website published in four languages- Major project documents accessible online- All tender information accessible- Newsletters for tenders/news- Common social media accounts- Meetings with stakeholders / public presentations

The set common procurement standards, contract templates, usage of e-procurement certainly helps us to ensure a more resource effective approach in the procurement process.

RB Rail AS procurements are based on transparency principles. Last year was important for the dialogue with potential suppliers, to build equal opportunities for all interested parties. RB Rail AS organized the first Industry Suppliers' day, introduced procurement newsletters, established a tender section in four languages on our website for transparent information accessibility. In addition to that, the new *Rail Baltica* website ensures information transparency by providing access to everyone to major project documentation. RB Rail AS has issued quarterly newsletters on current topics, created common social media accounts. To address financial transparency, RB Rail AS has published its Annual reports, Grant Agreements and the full Cost-Benefit Analysis report on its own website.

While INEA has approved the first Interim payments of RB Rail as well as successfully audited CEF I Grant Agreement 2015-2016 financial data, the RB Rail AS team has also met with the State Auditors of the five countries the *Rail Baltica* Global Project encompasses: Finland, Estonia, Latvia, Lithuania, Poland.

On December 19, 2017 the European Union's Innovation and Network's Executive Agency, INEA, approved RB Rail AS first Interim Financial Report on the costs incurred in 2015-2016, noting that the CEF II 2015-EU-TM-0347-M Grant Agreement's 1,

6 million euro costs are considered eligible. On February 9, 2018 INEA deemed the CEF I 2014-EU-TMC-0560-M Grant agreement interim payment of 1.8 million euro cost as eligible.

As well as providing transparency, it is of high importance to ensure the prevention of conflict of interest situations in the project. The *Rail Baltica* project is largely financed by the Connecting Europe Facility (CEF) instrument. Thus, there is an obligation upon states to take all necessary measures to prevent conflict of interest (COI) situations. In the *Rail Baltica* project this issue is further regulated in the Inter-Beneficiary Agreement signed in 2016 and Common Procurement Standards and Guidelines prepared in 2017. Moreover, *Rail Baltica*'s Contracting Scheme agreement, signed in 2016, determines that members of the Supervisory Board and Management Board cannot participate in procurement commissions. Effective implementation of conflict of interest rules in practice is high on *Rail Baltica* agenda for all parties implementing the *Rail Baltica* project.

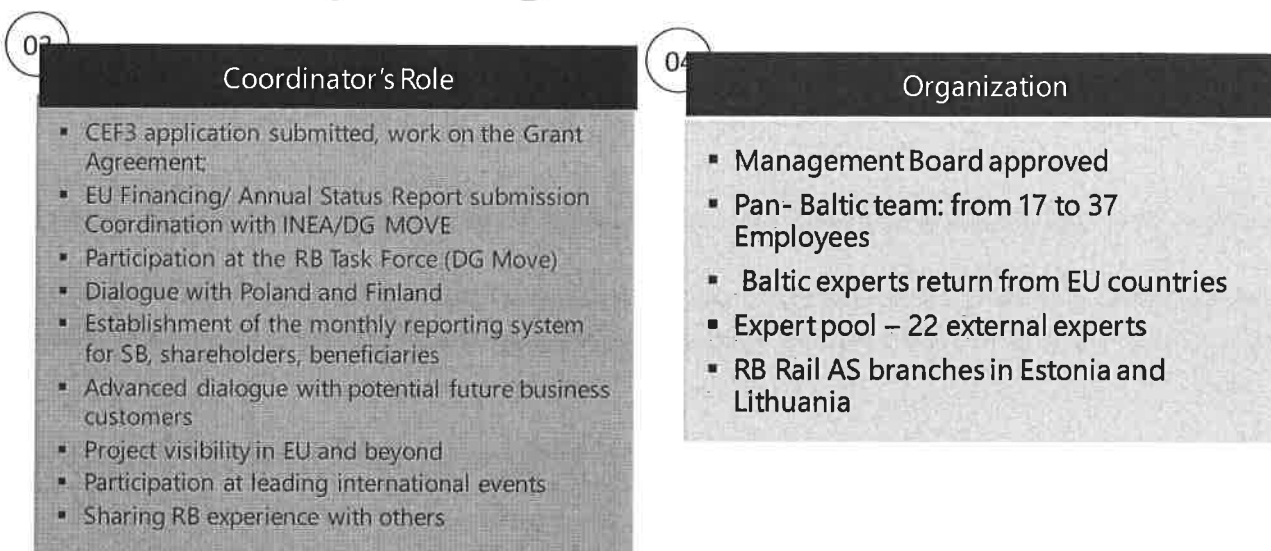
RB Rail responsibilities and organization development

The Shareholder's Agreement as well as the Intergovernmental Agreement states that RB Rail's main mandate is to design, construct and market (brand) *Rail Baltica*, including but not limited to a coordinator's role of the *Rail Baltica* Global project.

In 2017, apart from the daily duties to ensure CEF Applications, Annual status report, monthly reporting system of the official project implementers and beneficiaries, RB Rail AS started to actively participate at the *Rail Baltica* Task Force, convened by DG Move. With the responsibility of ensuring cross-border interoperability, RB Rail AS has also established concrete dialogue with Poland and Finland by both meeting and coordinating the project implementation activities with their national authorities and meeting with their business communities: potential suppliers and clients.

It is important that *Rail Baltica* project has high visibility in Europe to ensure supplier participation in RB Rail procurement processes. Thus, RB Rail AS has presented the project at major events such as the Krynica Central and Eastern European Forum, Trakai and Tampere fairs. The *Rail Baltica* team, including all national implementing bodies also decided to build international recognition together by organizing the *Rail Baltica* Global Forum in April in Riga – with the next one scheduled for April, 2018 in Tallinn. RB Rail AS participation at essential European industry events permits the company to not only learn from similar project experience in Europe, but also share experience by presenting the *Rail Baltica* project for example at the G-7 Transport Minister's meeting or at the International Project Management Association's seminar on megaproject implementation.

Project Progress in 2017 - RB Rail



Last, but not least, RB Rail has focused on developing internal expertise by building RB Rail's organisation:

- In 2017, a full-fledged Management Board was approved by the Supervisory Board;
- RB Rail employs a Pan-Baltic team with a mere 36 employees in three countries. The *Rail Baltica* project has the positive tendency of increasingly attracting Baltic experts working in other EU countries. They are exploring the possibility to return to living in the Baltics. To date, RB Rail has three experts who have returned from Sweden, Finland and the United Kingdom to work on *Rail Baltica*;
- By the end of the year RB Rail AS has access to an expert pool of 22 whose services can be used for mainly technical tasks for the project;
- Two RB Rail AS branches in Estonia and Lithuania have been instrumental in ensuring the coordinator's role in all three countries, including the possibility for the Estonian and Lithuanian employees to be employed by RB Rail AS in their respective countries.

RB Rail main tasks in 2018

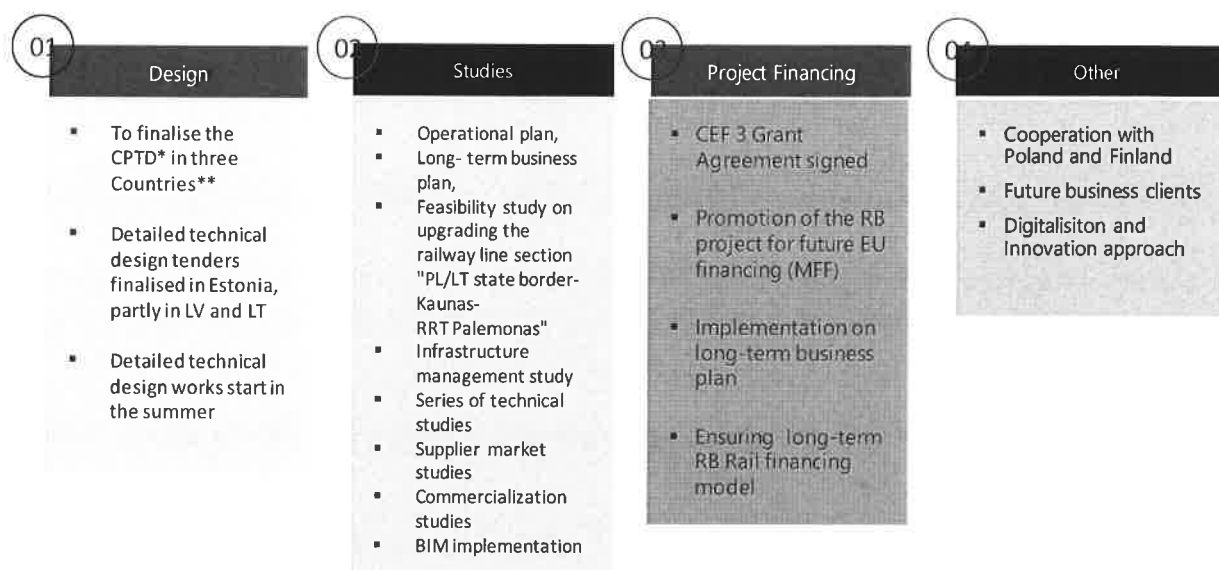
In 2018, RB Rail AS organisation's main focus will be on design activities.

- RB Rail AS will finalise the work on the comprehensive preliminary technical designs in three countries. This means combining the national studies for creating one consistent railway corridor;
- This year RB Rail AS will also complete the detailed technical design tendering process in Estonia and partly for Latvia and Lithuania. These detailed technical design works should be completed in 2020.

All detailed technical designs will be completed in 2020.

Secondly, we will continue work to deliver the main studies – the operational plan, the long-term Rail Baltica Global project business plan, the series of technical studies like visual guidelines, climate change impact assessment, supplier market studies, commercialization studies, BIM strategy and deployment.

RB Rail main tasks in 2018



* CPTD - Consolidated preliminary technical desing in three Countries

** Not applicable for the sections in Lithuania: Kaunas – PL/LT border, Kaunas - Vilnius

RB Rail AS will finalise the work on the Feasibility Upgrade Study for the section Kaunas/Palemonas – Lithuanian/Polish border. Currently the supplier has submitted the study's second interim report, which provides a comparison of alternative options on this section for reaching speed, capacity and other requirements in full with the Global Project's definition of all agreements to date, *Rail Baltica* Design guidelines, its technical parameters and relevant TSIs. This study's next step is to choose two options for more detailed analysis. Finalisation of the report is expected by the end of the second quarter of 2018.

A second key study, namely, the Infrastructure management study, is planned to be completed and presented to the Baltic Beneficiaries in the summer of 2018, to be able to reach a decision on this issue by the end of 2018.

RB Rail AS third area of priority this year is ensuring the global project's sustainable financing. This means:

- concluding work on the CEF 3 Grant Agreement;
- continuing to promote the project to ensure an intense co-financing ratio in the next Multiannual financial framework together with beneficiaries;
- preparing the long-term business plan, and
- creating and implementing a long-term sustainable RB Rail financing model.

Finally, RB Rail AS will continue to strengthen cooperation with Finland and Poland, to address *Rail Baltica* future business clients, to develop the *Rail Baltica* digitalisation and innovation strategy, as well as to focus on possibilities to have more resource effective project implementation.

As in 2017, RB Rail AS will continue work on seeking economies of scale wherever possible, thereby ensuring less resources spent on this project.

Financial performance and the Financial position for the Reporting Period

The reporting period from 1st January 2017 through 31st December 2017 was the Company's third year of operations. In 2017 the Company recognised income from EU grants of 2 646 653 EUR (in 2016 –930 717 EUR), and closed the year with a loss of 752 983 EUR (in 2016 – loss of 543 797 EUR) increasing the total accrued loss to 1 965 534.

During the year, the Share capital was increased by 3 EUR and 1 949 997 EUR as a share premium. At 31st December 2017 the equity remained positive at 5 834 466 EUR.

Financial risk management

On 13 December 2017 RB Rail signed an agreement for interim financing of RB Rail AS with the Ministry of Economic Affairs and Communications of the Republic of Estonia, Ministry of Transport of the Republic of Latvia, Ministry of Transport and Communications of the Republic of Lithuania, Rail Baltic Estonia OÜ, Eiropas Dzelzceļa līnijas SIA, *Rail Baltica* Statyba UAB. The agreement secures RB Rail AS financing for 2018.

Unfortunately, the decision on long-term sustainable RB Rail AS financing remains outstanding. Based on the 2018 interim financing agreement, before the end of 2018 the relevant parties shall conclude an agreement on sustainable financing of the operation of RB Rail AS activities in relation to the implementation of the Global Project from 2019 and onwards which could encompass a suitable approach to the financing of RB Rail AS.

RB Rail AS 2018 budget was approved by its Supervisory Board on 1st February 2018 with the aim to increase RB Rail AS headcount to 74 employees by the end of the year; however, this may be reviewed by Supervisory Board at the end of March 2018.

The CEF 3 Grant Agreement (Action number 2016-EU-TMC-0116-M) of total eligible direct cost of 129 966 867 EUR was approved by the European Commission in 2017. RB Rail AS management expects that the grant agreement will be signed in the second quarter of 2018.

RB Rail AS started procurement of Risk management framework on 22.12.2017, with an objective to establish a thorough Risk Management manual, including strategy, updated policy and procedures. The Company's current Risk management policy is disclosed in Note 20

Events after the balance sheet date

Subsequent events are disclosed in Note 21.



Baiba Anda Rubesa
Chairperson of the Management Board

21 March 2018

The annual report was approved by the shareholders' meeting on 10 April 2018.

Statement of comprehensive income

	Notes	01.01.2017- 31.12.2017	01.01.2016- 31.12.2016 Restated*
		EUR	EUR
Net turnover		-	-
Other operating income	5	2 646 653	930 717
Personnel costs	6	(1 895 331)	(563 077)
a) remuneration for work		(1 521 439)	(475 498)
b) mandatory state social insurance contributions		(373 796)	(87 551)
c) other social insurance costs		(96)	(28)
Depreciation	9	(24 077)	(15 851)
Other costs of economic activity	7	(1 480 222)	(895 586)
Loss before corporate income tax		(752 977)	(543 797)
Corporate income tax for the financial year	8	(6)	-
Loss for the year after corporate income tax		(752 983)	(543 797)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year, net of tax		(752 983)	(543 797)

*Please see Note 23.

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



Baiba Anda Rubesa
Chairperson of the Management Board



Kaspars Rokens
Member of the Management Board



Ignas Degutis
Member of the Management Board



Mart Nielsen
Member of the Management Board



Anita Pūka
Chief Accountant

21 March 2018

Statement of financial position

		ASSETS		
	Notes	31.12.2017 EUR	31.12.2016 EUR	Restated*
NON-CURRENT ASSETS				
Property, plant and equipment				
Intangible assets	9	18 208	-	
Advance payments for intangible assets	9	11 760	-	
Other fixed assets	9	94 892	45 907	
	TOTAL	124 860	45 907	
TOTAL NON-CURRENT ASSETS		124 860	45 907	
CURRENT ASSETS				
Receivables				
Other receivables	10	58 846	88 305	
Prepaid expense	11	25 337	10 071	
Accrued income	12	1 277 664	-	
	TOTAL	1 361 847	98 376	
Cash	13	9 428 508	20 923 903	
TOTAL CURRENT ASSETS		10 790 355	21 022 279	
TOTAL ASSETS		10 915 215	21 068 186	

*Please see Note 23.

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



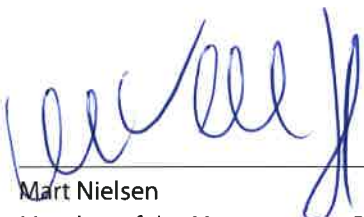
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Anita Pūka
Chief Accountant

21 March 2018

Statement of financial position

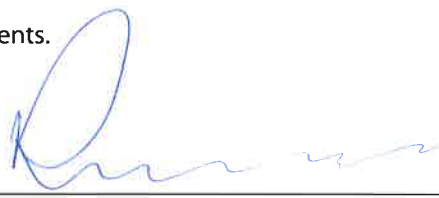
EQUITY AND LIABILITIES			
	Notes	31.12.2017 EUR	31.12.2016 EUR
EQUITY			Restated*
Share capital	14	1 950 009	1 950 006
Share issue premium	14	5 849 991	3 899 994
Retained losses		(1 212 551)	(668 754)
Losses for the financial year		(752 983)	(543 797)
TOTAL EQUITY		5 834 466	4 637 449
LIABILITIES			
Non-current liabilities			
Deferred revenue	15	53 030	21 523
TOTAL		53 030	21 523
Current liabilities			
Accounts payable to suppliers and contractors		102 442	129 734
Payables to related parties	19	790 504	16 118 944
Taxes payable	16	69	-
Other payables	17	3 970 298	89 450
Deferred revenue	15	43 105	13 473
Accrued liabilities	18	121 301	57 613
TOTAL		5 027 719	16 409 214
TOTAL LIABILITIES		5 080 749	16 430 737
TOTAL EQUITY AND LIABILITIES		10 915 215	21 068 186

*Please see Note 23.

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



Baiba Anda Rubesa
Chairperson of the Management Board



Kaspars Rokens
Member of the Management Board



Ignas Degutis
Member of the Management Board



Mart Nielsen
Member of the Management Board



Anita Pūka
Chief Accountant

21 March 2018

Statement of cash flows

	Notes	01.01.2017- 01.12.2017 EUR	01.01.2016- 01.12.2016 EUR Restated*
Cash flows to/ from operating activities			
Loss before tax		(752 977)	(543 797)
Adjustments for:			
Reduction of non-current assets value	9	27 567	15 851
Income from INEA co-financing		(2 646 653)	(933 240)
Increase/ (decrease) in accrued expense		63 688	30 222
Operating profit or (loss) before working capital changes		(3 308 375)	(1 430 964)
Decrease in receivables		14 193	(40 985)
(Decrease) in payables		(35 583)	73 455
Cash generated from operations		(3 329 765)	(1 398 494)
Net cash flows to operating activities		(3 329 765)	(1 398 494)
Cash flows to investing activities			
Purchase of intangible assets		(18 500)	-
Purchase of tangible assets		(76 260)	(20 934)
Net cash flows to investing activities		(94 760)	(20 934)
Cash flows from financing activities			
Paid in share capital	14	3	3
Paid in Share premium	14	1 949 997	1 949 997
Grants / Pre-financing from INEA attributable to the Company	13	1 343 405	10 200
Net cash flows to/ from financing activities		3 293 405	1 960 200
Change in cash		(131 120)	540 772
Cash at the beginning of the period	13	4 804 959	4 264 187
Cash at the end of the year attributable to the Company		4 673 839	4 804 959
Cash at the end of the year attributable to the other Beneficiaries		790 504	16 118 944
Undistributed CEF financing		3 964 165	-
Total cash at the end of the year		9 428 508	20 923 903

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



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Chairperson of the Management Board



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Member of the Management Board



Ignas Degutis
Member of the Management Board



Mari Nielsen
Member of the Management Board



Anita Pūka
Chief Accountant

21 March 2018

Statement of changes in equity

	Share capital	Share premium	Retained losses	Loss for the period	Total
Balance as at 31 December 2015	1 950 003	1 949 997	-	(668 754)	3 231 246
(Loss) for the reporting year	-	-	-	(506 372)	(506 372)
Issue of share capital	3	1 949 997	(668 754)	668 754	1 950 000
Balance as at 31 December 2016*	1 950 006	3 899 994	(668 754)	(506 372)	4 674 874
(Loss) for the reporting year after restatements	-	-	-	(543 797)	(543 797)
Issue of share capital after restatements	3	1 949 997	(668 754)	668 754	1 950 000
Balance as at 31 December 2016	1 950 006	3 899 994	(668 754)	(543 797)	4 637 449
(Loss) for the reporting year	-	-	-	(752 983)	(752 983)
Transfer of prior year result	-	-	(543 797)	543 797	-
Issue of share capital	3	1 949 997	-	-	1 950 000
Balance as at 31 December 2017	1 950 009	5 849 991	(1 212 551)	(752 983)	5 834 466

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



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Member of the Management Board



Ignas Degutis
Member of the Management Board



Mart Nielsen
Member of the Management Board



Anita Pūka
Chief Accountant

21 March 2018

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 K.Valdemāra iela 8-7, Rīga. 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 *Rail Baltica* railway line.

The Company has registered branch offices:

RB Rail AS Lietuvos filialas with the registered address at Gedimino pr. 20, Vilnius, Lithuania,

RB Rail AS Eesti filial registered at Valukoja tn 8, Öpiku maja, Tallin, Estonia.

The financial statements of the Company for the period from 1 January 2017 through 31 December 2017 were approved by a resolution of the Company's shareholders on _____ 2018.

2. Summary of significant accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter - EU).

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.

Cash flow statement is prepared using indirect cash flow method. Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

2. Summary of significant accounting policies (cont'd)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Other operating income

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

Income from CEF co-financing is recognized when direct eligible costs are incurred, applying CEF co-financing rate in the grant agreement:

INEA/CEF/TRAN/M2014/1045990	- 85%
INEA/CEF/TRAN/M2015/1129482	- 85%
INEA/CEF/TRAN/M2016/1360716 (draft)	- 85%

2. Summary of significant accounting policies (cont'd)

Corporate income tax

Current corporate income tax for 2017 and prior periods is applied at the rate of 15% on taxable income generated by the Company during the taxation period. Deferred tax assets or liabilities are no longer recognized at the end of 2017 as there are no timing differences between the tax and accounting values of assets and liabilities, except a possible deferred tax asset represented by accumulated tax losses, 15% of which can be carried forward and off-set future corporate income tax from dividends paid during the next five years. The Company does not plan dividend payments during this period.

Intangible assets

Intangible assets are stated at costs less amortization and any impairment of value, and are amortised over their useful lives. Software licences are amortised over the licence 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. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

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. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (hereinafter - EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Cash

Cash comprises balances of current accounts with banks.

2. Summary of significant accounting policies (cont'd)

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 Union 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.

Deferred revenue

Deferred revenue is recognised when funds from European Union have been used for acquiring non-current assets. Deferred revenue is taken to income gradually over the useful lives of the relevant non-current assets. Part of the deferred revenue, which will be recognized in income later than one year, is classified as non-current deferred income.

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. Changes in accounting policies

Changes in IFRS effective from 1 January 2017

The Company applied the disclosure initiative in the amended IFRS 7, which require to present separately on the cash flow statement changes in the liabilities arising from financing activities. As the Company did not use debt financing in 2017, it did not have any impact on presentation of cash flows.

The amendments to IAS 12 Recognition of deferred Tax Assets for Unrealised Losses were applied, and did not have any impact on the Company's financial statements for 2017.

3. Changes in accounting policies (cont'd)

Standards issued, but not yet effective

The Company has not applied the following IFRS that have been issued and endorsed by EU as of the date of authorization of these financial statements for issue, but which are not yet effective:

IFRS 9 Financial Instruments (effective for financial years beginning on or after 01.01.2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Company has evaluated its impact on the financial statements 2017 as not material.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Company has not yet evaluated the impact of the implementation of this standard.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Company has not yet evaluated the impact of the implementation of this standard.

Voluntary changes in accounting policies

Expensing costs of studies (construction in progress).

Within the scope of Rail Baltica Project the Company is responsible for conducting various studies required for implementation of the railway line in all project stages: planning, design, construction and future operations. During preparation of the previous financial statements, management decided to capitalize costs of the Contracting Scheme study of Rail Baltica project and Cost Benefit Analysis study as construction in progress, a total amount of EUR 249 500, considering them a part of the future cash generating project. However, during the preparation of these financial statements management decided to expense costs of similar studies due to uncertainty about future cash flows caused by the long-term nature of the project and lack of important decisions on future operating model of the railway infrastructure. The change is applied retrospectively, and comparative data for previous period is restated (see Note 23).

4. Use of significant accounting judgments and estimates

Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses 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.

The 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 2017.

4. Use of significant accounting judgments and estimates (cont'd)

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 Eligibility Policy, as adopted in the Supervisory board on 13 December 2016 and Eligibility guidelines ("Travel", "Services and works", "Staff costs") as adopted by the Management board on 6 February 2017. In February 2018 INEA (European Innovation and Networks Executive Agency) audited the first interim statement for Grant Agreement number INEA/CEF/TRAN/M2014/1045990, covering financial years 2015 and 2016, and considered all declared costs eligible.

Accrued income

Accrued income represents the excess of eligible costs incurred over the grant financing already received and allocated to the Company.

Distribution of grant financing received

According to the Grant agreement, the Company is responsible for payment requests on behalf of all Beneficiaries of the whole *Rail Baltica* project. After receipt of the funding (either advances or final payments), the Company is responsible for transferring the funds without undue delay.

On 15 May 2017 a second pre-financing payment of EUR 5 781 200 according the grant agreement INEA/CEF/TRAN/M2014/1045990 was received from INEA following the payment request based on a consolidated Activity Status Report 2017. Subsequently it appeared that the total *Rail Baltica* project financing requirements for year 2018 were overstated in the initial Activity Status Report, and the funds remained on RB Rail AS CEF financing account undistributed until further agreement among all Beneficiaries. In the Interim Financing Agreement of RB Rail AS signed by the Beneficiaries on 13 December 2017, they allocated EUR 483 810 pre-financing to the Ministry of Transport of Republic of Latvia, and EUR 1 333 225 – to RB Rail AS. The balance of EUR 3 964 165 remained undistributed until full implementation of the Interim Financing Agreement of RB Rail and further agreement by the Beneficiaries.

Contingent liabilities

As of 31 December 2017 some activities under the CEF grant agreements have been delayed for approximately one year on average. If the delayed activities are not completed in the period set out in the grant agreements – until 31.12.2020, a part of grant financing may become unavailable.

According to Section II.3.1. of the Grant Agreements "Liability for damages", the Company shall not be held liable for any damage caused or sustained by any of the beneficiaries and the beneficiaries shall compensate the agency for any damage sustained by it as a result of the implementation of the project or because the implementation of the project or because project was not implemented or implemented poorly, partially or late.

Going concern

During the preparation of these financial statements the management of the Company has assessed ability of the Company to continue its operations at least for one year after 31.12.2017 (see also Note 23).

5. Other operating income

Other operating income is income from CEF grants to compensate the following expenses:

	2017 EUR	2016 EUR
Project implementation support measures	2 034 389	699 044
Technical and operational studies including designs	370 887	149 175
Communication, PR and business development	241 377	82 498
TOTAL:	2 646 653	930 717

On 24 November 2015 the Company has concluded a Grant Agreement number INEA/CEF/TRAN/M2014/1045990 (hereinafter the Grant Agreement I) under the Connecting Europe Facility (hereinafter CEF), Transport sector, with the European Innovation and Networks Executive Agency (hereinafter INEA) for the action entitled "Development of a 1435 mm standard gauge railway line in the *Rail Baltica* corridor through Estonia, Latvia and Lithuania". The action runs from 1 March 2015 until 31 December 2020. The grant for the action is a maximum amount of 442.2 million EUR, and total estimated eligible costs are 540.4 million EUR.

On 18 November 2016, the Company signed a Grant Agreement (number INEA/CEF/TRAN/M2015/1129482; further Grant Agreement II) under the Connecting Europe Facility/Transport sector, with INEA for the action entitled "Development of a 1435 mm standard gauge railway line in the *Rail Baltica* (RB) corridor through Estonia, Latvia and Lithuania (Part II)". This agreement is meant to supplement the Grant Agreement (number INEA/CEF/TRAN/M2014/1045990; further - Grant Agreement I) signed in 2015. The action runs from 16 February 2016 until 31 December 2020. The grant for the action is a maximum amount of 191 million EUR, and total estimated eligible costs are 225 million EUR.

Following the successful application for a next grant financing in 2017 the third CEF Grant Agreement No. INEA/CEF/TRAN/M2016/1360716 was prepared for signing in cooperation with INEA for a maximum eligible amount of 129 million EUR. At the time of preparation of this annual report the agreement is not yet signed, consequently no financing had been received under this grant agreement. The Action runs from 6 February 2017 to 31 December 2023. The financing receivable corresponding to eligible costs the Company incurred for the Action until 31 December 2017 is included in accrued income (see also Note 11).

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 (hereinafter – full eligibility), with exception of certain type of expenses of clearly administrative nature, which are specifically referred to in the CEF Grant Agreements as non-eligible.

In 2017 and 2016 income from CEF grants was recognized in amount of 85% from eligible expenses incurred during the reporting year.

6. Personnel costs

	2017 EUR	2016 EUR
a) Remuneration for work		
Project management team remuneration	1 117 637	194 521
Management board remuneration	217 799	94 614
Supervisory board remuneration	186 003	186 363
TOTAL:	1 521 439	475 498
b) Mandatory state social insurance contributions		
Project management team	286 561	45 887
Management Board members	49 399	25 043
Supervisory board members	37 836	16 621
TOTAL:	373 796	87 551
c) Other social insurance costs		
Entrepreneurship state risk duty	96	28
TOTAL:	96	28

At the end of financial year 2017 the Company employed 36 employees and had 6 Supervisory Board members (2016: 17 and 6 respectively). The average number of employees during the reporting year was 27 (2016: 12).

7. Other costs of economic activity

	2017 EUR	2016 EUR
Professional service fees	617 557	300 953
Travel costs	199 246	86 785
Public relations and communication	187 276	83 471
Other project implementation support measures	162 980	83 581
Office rent and maintenance expense	158 213	52 971
Cost benefits analysis	94 500	175 500
Recruitment and trainings	60 450	38 325
Contracting scheme	-	74 000
TOTAL:	1 480 222	895 586

8. Corporate income tax

	2017 EUR	2016 EUR
Estonia		
Current corporate income tax charge for the reporting year	6	-
Total corporate income tax expense:	6	-

9. Property, plant and equipment

	Intangible assets	Advance Payments for intangible assets	Other fixed assets	TOTAL
Carrying amount as at 31 December 2015	-	-	40 824	40 824
Additions 2016	-	-	20 934	20 934
Depreciation charge 2016	-	-	(15 851)	(15 851)
Carrying amount as at 31 December 2016	-	-	45 907	45 907
Additions 2017	18 500	11 760	76 260	94 760
Disposals	-	-	(3 490)	(3 490)
Depreciation charge 2017	(292)	-	(23 785)	(24 077)
Carrying amount as at 31 December 2017	18 208	11 760	94 892	113 100

Property, plant and equipment is financed from CEF grants. Company claims asset acquisition costs as eligible according to the Grant Agreements, clause II.19.2. Depreciation of assets is included as eligible Project implementation support cost in these financial statements (see Note 5). Grant income from CEF co-financing has been recognized accordingly in amount of 85% of the depreciation charge, 20 465 EUR in 2017 (2016: 13 473).

10. Other receivables

	31.12.2017 EUR	31.12.2016 EUR
Tax receivable (See Note 16)	57 535	84 762
Security deposit for office rent	1 311	3 543
TOTAL:	58 846	88 305

11. Prepaid expense

	31.12.2017 EUR	31.12.2016 EUR
Insurance	7 350	7 954
Other prepaid expense	17 883	-
Travel expense	-	748
Advances to suppliers	104	1 369
TOTAL:	25 337	10 071

12. Accrued Income

Accrued income of 1 277 664 EUR comprises grant financing receivable under the three Grant Agreements with the European Union's Innovation and Network's Executive Agency (hereinafter -INEA) based on the eligible costs of the Company incurred until 31 December 2017 (see also Note 15).

13. Cash

	31.12.2017 EUR	31.12.2016 EUR
CEF financing account	6 098 074	16 129 134
Company's operational account	3 330 434	4 794 769
TOTAL:	9 428 508	20 923 903

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. Direct pre-financing payments are distributed between the Beneficiaries in proportion to each Beneficiaries' planned eligible costs according to indicative budget in the Grant Agreement and forecast activities in next year.

CEF financing account

	31.12.2017 EUR	31.12.2016 EUR
Undistributed CEF Financing* **	3 964 165	-
Attributable to RB Rail AS	1 343 405	10 190
Attributable to Ministry of Transport of the Republic of Latvia	483 810	197 105
Attributable to Ministry of Economic Affairs and Communication of the Republic of Estonia	306 694	4 359 042
Attributable to Ministry of Transport and Communications of the Republic of Lithuania	-	11 562 797
TOTAL:	6 098 074	16 129 134
Attributable to the Company (see also Note 15):	1 343 405	10 190
Attributable to other Beneficiaries, (see also Note 19):	790 504	16 118 944
Undistributed CEF Financing*	3 964 165	-

* To be distributed based on the Agreement of Interim Financing of RB Rail AS and Activity Status Reports (ASR) submitted by Beneficiaries.

** Undistributed CEF financing and amounts attributable to other Beneficiaries together form Restricted cash balance of 4 754 669 EUR, not available for spending by RB Rail.

14. Share capital

As at 31 December 2017 the share capital of the Company is 1 950 009 EUR (31.12.2016: 1 950 006 EUR), and consists of 1 950 009 shares. The share capital is fully paid up. The par value of each share is 1 EUR. As at 31 December 2017, the share premium amounted to 5 849 991 EUR (31.12.2016: 3 899 994 EUR).

As at 31 December 2017, the shares were distributed as follows:

	%	Number of shares	Share premium
Rail Baltic Estonia OU	33.33	650 003	1 949 997
Eiropas dzelzceļa līnijas SIA	33.33	650 003	1 949 997
Rail Baltica Statyba UAB	33.33	650 003	1 949 997
TOTAL:	100	1 950 009	5 849 991

15. Deferred revenue

CEF financing under the three Grant Agreements is eligible for implementation of the first stage of *Rail Baltica* construction: activities that were started during 2015 and will be completed till 2023: preparation for *Rail Baltica* construction and initiation of construction phase.

Non-current deferred revenue comprises grant financing used for acquisition of non-current assets recognised as income gradually over the useful life of the assets.

	31.12.2017 EUR	31.12.2016 EUR
Non-current portion of deferred income (between 1 and 5 years)	53 030	21 523
Current portion of deferred income (within one year)	43 105	13 473
TOTAL:	96 135	34 996

16. Taxes (payable) /overpaid

	31.12.2017 EUR	31.12.2016 EUR
Latvia		
Value added tax	57 530	84 437
Personal income tax	5	325
Mandatory state social insurance contributions	(63)	-
Estonia		
Corporate income tax	(3)	-
Statutory social insurance contributions	(3)	-
TOTAL:	57 466	84 762
TOTAL LIABILITY:	(69)	-
TOTAL OVERPAYMENT (See note 10):	57 535	84 762

17. Other payables

	31.12.2017 EUR	31.12.2016 EUR
Undistributed CEF financing	3 964 165	-
Balance of CEF pre-financing received	-	86 723
Advances to employees	4 139	-
Other liabilities	1 994	2 727
TOTAL:	3 970 298	89 450

18. Accrued liabilities

	31.12.2017 EUR	31.12.2016 EUR
Accrued liabilities for unused vacations	55 016	15 512
Accrued liabilities for professional services	46 703	31 398
Accrued liabilities for audit services	10 400	10 400
Other accrued liabilities	9 182	303
TOTAL:	121 301	57 613

19. 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 linijas 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.

Payables to related parties for direct pre-financing received:

	31.12.2017 EUR	31.12.2016 EUR
Ministry of Transport of the Republic of Latvia	483 810	197 105
Ministry of Economic Affairs and Communication of the Republic of Estonia	306 694	4 359 042
Ministry of Transport and Communications of the Republic of Lithuania	-	11 562 797
TOTAL:	790 504	16 118 944

See also note 13 on restricted cash CEF pre-financing account. There were no other transactions with related parties during the current period and previous reporting period.

20. Financial and operational risks

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

Liquidity risk

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

On 13 December 2017 RB Rail signed an Agreement for Interim Financing of RB Rail AS with the Ministry of Economic Affairs and Communications of the Republic of Estonia, Ministry of Transport of the Republic of Latvia, Ministry of Transport and Communications of the Republic of Lithuania, Rail Baltic Estonia OÜ, Eiropas Dzelzceļa līnijas SIA, *Rail Baltica* Statyba UAB. The agreement secures RB Rail AS financing for 2018.

Unfortunately, the decision on long-term sustainable RB Rail AS financing remains outstanding. Based on the 2018 interim financing agreement, before the end of 2018 the relevant parties shall conclude an agreement on sustainable financing of the operation of RB Rail AS activities in relation to the implementation of the Global Project from 2019 and onwards which could encompass a suitable approach to the financing of RB Rail AS. According to the Inter-Beneficiary Agreement, RB Rail AS as the Coordinator of the Grant has an obligation to distribute CEF financing received on the designated bank account to the other Beneficiaries without undue delay. On 31 December 2017 the undistributed cash balance on CEF financing account was 6 098 074 EUR (see Note 13).

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments.

	31.12.2017 EUR	31.12.2016 EUR
Payable:		
Less than 3 months	102 511	129 734
Within 3 months to other beneficiaries	790 504	16 118 944
CEF financing distributable within one year	3 964 165	
TOTAL:	4 857 180	16 248 678

For 2019 and going forward, the Management of the company is in the process of developing financing plan for RB Rail. Based on this plan, the Company will charge project beneficiaries for the project management services within *Rail Baltica* project. The operations of company will depend on the ability of the Management to reach agreements on service charges. Based on current cash-flow forecasts cash inflows will be required in January 2019.

Credit risk

The Company is exposed to credit risk through its other receivables and cash. The main component of other receivables is the reclaimable VAT. The Company is performing the standard VAT recovery process. During 2017 the Company maintained the same level of VAT recoverability as in previous reporting period, recovering all the input VAT reported.

20. Financial and operational risks (cont'd)

Capital management

During annual budget forecasting process, the management controls capital using the equity/ assets ratio as following:

	31.12.2017 EUR	31.12.2016 EUR
Equity	5 834 466	4 637 449
Total assets	10 915 215	21 068 186
Restricted cash CEF pre-financing (see note 13)*	(4 754 669)	(16 118 944)
Total assets, net	6 160 546	4 949 242
Equity to total assets	95%	94%

*Restricted cash is the balance on CEF financing account at the end of a year, which remained undistributed or was attributable to other Beneficiaries.

The existing equity level is sufficient to finance year 2018 operations considering also the Agreement for Interim Financing of RB Rail Please see also note 22.

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 agreement. However, based on the provisions of grant agreements, RB Rail AS as the project Coordinator has assumed liability to repay INEA 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.

21. Subsequent events

On 10.01.2018 the Company distributed CEF prefinancing in amount of 790 504 EUR to other Beneficiaries according to the financing disbursement memo and Interim Financing Agreement of RB Rail.

On 06.02.2018. INEA performed audit of Interim Financial Statements of RB Rail on grant agreement No. INEA/CEF/TRAN/M2015/1129482 for period 2015 – 2016 and approved declared costs as eligible.

On 06.02.2018 Company received the VAT refund in amount of 50 374 EUR.

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.

22. Going concern

Currently the Company is financed from shareholders equity and CEF financing received based on the signed grant agreements for activities specifically earmarked for RB Rail AS. The Company closed the year with a loss of 752 983 EUR increasing the total accrued loss to 1 965 534 EUR.

22. Going concern (cont'd)

As of 31 December 2017, the Company had 3 330 434 EUR in the operational cash account. In January 2018 the Company received the allocated grant financing of EUR 1 343 405. Further, during the year 2018, the Company expects to receive first pre-financing payment according the third grant agreement to be signed, as well as additional 1 950 000 EUR equity injection from shareholders and further re-allocated grant financing, based on the provisions of the shareholders' Agreement for Interim Financing of RB Rail. Based on Management's estimates, the Company's liquidity will be sufficient to cover the Company's activities in 2018 as indicated in the Budget for 2018. It is expected that no additional sources of financing will be available.

For 2019 and going forward, the Management of the Company is in the process of developing financing plan for RB Rail AS. Based on this plan, the Company will charge project beneficiaries for the project management services within Rail Baltica project, but agreement with beneficiaries is not yet reached. The operations of the Company will depend on the ability of the Management to reach agreements with stakeholders on sustainable long-term financing.

As of 31 December 2017 some activities under the CEF grant agreements have been delayed for approximately one year on average. If the delayed activities are not completed in the period set out in the grant agreements – until 31.12.2020, a part of grant financing may become unavailable. Management of the company is monitoring this risk, and will report delays in Annual Activity Status Report to be submitted to INEA by 31 March 2018.

Accordingly, the Company's ability to continue as a going concern depends on its ability to ensure the financing for the project coordination and implementation.

These circumstances indicate that uncertainty exists that may cast doubts on the Company's ability to continue as a going concern. These financial statements are prepared on a going concern basis and do not include any adjustments that might be required if the going concern principle was not applicable.

23. Restatements of comparative figures

Due to voluntary changes in accounting policies management of the Company has approved to discontinue capitalisation of study costs starting with the 2017 financial reporting period, and expense previously capitalised items. In 2016 Construction in progress included studies for *Rail Baltica* project in amount of 249 500 EUR. As a result of expensing previously capitalized items, the net loss for year 2016 increased by 37 425 EUR. There is neutral corporate income tax effect as there was no tax payable for 2016.

Statement of comprehensive income for 01.01.2016-31.12.2016

	Amount for 01.01.2016- 31.12.2016 before restatement	Amount of restatement	Amount for 01.01.2016-31.12.2016 after restatement
	EUR	EUR	EUR
Other operating income	718 642	212 075	930 717
Other costs of economic activity	(646 086)	(249 500)	(895 586)
Total comprehensive loss for the financial year	(506 372)	(37 425)	(543 797)

23. Restatements of comparative figures (con't)

Statement of financial position as of 31.12.2016

	Amount for 31.12.2016 before restatement EUR	Amount of restatement EUR	Amount for 31.12.2016 after restatement EUR
<i>Assets</i>			
<u>Property, plant and equipment</u>			
Construction in progress	249 500	(249 500)	-
Total non-current assets	295 407	(249 500)	45 907
Total assets	21 317 686	(249 500)	21 068 186
<i>Equity and liabilities</i>			
<u>Equity</u>			
Loss for the financial year	(506 372)	(37 425)	(543 797)
Total equity	4 674 874	(37 425)	4 637 449
<u>Non-current liabilities</u>			
Deferred revenue	149 175	(127 652)	21 523
Total non-current liabilities	149 175	(127 652)	21 523
<u>Current liabilities</u>			
Other payables	2727	86 723	89 450
Deferred revenue	184 619	(171 146)	13 473
Total current liabilities	16 493 637	(84 423)	16 409 214
Total equity and liabilities	21 317 686	(249 500)	21 068 186

23. Restatements of comparative figures (con't)

Cash Flow for period 01.01.2016-31.12.2016

	Amount for 01.01.2016- 31.12.2016 before restatement EUR	Amount of restatement EUR	Amount for 01.01.2016- 31.12.2016 after restatement EUR
<u>Cash flows to/ from operating activities</u>			
Loss before tax	(506 372)	(37 425)	(543 797)
Income from INEA co-financing	(708 442)	(224 798)	(933 240)
Operating profit or (loss) before working capital changes	(1 168 741)	(262 223)	(1 430 964)
(Decrease) / increase in payables	(94 268)	167 723	73 455
Cash generated from operations	(1 303 994)	(94 500)	(1 398 494)
Net cash flows to operating activities	(1 303 994)	(94 500)	(1 398 494)

Cash flows to/ from investing activities

Purchase of property, plant and equipment	(115 434)	94 500	(20 934)
Net cash flows to/ from investing activities	(115 434)	94 500	(20 934)



Baiba Anda Rubesa
Chairperson of the Management Board



Kaspars Rokens
Member of the Management Board



Ignas Degutis
Member of the Management Board



Mart Nielsen
Member of the Management Board



Anita Pūka
Chief Accountant

21 March 2018

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 14 to 35 of the accompanying annual report, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, 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 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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' Code of Ethics for Professional Accountants (IESBA Code) 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 IESBA Code 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 22 of the financial statements, which discloses that currently the Company is financed from shareholders equity and CEF financing received based on the signed grant agreements for activities specifically earmarked for RB Rail AS. The Company closed the year with a loss of 752 983 EUR increasing the total accrued loss to 1 965 534 EUR.

Based on Management's estimates the Company's liquidity will be sufficient to cover the Company's activities in 2018 based on the Budget for 2018. It is expected that no additional sources of financing will be available.

For 2019 and going forward, the Management of the Company is in the process of developing financing plan for RB Rail AS. Based on this plan, the Company will charge project beneficiaries for the project management services within Rail Baltica project, but agreement with beneficiaries is not yet reached. The operations of the Company will depend on the ability of the Management to reach agreements with stakeholders on sustainable long-term financing.

As of 31 December 2017 some activities under the CEF grant agreements have been delayed for approximately one year on average. If the delayed activities are not completed in the period set out in the grant agreements – until 31.12.2020, a part of grant financing may become unavailable.

Accordingly, the Company's ability to continue as a going concern depends on its ability to ensure the financing for the project coordination and implementation.

These circumstances indicate that uncertainty exists that may cast doubts on the Company's ability to continue as a going concern. These financial statements are prepared on a going concern basis and do not include any adjustments that might be required if the going concern principle was not applicable. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITORS' REPORT (continued)

Emphasis of Matter

We draw attention to Note 23 to the financial statements which describes restatements made in accordance with IAS 8 by the management to correct misstatements in the Company's financial statements for the year ended 31 December 2016. Our opinion is not modified in respect of this matter.

Reporting on Other Information

The Company management is responsible for the other information. The other information is the Management Report, as set out on pages 6 – 13 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 IFRSs as adopted by the European Union 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.

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INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibility for the Audit of the Financial Statements (continued)

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.

Deloitte Audits Latvia SIA
Licence Nr. 43

Roberts Stugis
Board member
Certified auditor
Certificate No 203

Rīga, Latvia
21 March 2018

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Statement by Catherine Trautmann, North-Sea Baltic TEN-T corridor coordinator

It is our pleasure to share with you the statement of Catherine Trautmann, North-Sea Baltic Tent-T corridor coordinator, about the Rail Baltica project implementation.

Brussels, 22 January 2018.

Statement by Catherine Trautmann, North-Sea Baltic TEN-T Corridor Coordinator



As European Coordinator for the TEN-T North Sea-Baltic Corridor, I am impressed with the speed that the global Rail Baltica project implementation has gained in 2017 under the leadership of RB RAIL. The project has definitely entered the design phase and delivered on important studies, such as the updated CBA. The EU's financial contribution to this truly European project has now reached approximately 680 M EUR for the new construction in the Baltic States, and approximately 800 M EUR for the upgrade of several sections in Poland, via the Connecting Europe Facility. It is money well spent – Rail Baltica will bring significant socio-economic benefits to the whole region, projected to exceed 16,2 bn EUR, as it will diversify and secure the whole Baltic transport infrastructure bringing new economic dynamism, equalising the East-West and North-South routes, placing them at the heart of the EU transport market. The joint commitment of the Baltic States to implement the project by 2025-

2026 has been fortified by the ratification of an Intergovernmental Agreement in September 2017, and I see real commitment by all partners to move forward to reach the common goal – 2018 will be another busy year in this respect, and I look forward to taking stock of what has been achieved and what lies ahead at this year's edition of the Rail Baltica Global Forum in Tallinn in April!

Supervisory Board Report to the General Meeting of Shareholders

Riga, 22 March 2018

The Supervisory Board Report covers RB Rail AS (hereinafter – the Company) activities from 1 January 2017 till 31 December 2017. RB Rail's Management Board was responsible for the preparation of the Annual Report prepared in accordance with International Financial Reporting Standards and Annual Report prepared in accordance with the Law of the Republic of Latvia on Annual Financial Reports and Consolidated Financial Reports.

The Supervisory Board has exercised due control and guidance of the Management Board. The Management Board has regularly reported on activities as well as the financial status of the Company at Supervisory Board meetings. The Management Board has also reported to the Supervisory Board on material issues influencing performance of the Company. Management Board members were present at Supervisory Board presence meetings.

During the period covered by this Report, the Supervisory Board held 20 meetings and a number of committee meetings.

During the period covered by these Reports the Company concentrated on establishing its organizational structure and in-house capacity development. A full-fledged Management Board was approved by the Supervisory Board in 2017. At the end of the year company employed 36 employees, including the branches in Estonia and Lithuania. Going forward the Company will seek to strengthen its core technical team, and also continue using external experts, including the pool of 22 technical experts procured in 2017.

In 2017 Cost Benefit Analysis of the Global project was finalized and presented to the stakeholders and general public, study on the Common Technical Design Standards was close to completion at the end of the year, and work was started on Consolidated Preliminary Technical Design. During the year the Company worked on the PL/LT Border – Kaunas Palemonas RRT Upgrade Feasibility Study.

All three governments and parliaments of the Baltic States ratified the Inter-Governmental Agreement for the Rail Baltica project in 2017, thus demonstrating commitment to its implementation.

In 2017 the Company together with other Beneficiaries successfully applied for the third tranche of financing from the Connecting Europe Facility, and the Grant Agreement is in its final preparation stage.

The Company closed the year with a loss of 752,983 EUR. The ability to cover losses with future profits depends on agreements on RB Rail and global project financing model with project stakeholders. Total assets of the Company at year end were 10,915,215 EUR, and total equity was 5, 834,466 EUR.

On 13 December 2017 Shareholders and Beneficiaries signed the Interim Financing Agreement of RB Rail ensuring sufficient funds for Company's operations throughout 2018. Longer term sustainable financing for the Company is subject to decision for periods from 2019 onwards until the completion of Rail Baltica implementation.

The Supervisory Board has reviewed the Annual Report prepared in accordance with International Financial Reporting Standards and Annual Report prepared in accordance with the Law of the Republic

of Latvia on Annual Financial Reports and Consolidated Financial Reports.

The Supervisory Board supports submission of the Annual Report prepared in accordance with International Financial Reporting Standards and Annual Report prepared in accordance with the Law of the Republic of Latvia on Annual Financial Reports and Consolidated Financial Reports to the General Meeting of Shareholders.



Riia Sillave
Supervisory Board Chairperson



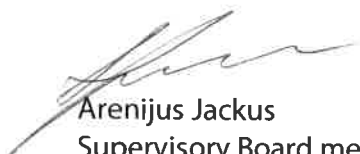
Edvins Berzins
Supervisory Board Vice-Chairman



Karolis Sankovski
Supervisory Board Vice-Chairman



Vineta Rudzite
Supervisory Board member



Arenijus Jackus
Supervisory Board member



Anti Moppel
Supervisory Board member