

Annual Report 2023





1



AS Eesti Raudtee 2023 annual report consists of sustainability, corporate social responsibility and good corporate governance (GCG) reports, management and accounting reports. We want to be open with stakeholders concerning various aspects of our activities.

We have prepared the report in accordance with Estonian Accounting Act and International Financial Reporting Standards (IFRS) as adopted by the European Union (hereafter referred to as IFRS EU) – and also in accordance with the requirements of good corporate governance and the Global Reporting Initiative (GRI) sustainability reporting standard. The report has been prepared in collaboration with the company's management and field specialists and is aimed at a professional reader.



General Information

- Company name: AS Eesti Raudtee
- Commercial register number: 11575838
- Beginning of financial year: 1 January
- End of financial year: 31 December
- Legal address: Telliskivi 60/2, 15073 Tallinn, Republic of Estonia
- Telephone: (+372) 615 8610
- E-mail: raudtee@evr.ee
- Corporate website: www.evr.ee
- Main activities: Management of the railway infrastructure
- Management Board: Kaido Zimmermann, Andrus Kimber, Arvo Smiltinš
- Supervisory Board: Rene Varek (Chairman), Indrek Laineveer, Hannes Luts, Kaupo Raag, Anvar Salomets
- Auditor: AS PricewaterhouseCoopers

CONTENTS

ANNUAL REPORT	4
Estonian Railways in brief	8
Statement of the Chairman of the Management Board	10
Key financial indicators in 2023	12
Key events in 2023	14
Awards and recognitions in 2023	16
Strategy of Estonian Railways for 2023–2028	18
<hr/>	
Social impact of our activities	20
Focus topics of responsible action	22
Relation to UN Sustainable Development Goals	23
<hr/>	
Management	24
Organisational chart from 1 January 2024	24
Corporate Governance Report	25
Value-based organizational culture	27
Risk management	27
Safety management	29
Quality management	30
<hr/>	
Communication with stakeholders	32
Open communication	32
Collaboration and membership	33
<hr/>	
Activities and results for 2023	34
Goal-based management	34
Financial indicators and ratios	37
Operating volumes	38
<hr/>	
Responsible service	44
Infrastructure renewal and maintenance	46
Railway safety and security	52
Innovation and digitalisation	56
Sustainable supply chain	57

Environmental impact and management	58
Green Tiger initiative – Transportation Road Map 2024	58
Noise	59
Vibration	60
Energy and air pollution	60
Materials and chemicals	61
Waste and recycling	62
Spills and pollution	63
Wildlife	63
Green office	64
Relations with local communities	65

Working environment	66
Overview and general information	66
Employer reputation, staffing and fair recruitment	68
Involvement and recognition	70
Remuneration and rewards	72
Relations with the trade union	73
Occupational health and safety	73
Training and development	74
Diversity, equal treatment, non-discrimination	77

Social contribution	78
Involvement of young people	78
Support activity and collaboration projects	78
Volunteering of employees	79

AS EESTI RAUDTEE ANNUAL FINANCIAL STATEMENTS 2023	81
Management Report	82
Annual Financial Statements	86
Independent Auditor's Report	116

GRI contents	120
---------------------	-----





 **EESTI RAUDTEE**
 **edelaraudtee**

ESTONIAN RAILWAYS IN BRIEF

We are a railway infrastructure management company (public limited company) that is owned by the Republic of Estonia. Our main tasks are the allocation of railway capacity, providing the use of railway infrastructure and the collection of infrastructure charges in accordance with the procedure specified in the Railways Act.

The customers of Estonian Railways are rail freight and passenger transport operators. Through our activities it is possible to market Estonia as an efficient and reliable channel for transit trade.



**1191 km
of railways**
(incl 237 km of
electrified tracks)



**61
stations**



**135
passenger
platforms**

**153 years
of history**

we continue the work of
Baltic Railway Society
on whose initiative
train traffic was opened
in Estonia in 1870



703
employees
across Estonia



STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Last year was full of challenges for Eesti Raudtee - the company's results were affected by foreign policy issues, including sanctions, as well as large-scale railway infrastructure construction works. At the same time, for passenger transport, we started several projects that make traveling by trains even more comfortable and helps increase the number of railway passengers.

Responsibility remains in focus

Our company's desire is to organize its business activities responsibly, so we are particularly pleased that in the spring of 2023 we renewed the gold label for responsible business, and at the end of the same year we started our journey in developing a more employee-oriented organizational culture with the silver label in the family-friendly employer program. We also took the first steps to ensure compliance with the Corporate Sustainability Reporting Directive (CSRD) of the European Parliament and of the Council by 2025.

Economy and efficiency were the keywords of the construction works in 2023

We continued with ambitious investment projects, the financing of which is guaranteed by state and European Union funds. Great attention was paid to the large-scale reconstruction of Tapa station, during which the existing station roads were reconstructed, possibilities were created for the use of coupled passenger trains, and the station's shunting capability was restored with the aim of removing the sorting of freight trains from Ülemiste station. The Tapa station project is also conducive to sustainable management, as most of the materials used were reusable. In 2023, we started the construction of a new near-zero energy administration building at the Tapa station, which will be completed in 2024. Starting to upgrade the security equipment of the Tapa station was a big job in itself. In order to make it possible to run passenger trains between Tapa and Tartu at a speed of up to 160 km/h in the future, parallel work on electrification and straightening of railway curves took place between Aegviidu and Nõmmküla.

Great attention was paid to public railway safety

Last year we paid a lot of attention to public safety. While we usually reach a few thousand children with AS Eesti Raudtee railway safety training in schools and kindergartens, in 2023 our message reached almost 5,000 children. During the railway reconstruction works, tunnels, barriers and traffic lights were added to our infrastructure. True, at the end of the year, we also had some concerns - as a precaution, we had to reduce the speed of diesel trains at eastbound crossings in order to find out the reasons for the lack of interaction between fewer trains and infrastructure equipment. This decision was primarily driven by the need to ensure safety. We are working on solving the problem this year as well.

Providing comfortable infrastructure for passengers

Due to the sanctions against Russia and Belarus, freight volumes on our infrastructure remained modest in 2023. Transit and container transport decreased the most. At the same time, it is encouraging that passenger transport is becoming more and more popular, reaching almost 8 million passengers on Estonian public railways. As a result, we are primarily focused on travelers and we are looking for ways to improve the user experience. For example, in 2023 we started the reconstruction of the waiting areas, so that those going to the train would be better protected from the weather. As part of the pilot project, the shelters of eight waiting platforms, which are located in Pääsküla, Nelijärve, Kivimäe, Laagri, Hiiu and Nõmme, were rebuilt. We added benches as well as elements that protect against rain and wind. We have collected a lot of positive feedback as part of the pilot project, but some bottlenecks have also been pointed out by the passengers, which we now want to eliminate with subsequent modifications. The next waiting areas will be rebuilt already in 2024. We were pleased with the fact that as a result of the large-scale Lääne-Harju project, we were able to offer our passenger transport customer a better traffic schedule in the western direction, where both trips were added and the time of traveling by train was shortened. Never before has train traffic to Turba, Paldiski, Keila and Kloogaranna been so dense and fast! In the Lääne-Harju project, we were able to successfully use the funds of the European Union, which were allocated for this project, to the extent of 99.8%.

Business results

In 2023, it was important to work closely with customers to maintain cargo volumes. Although goods moved less on the Estonian Railways infrastructure compared to planned, the freight railway infrastructure charges corresponded to what was expected.

Despite the challenges in 2023, we can still feel good that we were able to complete the large-scale Lääne-Harju project, rebuild the Tapa station with the shunting park in an environmentally friendly way, and move forward vigorously with the preparatory work necessary for both electrification and increasing speeds in the direction of Tartu. We have a serious construction year ahead of us in 2024, where we will ensure a new signaling system, electrified and modern infrastructure for the train traffic in the direction of Tartu.



Kaido Zimmermann
Chairman of the Management Board

KEY FINANCIAL INDICATORS IN 2023



Sales revenue
EUR 28,6
million

(2022: 29,4)



EBITDA
EUR 23,8
million

(2022: 23,6)



Total assets
EUR 489,8
million

(2022: 417,4)



Equity
EUR 176,1
million

(2022: 176,1)



Investments
EUR 83,9
million

(2022: 55,6)



**Number of railway accidents /
casualties / fatalities**
17 / 15 / 8

(2022: 11 / 19 / 5)



**Domestic
freight volume**
2,0
million tonnes

(2022: 2,6)



**International
freight volume**
2,8
million tonnes

(2022: 5,2)

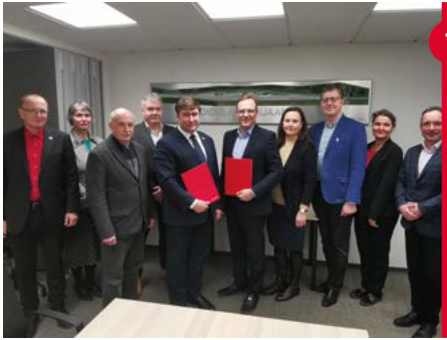


**Number of
local passengers**
EUR 7,8
million passengers

(2022: 7,1)



KEY EVENTS IN 2023



1

JANUARY

- A travel library was opened at Narva railway station on Estonian Literature Day
- Eesti Raudtee and the Estonian Railway Workers' Union signed a collective agreement for 2023
- Funding decisions were signed, on the basis of which support will be allocated from the funds of the European Union's cohesion and internal security policy for the period 2021-2027 for the straightening of curves and the implementation of major railway repairs on the Tallinn–Tapa–Tartu and Tapa–Narva lines, as well as for the electrification of Tallinn–Tartu and Tapa–Narva lines



2

FEBRUARY

- Eesti Raudtee signed a contract for the design, construction and maintenance of the Aegviidu–Tapa–Tartu catenary and transmission substations

MARCH

- The design of the Haapsalu–Rohuküla railway section was started
- Beginning of the month, Eesti Raudtee started conducting general training for locomotive drivers
- Several important construction works, that started the previous year and were stopped due to weather conditions, continued – reconstruction of the Tapa shunting, straightening of the curves and renovation of the Aegviidu–Tapa section, completion of the Lääne-Harju railway works

APRIL

- Eesti Raudtee signed a contract for the renovation of the Riisipere–Vasalemma station gap and the 3rd track of the Vasalemma station and Riisipere station

3



4



5

MAY

- The Green Forum of the transport sector was held, one of the organizers of which was Estonian Railways
- Eesti Raudtee had the honor of hosting Swedish King Carl XVI Gustaf and Queen Silvia, Estonian President Alar Karis and his wife Sirje Karis, who all traveled together from Balti Station to Tartu by train
- Construction work of the new administrative building of the Tapa station on the Kauba 8 property was started
- A contract was signed for the design and construction of the Kiltsi railway bridge



JUNE

- A children's protection day event was organized for Estonian Railways employees and their families at the Estonian Museum Railway in Lavassaare



JULY

- Eesti Õpilasmalev's groups participated in the maintenance works of the central warehouse of Eesti Raudtee
- Cooperation with the city of Tartu for the design and construction of two light traffic tunnels was started
- Work began on the partial renovation of the Tapa railway station



8 AUGUST

- Work on straightening the curves of the Tapa-Kaarepere section and overhauling the railway began



9 SEPTEMBER

- The railway safety conference of the European Union Agency for Railways was held in Tallinn, which Eesti Raudtee also helped to organize
- Keila-Tallinn high-speed trains started running in the west direction
- A pilot project for the installation of new more weatherproof waiting areas was started
- The first study group of signallers started its four-month training at Eesti Raudtee
- The large-scale national exercise CREVEX 2023 took place, the organization of which was also attended by employees of the Estonian Railways
- The first passenger platform that meets the requirements of speeds of 160 km/h was completed at Nelijärve

OCTOBER

- Company-wide information days were held in Tartu, Narva and Tallinn
- The Supervisory Board of the Estonian Railways approved the updated strategy of the company



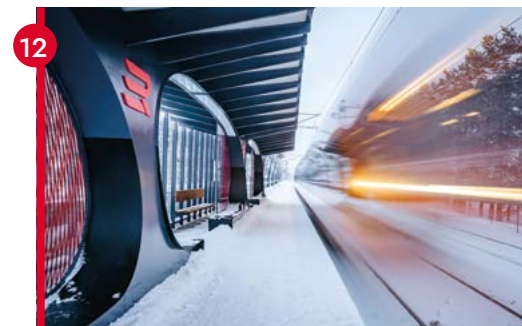
NOVEMBER

- By the decision of the General Meeting, AS Eesti Raudtee elected Rene Varek as chairman of the board and Indrek Laineveer, Hannes Luts, Kaupo Raag and Anvar Salomets as members
- A company event was held for long-serving employees and the 153rd birthday of Estonian Railways was celebrated
- In cooperation with Nõmme district, Eesti Raudtee started railway safety training in Nõmme schools
- A contract was signed for the design and construction of facilities on the Kaarepere-Kärkna straightening
- On the Lääne-Harju lines, the first weather-proof waiting areas for the platforms were completed and the last renovated, Riisipere-Vasalemma 7 km section



DECEMBER

- The financial perspective of the Cohesion Fund 2014-2020 has ended, with the help of which Eesti Raudtee implemented investments worth 113.6 million euros
- Preparatory activities for the restoration of stage II of the Haapsalu railway (Turba-Rohuküla) were completed
- A contract was concluded for the construction of the Ausi ecotunnel
- The complete solution for traffic management in Lääne-Harju was launched



AWARDS AND RECOGNITIONS IN 2023

- For the next two years, the company protected the **Gold Label of Responsible Business** issued by the Responsible Business Forum (VEF)
- **The Green Office certificate** of the head office was renewed
- Eesti Raudtee joined the **employee and family-friendly employer** program and was awarded the **silver level**
- **The NGO Operation Lifesaver Estonia (OLE)**, a leader in public railway safety, together with Climate Minister Kristen Michal, recognized Estonian Railways and its railway safety ambassadors with a letter of appreciation for the work done to promote safety. In October 2023, the engineer of our stations department, the infrastructure dispatcher of the control center, the communications manager and the operation manager of the distribution network department received letters of thanks for promoting railway safety. The “Spark person” recognition of a newcomer was awarded to the manager of the real estate maintenance department of the Estonian Railways





- The Ministry of Defense recognized **contributors to Estonian national defense and developers in the field of defense** for their outstanding work. The infrastructure director and infrastructure development manager of the Estonian Railways also received recognition
- The Central Union of Estonian Employers recognized Estonian Railways intern Hugo Jõks at the **“Best Internship 2023”** competition, who was nominated among the three best interns in higher education
- The Jõgeva baggage and fire shed, restored by the Estonian Railways, was **nominated for the annual prize of well-restored local heritage** of the National Heritage Board
- The Estonian Railways team took second place in the **Handcar Rally 2023** competition
- Eesti Raudtee took second place in the **“Digitalization Master Class”** program organized by the Enterprise Estonia



STRATEGY OF ESTONIAN RAILWAYS FOR 2023–2028



VISION

to be the region's most advanced railway infrastructure company



MISSION

to be a railway competence center and ensure a safe and efficient service on the railway






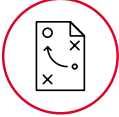
VALUES

cooperation, integrity, innovation and professionalism



The sole shareholder of Estonian Railways is the Republic of Estonia. Based on the State Assets Act, the Supervisory Board of the company in which the state holds an interest must approve the company strategy. In 2023, the Supervisory Board of Estonian Railways approved the Company's revised strategy for 2023–2028, that is based on the action plan for the development of public railway infrastructure for 2021–2028 approved by the Government of the Republic, the national spatial plan "Estonia 2030+", the transport and mobility development plan 2021–2035, the company's vision, mission and values and is in line with international agreements, European Union and Estonian development documents and legislation and sectoral standards.

The strategy of Estonian Railways combines the Company's values, vision, mission, strategic goals, main activities and performance indicators in a single document. The performance indicators are aligned with the European railway infrastructure companies' cooperation platform PRIME indicators. The company's strategic and operational performance indicators are based on four cornerstones, which are complemented by the following organizational strategic goals.

INFRASTRUCTURE		<ul style="list-style-type: none"> ■ Electrified and modern infrastructure with fully automated traffic management ■ Optimized infrastructure ■ An efficient company
EMPLOYEES		<ul style="list-style-type: none"> ■ Professional and dedicated employees ■ Value-based management ■ Environmentally friendly and socially responsible corporate culture ■ Attractive employer
TARGET GROUPS		<ul style="list-style-type: none"> ■ High-quality service ■ Satisfaction of the stakeholders ■ Increasing of the railway traffic
PROCESSES		<ul style="list-style-type: none"> ■ Digitalized and automatized processes ■ Zero-vision in railway safety

The strategy includes the business plan of Estonian Railways. According to the business plan, the key investments are aimed at electrification, increasing speeds, modernisation of railway safety systems, digitalisation and automation of traffic arrangement processes and increasing of the rail capacity where it is

short in supply.

SOCIAL IMPACT OF OUR ACTIVITIES



Almost 80% of the Estonian population lives in the impact area of the railway. The railway creates opportunities for the mobility of people and goods, employment and environmentally-friendly transport.

- **Stimulating the economy:** good transport connections and services contribute to economic growth and business development, especially through boosting freight exports and tourism. Many Estonian companies benefit from our large-scale investments as suppliers and subcontractors.
- **Facilitating people's mobility:** well-organised rail transport is convenient, fast and safe way to move and travel on a daily basis. Railway is an important link in the integration of different modes of transport (intra-urban public transport and multimodal public transport terminals, sharing platforms, park and travel systems).
- **Promoting employment:** the railway helps to cover long distances faster and provides better opportunities for people living away from the centres to go to work.
- **Preserving the natural environment:** rail transportation is the most environmentally-friendly alternative to air and road transport. The scale effect and electrification of the Estonian railway infrastructure play a role in this.
- **Contribution to employment:** with more than 700 employees, we are one of the largest employers in Estonia, with half of our jobs located outside Tallinn.

Focus topics of responsible action

Estonian Railways has voluntarily integrated social and environmental goals into its strategy, activities and relations with stakeholders. We continued implementing the company's responsible business action plan approved in 2022. This action plan guides the developments in this field until 2024. In the cooperation of the Company's structural units, 54 different activities from various fields were agreed upon, which concern, for example, risks, safety, cyber security, employee well-being, interest groups, and the environment. According to the action plan, in 2023, for example, the need for electricity was reduced by 15.6% compared to 2022, considering the health of the employees, 90 percent of the office desks in the head office were replaced with standing desks, the same was done in the stations, active involvement of young people in the work environment as well as safety training were carried out, the Green Office management system was developed at the head office, and employees were offered a wide range of training from responsible business to cyber security.

The priority topics of social responsibility of Eesti Raudtee revealed as a result of the stakeholder survey:

- ensuring railway safety and raising public awareness;
- implementation of environmental protection principles in all the operations of Estonian Railways;
- fair recruitment, development, motivation and treatment of employees;
- creating a safe working environment and promoting a positive safety culture in the Company and on the railway infrastructure;
- continuous development of the principles of corporate responsibility at the Company;
- creating a value-based organizational culture and fight against corruption;
- open communication in order to maintain the role of a reliable partner among all stakeholders.



Relation to UN Sustainable Development Goals

The role and impact of our core business in society and the implementation of key points and activities of responsible management address broader societal challenges.



- We have a direct and significant impact on goals 3, 7, 8, 9, 11 and 13.
- We influence goals 4, 12, 15, 16 and 17 indirectly or moderately in our activities.
- Our impact on the remaining goals is smaller.



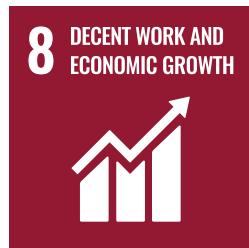
Keywords relevant to us:

- safe modes of transport for the environment and health;
- occupational health and safety.



Keywords relevant to us:

- energy efficiency;
- electrification, deployment of renewable energy;
- reducing greenhouse gas emissions in the transportation sector;
- weather resistant infrastructure.



Keywords relevant to us:

- labour mobility;
- employment in regions;
- promoting foreign trade;
- being a major and regional employer, diverse workforce;
- safe, secure and fair working conditions.



Keywords relevant to us:

- technological innovation and environmental protection in upgrading infrastructure, including electrification;
- high-quality, reliable, accessible, sustainable, resilient and secure infrastructure to support the economy and human well-being.



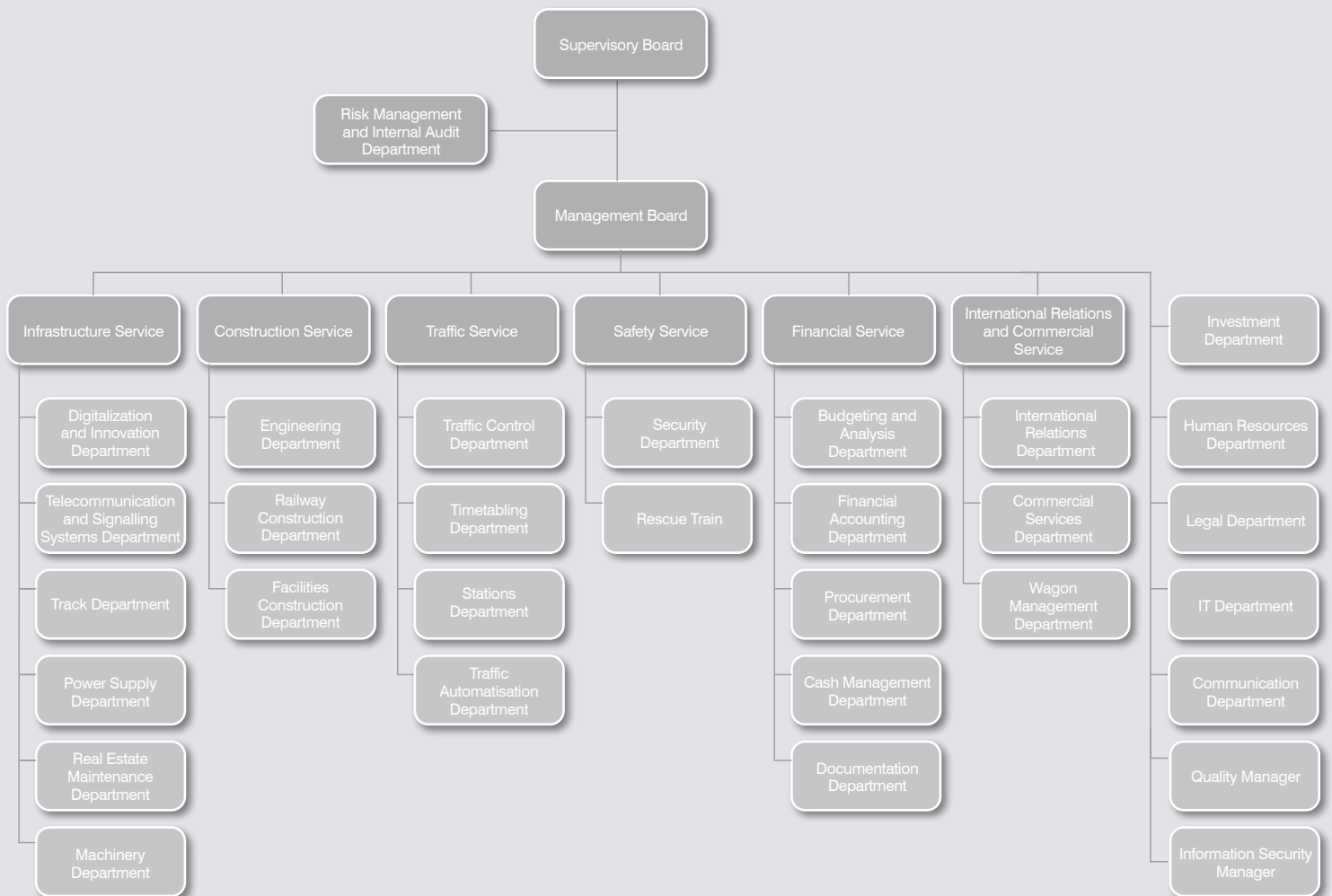
Keywords relevant to us:

- connector of urban, suburban and rural areas;
- viability of rural areas;
- sustainable urbanisation;
- multi- and intermodality;
- accessible, convenient, economical and safe public transport.

We refer to the sustainable development goals that are related to our respective activities in the chapters of the annual report.

MANAGEMENT

Organisational chart from 1 January 2024



Corporate Governance Report

General meeting

The Regular General Meeting presided by the Minister of Climate approved the annual report for 2022 on 22 May 2023.

Supervisory Board

In 2023, the members of the Supervisory Board were Carri Ginter (until 1 November 2023), Kaur Kajak (until 12 May 2023), Indrek Laineveer, Hannes Luts (from 14 November 2023), Sven Pertens (until 1 November 2023), Kaupo Raag (from 12 May 2023), Anvar Salomets (from 14 November 2023) and Rene Varek. The Chairman of the Supervisory Board until 1 November 2023 was Sven Pertens, from 14 November 2023 the Chairman of the Supervisory Board is Rene Varek. The Supervisory Board of AS Eesti Raudtee oversees the activities of the Company's Management Board, participates in planning the Company's operations and organising its management, and approves transactions that are outside the scope of its daily business or exceed the limit set to the Management Board by the resolution of the Supervisory Board. The Supervisory Board acts independently and in the interests of the Company and its shareholder.

The principal work format of the Supervisory Board is a meeting. During 2023, the Supervisory Board held ten meetings and adopted eight resolutions without calling a meeting. One member of the Supervisory Board did not participate in one Supervisory Board meeting. One member of the Supervisory Board did not participate in voting by letter in voting on four items on the agenda and one member in voting on one item on the agenda, since they had withdrawn themselves from the discussion and voting on these items. In case of possible conflict of interests the member of the Supervisory Board withdraws themselves from the discussion of the item and does not participate in the voting process and they are neither sent related materials nor the Supervisory Board meeting's protocol.



Rene Varek

Audit Committee and Safety Committee

The task of the Audit Committee is to participate as an advisory body to the Supervisory Board in issues related to performing supervision, including monitoring and analysing the processing of financial information, the effectiveness of risk management and internal controls, the process of preparing and auditing the financial statements, the independence of the auditor and the compliance of the activities with regulatory requirements.

In 2023, the members of the Audit Committee were Jaak Annus (until 26 July 2023), Kaur Kajak, Roman Laidinen and Indrek Laineveer (from 26 July 2023). In 2023, the Chairman of the Audit Committee was Roman Laidinen.

The task of the Safety Committee is to participate as an advisory body to the Supervisory Board in issues related to performing supervision over safety-related matters arising from the specific nature of the rail business. In 2023, the members of the Safety Committee were Dago Antov, Indrek Laineveer, Sirle Loigo, Tauno Suurkivi and Tamo Vahemets. In 2023, the Chairman of the Safety Committee was Tamo Vahemets.

The sole shareholder has established the remuneration rates and procedure for members of Supervisory Board, with the Chairman of the Supervisory Board being paid a higher fee. The Supervisory Board members who did not participate in the Supervisory Board meeting are not paid for the month of the meeting. According to the remuneration procedure, additional remuneration is paid to members of the Supervisory Board who are members of the Audit Committee and the Safety Committee for participating in the meetings of the said committees. No severance pay is paid to members of the Supervisory Board.



Kaido Zimmermann



Andrus Kimber



Arvo Smiltinš

Management Board

The Management Board runs the Company and represents it in its daily operations independently, in accordance with the provisions of the law and the Company's articles of association. The Management Board acts in the most economical manner to ensure the sustainable development of Estonian Railways consistent with the established targets, and organises relevant control and reporting.

The Management Board of Estonian Railways has approved the Management Board's rules of procedure stipulating its internal organisation of work, the procedure for adoption of decisions and monitoring of their enforcement and other issues regulating the activities of the Management Board. In 2023, the Management Board held 62 meetings.

The Chairman of the Management Board alone or two of the Management Board members jointly may represent the public limited company in all legal proceedings. The Chairman of the Management Board alone and two of the Management Board members jointly have the right to sub-authorize.

AS Eesti Raudtee is managed by Kaido Zimmermann who is the Chairman of the Management Board and General Director of AS Eesti Raudtee and also a member of the Supervisory Board of OÜ Rail Baltic Estonia. Other members of the Management Board are Andrus Kimber, Vice Chairman and Finance Director, and Arvo Smiltinš, member of the Management Board and Technical Director who is also a member of the profession committee and the chairman of the evaluation committee of the Railways Professions Foundation.

The remuneration of the members of the Management Board and termination benefits are laid down in their contracts concluded with the members of the Management Board. In assigning additional remuneration to the members of the Management Board, the Supervisory Board takes into account the Company's financial indicators as well as the particular board member's performance and their personal contribution to achieving the financial and operating targets. In 2023, pursuant to the resolution of the Supervisory Board, management board members received remuneration in the amount of 2.2 times the average monthly paid during 2022.

Disclosure of Information

On its website, AS Eesti Raudtee discloses information about essential facts and events relating to it as laid down in law.

Value-based organizational culture

As a state-owned company, we have a greater obligation to transparency. We consciously pay attention to promoting business ethics and organisational culture.

The management culture of AS Eesti Raudtee is based on five golden rules:

- the Company has an approved code of values and ethics;
- strategic objectives are formulated, relevant, up-to-date and internally informed;
- strategic management is transparent and is used to implement long-term objectives involving all structural units;
- the Company's staff shall assume responsibility for the performance of their duties;
- the Company has a functioning reporting system and internal communication.

We encourage employees, by recognising and motivating them, to act according to common values.

Each year, we award value awards in nine categories, honoring employees for advancing the field or for outstanding performance. We feel that value-based management is important at Estonian Railways and that the employees themselves value it.

We also pay close attention to the prevention of corruption and fraud. Employees receive annual training on the topics of corruption and fraud prevention. Our value-based expectations extend not only to employees, but also to the company's partners. In 2023, there were no cases of corporate corruption or other significant non-compliance with the law.

The company's website also has whistleblowing channels that can be used anonymously by anyone. In 2023, a total of 13 calls were made to the hotline, in which case there was no reason to start additional procedures. No notifications were made to other whistleblowing channels.

Risk Management

Risk management is an important management tool for the Company because it provides it with assurance that its strategic and operational objectives are being met in a controlled manner and that potential risks are being properly covered by effective mitigation measures. The management of the Company's risks and controls is aimed at prevention – for this, the manager of a particular risk is obliged to implement the best measures to mitigate the factors that provoke the risk. The principles of risk management are formulated in a document that describes the risk management policy, the risk management process, as well as the roles and responsibilities of the parties.

The Management Board is responsible for risk management at Estonian Railways. The Supervisory Board, audit committee and the Risk Management and Internal Audit Department of Estonian Railways are responsible for monitoring the risk management activities and the process. In the internal control system and risk management, staff have been appointed who are responsible for the effective management of risks.

The risk and control assessment process includes workshops with employees to review the factors affecting and triggering the risk and to analyse the suitability and effectiveness of the mitigation measures implemented. The risk management solution developed by the Company is used to manage risks, and on this basis, comprehensive risk management reporting has been created. Through these activities, the Company monitors whether and how effectively the risk mitigation measures are working. Major improvement activities will be linked to the detailed objectives of the period. AS Eesti Raudtee applies the best preventive practices in risk management and has focused its activities on strengthening controls. Managers and risk owners are given regular training in risk management in order to increase their competences.

It is also important to note that the risk management principles established in the Company apply to all parties and must also be applied by external parties who have entered into a contractual relationship with AS Eesti Raudtee.

The managers of all important structural units attend meetings of the Audit Committee of the Supervisory Board at least once a year to introduce risks related to the field, bottlenecks related to management and measures in their management so that the probability of occurrence and the impact on the company are as small as possible.

A total of 104 risks were identified and managed at Estonian Railways in 2023.

Risks and risk categories

Strategic risks	Operational risks	Compliance risks	Financial risks
Political environment Decrease in freight volumes Inadequate infrastructure financing Investment capacity	Safety Business continuity Processes Personnel Technology and IT Security and environment Organisation of assets and inventories Procurement and contracts Fraud, theft and vandalism Change management	Regulations Damage claims Capacity distribution Compliance with sanctions	Liquidity risk Credit risk Interest rate risk Currency risk Market risk



Safety Management

All employees of Eesti Raudtee and users of the company's infrastructure must, due to their experience and training, be aware of possible risk factors related to their tasks and refrain from endangering the affected parties when performing their work.

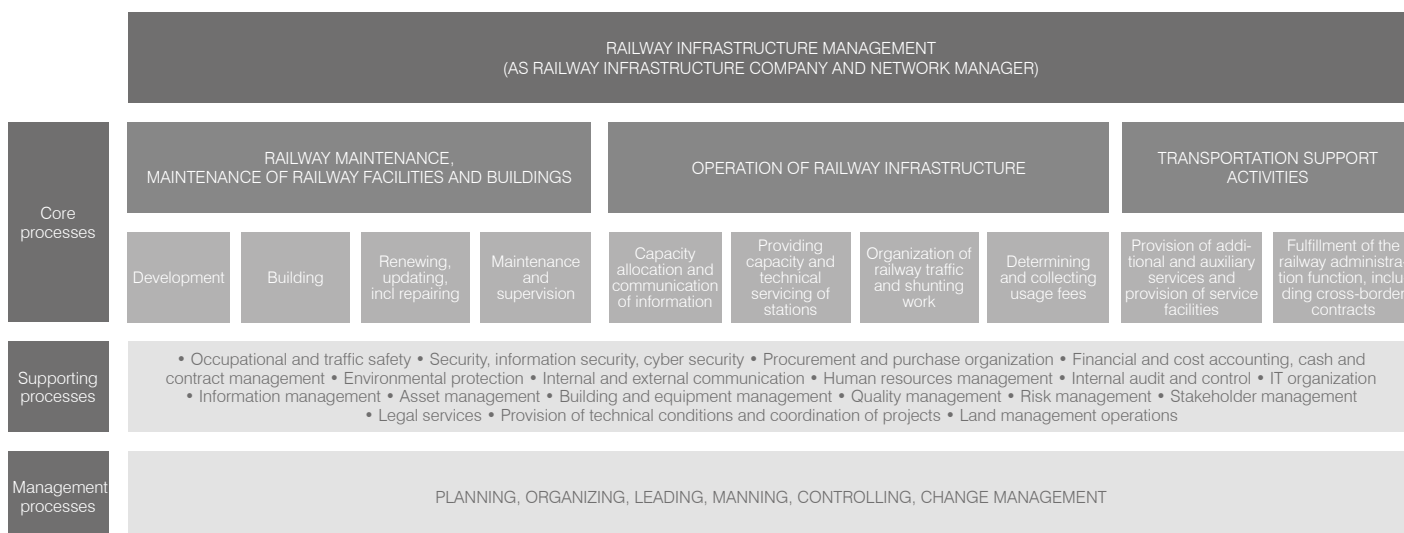
Safety actions on our railway infrastructure which is part of the safety assurance system:

- we identify the hazards, their root causes, regularly assess the risks and plan improvement measures;
- we comply with international and national legislation and internal railway safety, occupational safety, occupational health and environmental requirements;
- we establish the requirements for the maintenance and provision of railway infrastructure and monitor compliance with them;
- we ensure our customers maximum railway infrastructure capacity through high-quality traffic management and minimizing infrastructure failures;
- we continuously develop the knowledge and skills of our employees and those of our contractors;
- we involve employees, employee representatives and cooperation partners in the identification, analysis and further control activities of occupational health and safety hazards;
- we organize safety training for the employees of our contractual partners, we want to meet the operational requirements and have the necessary certificates.

Eesti Raudtee is committed to ensuring the operation of the safety management system and continuous development. The company's management encourages employees, by recognizing and motivating them, to behave according to common values and a positive safety culture. All Eesti Raudtee employees, starting with the board, are responsible for ensuring the safety level.

Quality Management

The main objective of quality and process management is to optimize the work of the Company in order to improve the quality of service. In 2023, we focused on process mapping and design, because several changes in the areas of both technology and work organization also required updating the processes. For example, due to the new traffic management system, we reviewed the performance of existing processes and the necessary changes in activities from a future perspective and described them as process diagrams. We updated the process map of the Estonian Railways, where basic, support and management processes are distinguished.



Processes were also in focus when implementing new management systems, e.g. in preparation for the implementation of the asset management management system, we revised the descriptions of our most important activities. We also performed an internal audit, which confirmed the correct direction of our activities and specified how to harmonize the principles of asset management in various structural units of the infrastructure service.



COMMUNICATION WITH STAKEHOLDERS

Open communication

In 2023, it was important in communication to share information about railway developments as well as safety, large-scale construction works on the railway and restrictions that affected train timetables. Due to the war in Ukraine and sanctions, there was a heightened interest in freight groups transported by rail, vehicle marking and transport companies.

We have noticed that public interest in the activities of the Estonian Railways is on the rise, which is why we are increasingly focused on raising the public's safety awareness and sharing preventive information. In 2023, the total number of our media coverage was 1,250 (2022: 1,045), including 89 positive, 140 negative and 1,021 neutral. The total number of negative and neutral coverage compared to 2022 increased somewhat due to the public's expectation for the reconstruction of the waiting areas, the impact of railway malfunctions on passengers and car users, and issues related to eastbound freight.

Estonian Railways has its own social media channels (Facebook, Instagram, LinkedIn, YouTube), whose following is constantly growing and where information is shared about railway safety, the company, its procurements and projects. Estonian Railways is also presented as a potential employer – in cooperation with our company's brand ambassadors, we made a social media campaign to introduce the railway sector. We share information promptly through the websites of local governments and the website of the transport company serving passengers. Estonian Railways wants to be a reliable partner for all stakeholders.

In the spring of 2023, we were part of the Green Forum's organizing team and shared information with the public about the electrification project and its positive effects on society. We also helped organize the railway safety conference of the European Union Agency for Railways aimed at railway safety experts, which took place in September 2023 in Tallinn.





Collaboration and membership

As a legal entity, Estonian Railways is a member of the following Estonian and international professional associations:

- Community of European Railway and Infrastructure Companies CER, headquartered in Brussels;
- Cooperation platform of Rail Infrastructure Managers in Europe PRIME;
- Rail Freight Corridor: North Sea - Baltic (RfC 8);
- Association of European Railway Infrastructure Companies (RNE, RailNetEurope), headquartered in Vienna;
- BIC (Bureau International des Containers et du Transport Intermodal) headquartered in Paris;
- Estonian Chamber of Commerce and Industry;
- NGO Logistics and Transit Association (LTA);
- NGO Rail Baltic Business Network;
- NGO Operation Lifesaver Estonia;
- Estonian Association for Environmental Management (EKJA);
- Estonian Association for Personnel Management (PARE);
- NGO Responsible Business Forum;
- NGO Estonian Internal Training Development Association;
- Railway Professions Foundation;
- NGO Transparency International Estonia.

Based on the authorisation of the Sole Shareholder (Republic of Estonia), Estonian Railways participates in the following organisations:

- Organisation for Co-operation between Railways (OSJD), headquartered in Warsaw;
- Railway Council (Совет по железнодорожному транспорту) headquartered in Moscow.



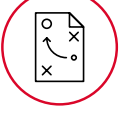

ACTIVITIES AND RESULTS FOR 2023

Management by objectives

In 2023, Eesti Raudtee continued to upgrade the infrastructure, improve the efficiency of internal processes, raise the level of safety and promote responsibility. It was positive for the Estonian Railways that the state has continued to find an opportunity to finance the expenses necessary to fulfill the company's goals and has distributed a large amount of investment grants.

Based on the company's strategy, 11 operational goals were set for 2023 in four categories. The following table provides an overview of the most important of them.



CATEGORY	GOAL	RESULT
 <p>INFRASTRUCTURE</p>	<ul style="list-style-type: none"> • EBITDA: at least EUR 23.1 million • 85% of the investment budget is fulfilled • In the electrification project, procurement for the design and construction of Lagedi–Aegviidu line is carried out and the contract is concluded • Eight stations are switched to dispatch centralization; security systems at Tapa station are modernized, and the traffic schedule creation module of the traffic control system is introduced • Reduction of non-essential assets, including 10 buildings, railway switches and crossings. Electricity consumption in the company will decrease to 14 GWh per year 	<ul style="list-style-type: none"> • EBITDA: EUR 23.8 million • Goal achieved • Procurement was carried out and the contracts prepared, but conclusion of the contract was postponed due to the contestation of the procurement results • Tapa station was modernized and seven stations were switched to dispatch centralization. At the Tapa station, the throat on the Tartu side was reconstructed, which created the prerequisites for the modernization of security systems • 10 buildings were expropriated, 49 switches and over 15 km of station roads were dismantled, the company's electricity consumption was 12.3 GWh
 <p>CUSTOMERS</p>	<ul style="list-style-type: none"> • Freight volume is 5.5 million tonnes • The annual volume of passenger transport is 4.6 million train kilometers • The fulfillment of the traffic schedule is at least 99.2% for both passenger and freight transport, no more than 230 trains are delayed due to failures preventing train traffic 	<ul style="list-style-type: none"> • Freight volume was 4.8 million tonnes • The annual volume of passenger transport was 5.0 million train kilometers • 100% of the traffic schedule influenced by the Estonian Railways was fulfilled for freight trains and 99.8% for passenger trains, 125 trains
 <p>PROCESSES</p>	<ul style="list-style-type: none"> • The Company's strategy for 2023-2028 is updated • The safety management system is aligned with the requirements of the methods in directive of railway safety • The traffic management process is mapped. The process of technological possessions is automated in such a way that the application and processing takes place electronically in the information system 	<ul style="list-style-type: none"> • Goal achieved • Goal achieved, renewed safety permit issued in the beginning of 2024 is valid until January 2029 • Goal achieved in regards of processes, automatization in regards of possessions will be finalized in 2024
 <p>EMPLOYEES</p>	<ul style="list-style-type: none"> • A traffic management training center with recruited employees is created • The proportion of employees of the Traffic Service who speak Estonian has increased, and a competence model for traffic controllers is created • At least 60% of target groups carried out cyber hygiene trainings • The company's gold level in the VEF index is protected 	<ul style="list-style-type: none"> • Goal achieved • Goal achieved • Goal achieved • In the spring of 2023, the company protected the gold level of the VEF index for the following two years

Based on the Company's strategy, Estonian Railways has set 11 goals for the year 2024, including:

- EBITDA at least EUR 24.5 million;
- The investment budget is fulfilled to the extent of 85% of the cash budget i.e EUR 116.1 million;
- At least 25 stations are switched to dispatch centralization and the main construction works on large-scale project of modernization of Control, Command and Signalling (CCS) for Tapa–Tartu section is completed;
- In the electrification project, the Aegviidu–Tapa–Tartu section's contact network is ready for tensioning and Tapa–Narva section's catenary is ready for carrying out the design and construction procurements;
- The number of fixed assets are reduced by 10 buildings and electricity consumption in the company is minimized to at least 13 GWh per year;
- To contribute to the growth of freight transport, two new services have been developed (pre-registration inspection and commercial inspection of wagons), the annual turnover of passenger trains is at least 4.8 million train kilometers and at least three passenger platforms have been updated, the number of trains delayed due to infrastructure failures does not exceed 220, and the Estonian Railways has at least 99.2% fulfillment of the traffic schedule for both freight and passenger transport, the procurement procedure for the acquisition of a railway crane has been carried out, the pilot project of the infrastructure maintenance and event information system (FSM) has been launched;
- The company has been awarded the asset management system ISO 55001 certificate, 39 level crossings have been modernized, the number of level crossing failures affected by the company does not exceed 100, and level crossing risk analyzes have been prepared for the Tallinn–Tartu and Tapa–Narva sections;
- The proportion of employees of the Traffic Service who speak Estonian (at least level B2) is at least 37%, most of the employees have carried out the cyber hygiene training and passed the test;
- The number of interns is at least 20 and a survey of job satisfaction and commitment has been carried out;
- Environmental, social and governance (ESG) strategy has been drawn up.



Financials

<i>(EUR millions)</i>	2023	2022	2021	2020	2019
Total operating income	64,3	59,0	55,8	63,8	62,8
Sales revenue	28,6	29,4	32,8	31,1	39,5
incl. infrastructure services	23,1	24,7	29,3	28,4	34,4
incl. other services	5,5	4,7	3,5	2,7	3,5
Other revenue	35,7	29,6	23,0	32,7	23,3
incl. government grants for investments	7,9	7,9	7,1	7,8	5,3
incl. government grants to achieve performance targets	25,9	20,7	14,6	24,1	16,0
incl. other income	1,9	1,0	1,3	0,8	2,0
Operating profit before interests, taxes, depreciation and amortisation (EBITDA)	23,8	23,6	22,4	32,7	29,7
Net profit	0,0	0,0	0,0	7,1	8,9
Investments	83,9	55,6	34,9	32,0	31,5
Assets at year-end	489,8	417,4	374,4	356,9	342,6
Equity at year-end	176,1	176,1	176,1	176,1	159,0
Interest-bearing liabilities at year-end	74,4	49,2	34,8	26,3	30,8
Total operating expenses	64,6	58,7	55,5	56,4	53,6
incl. goods, materials and services	12,1	11,9	9,8	8,0	10,4
incl. miscellaneous expenses	4,9	4,4	3,5	4,3	3,8
incl. personnel expenses	22,1	19,5	18,7	18,4	18,2
incl. depreciation and amortisation	24,2	23,3	22,1	25,3	20,5
incl. other expenses	1,4	-0,4	1,4	0,3	0,7

Operating volumes

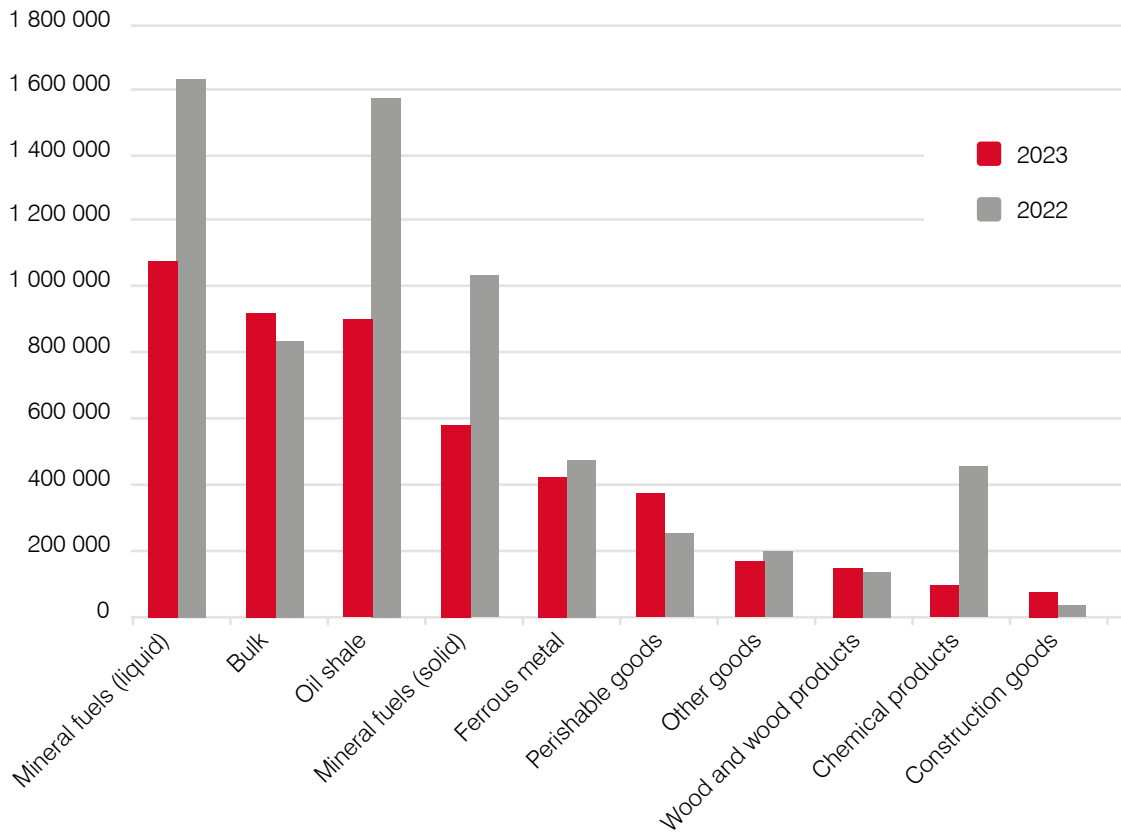
Five freight transport companies (AS Operail, AS Sillamäe Sadam, AS Enefit Power, AS GoRail, SIA LDz Cargo Estonian branch) and two passenger transport companies (AS Eesti Liinirongid (Elron) and AS Pasažieru vilciens (Vivi)) operated on the Company's infrastructure designated for public use. From the scheduling period 2021/2022, contracts for the use of infrastructure have also been concluded with non-public railway undertakings that transport goods of consignors and consignees across the border between public and non-public railways.

In 2023, 4.79 million tonnes of goods were transported on the infrastructure of Estonian Railways. Compared to 2022, the freight volume decreased by 38.8%. Freight transport company Operail AS transported 41.0% of the goods (2022: 80.5%). Changes in the transport volumes in 2023 were the results of the sanctions imposed against Russia and Belarus due to Russia's continuing aggression against Ukraine.

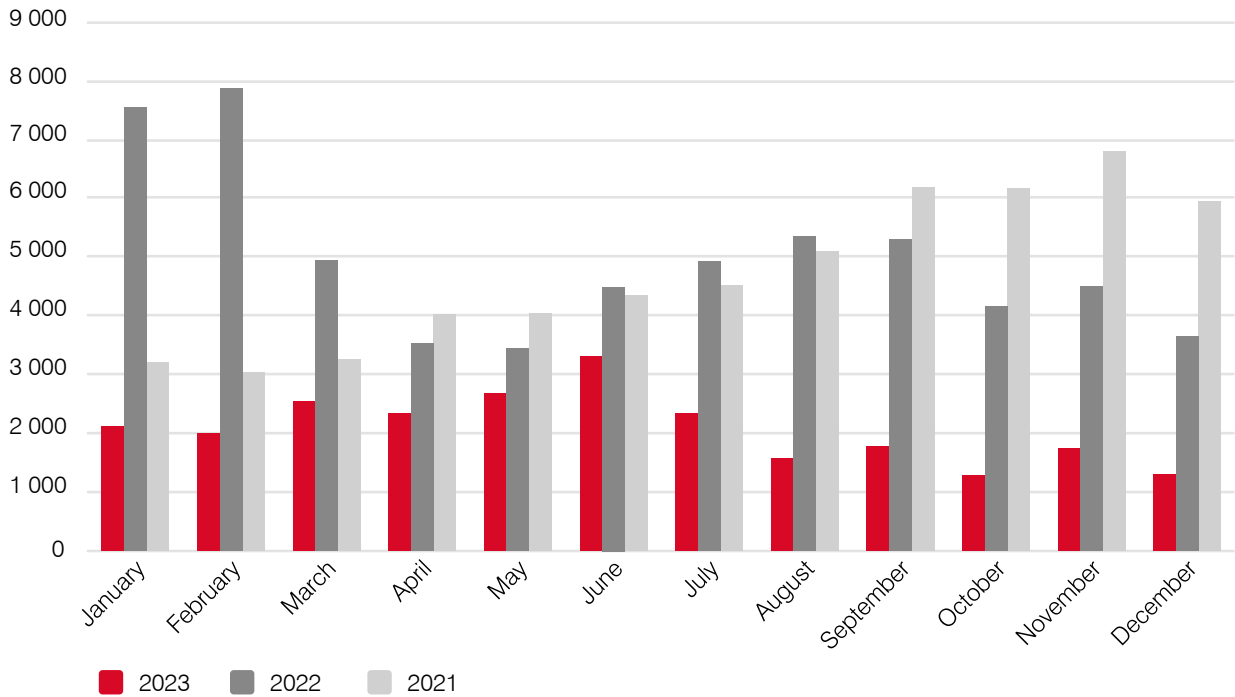


Liquid mineral fuels accounted for the largest share of goods in 2023, with a total of 1.06 million tonnes transported, a decrease of 34.4% compared to the previous year. In 2023, 0.91 million tonnes of bulk was transported, which was 8.9% more than in 2022. 0.89 million tonnes of oil shale was transported in 2023, a decrease of 42.9% compared to the previous year. The volume of container transport in 2023 was 24.74 thousand TEU (twenty-foot equivalent unit), which was 58.5% less than in 2022.

TOP 10 freight (tonnes)

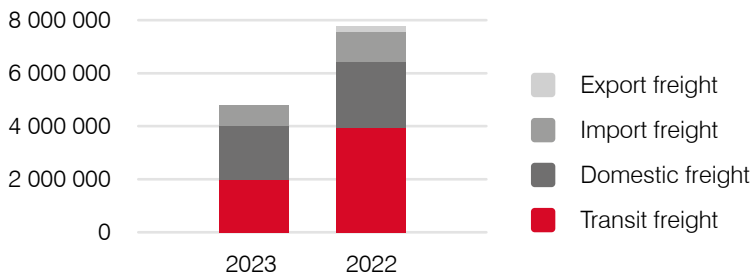


Monthly freight volume of containers 2021-2023 (TEU)



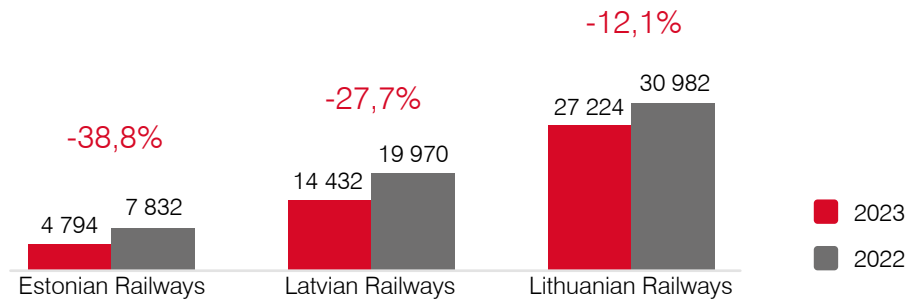
In 2023, transit shipments through Estonia totalled 2.07 million tonnes of goods, i.e., 47.1% less than in 2022. The share of transit shipments in total transport volume decreased from 50.0% in 2022 to 43.2% in 2023. The volume of domestic shipments decreased by 24.6% and amounted to 1.96 million tonnes. As a result, domestic shipments accounted for 40.8% of the total volume (2022: 33.1%). Import shipments totalled 0.74 million tonnes, a decrease of 34.4%, and export shipments 0.03 million tonnes, a decrease of 84.6% as compared to 2022.

Volume (tonnes) and structure of freight transport by type 2022-2023



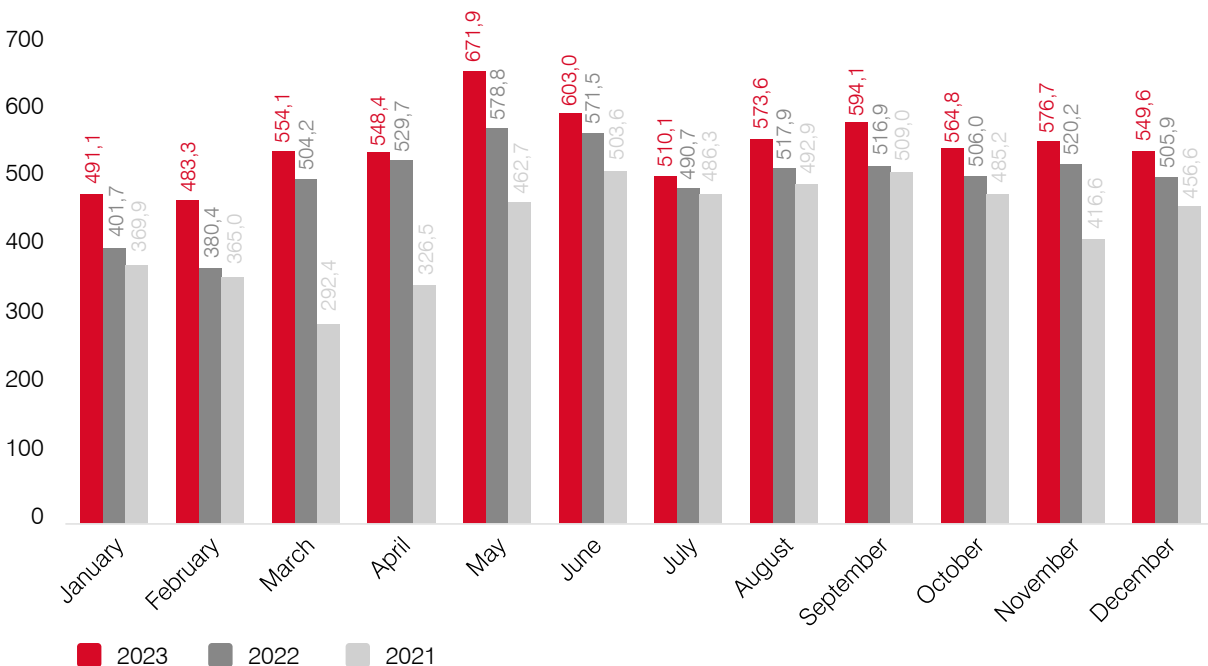
In 2023, the freight volume also decreased on both Latvian and Lithuanian railways.

Freight volume on the public railway of the Baltic States 2022-2023 (thousand tonnes)



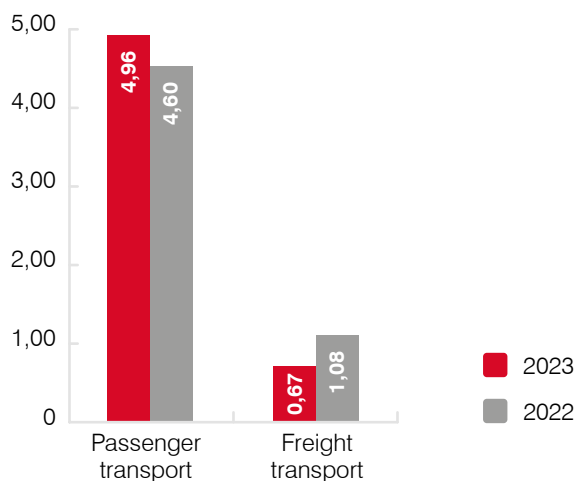
In 2023, 6.67 million passengers (+10.7%) were transported by diesel and electric trains operating on the infrastructure of Estonian Railways and a total of 7.80 million passengers (+9.4%) were transported in Estonia in total. There were no international rail passenger routes in 2021-2023. As a comparison with other Baltic countries, in 2023 the number of rail passengers was 17.1 million in Latvia (2022: 15.7 million) and 5.0 million in Lithuania (2022: 4.2 million).

Monthly number of local passengers on the infrastructure of Estonian Railways 2021-2023 (excluding the line Tallinn/Tallinn-Väike, thousands)



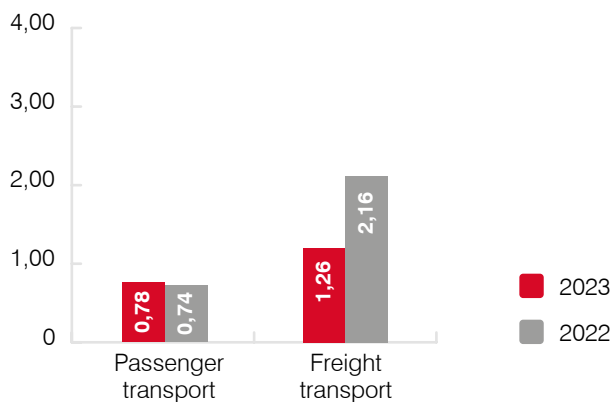
Passenger trains covered 4.96 million train-kilometres in total on the Company's infrastructure, which accounted for 88.1% of the total train usage (2022: 81.0%). The train kilometres of passenger trains increased by 7.9% as compared to 2022 and that of freight trains decreased by 37.8%.

Rail usage (million train km)



In 2023, the work of rolling stock totalled 2.04 billion gross tonne-kilometres on the infrastructure of Estonian Railways, including the work of freight trains of 1.26 billion gross tonne-kilometres i.e 61.7% (2022: 74.4%). As compared to 2022, the work of freight trains decreased by 41.7% and the work of passenger trains increased by 5.0%.

Operation of rolling stock (billion gross tonne-km)





RESPONSIBLE SERVICE



Estonian Railways' customers include all companies operating in the railway transport market, not only transport companies. We value each customer's interaction with Estonian Railways and contribute to improving the quality of customer experiences. That is why it is important for the Company to map customers' satisfaction with our services on an annual basis. In 2021, we started a more in-depth study of the customer experience, which we continued in 2022. In 2023, we moved a step forward and in addition to the survey, we also met six transport companies face-to-face in order to conduct in-depth interviews with them.

Value chains of Estonian Railways

Passenger transport



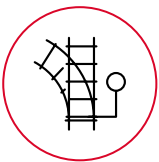
Freight transport



- Services provided by Estonian Railways
- Services provided by clients and other stakeholders

In addition, a survey was sent to 67 cooperation partners. Unfortunately, the exceptionally rapid decline in railway transport volumes over the past few years has also affected the responsiveness of stakeholders. The most critical were the assessments of the ease of use of Estonian Railways' IT solutions, which indicates the changed needs of customers in the new market situation, to which we must respond quickly. The quality of communication with Estonian Railways was rated higher, where 67% of respondents rated it as very good or rather good.

The interviews conducted with customers in 2023 revealed that market participants' expectations for the state to implement support and mitigation measures, where the infrastructure company is seen as their implementer, have risen dramatically. The main expectations are related to the technological solutions of the infrastructure company, which would give market participants the opportunity to reduce their costs.



The state of our infrastructure at the end of 2023:

- Share of railway enabling maximum speed: 3% – 140km/h, 18% – 135 km/h and 65% – 120 km/h;
- Passenger platforms in use are 100% compliant with the rolling stock in use;
- 90% of level crossings are in a good condition;
- 81% of level crossings are equipped with alarms and 33% with barriers;
- 66% of railroad facilities (bridges, overpasses, culverts) are in good condition;
- By the end of 2023, 100% of the stations and block posts in Lääne-Harju region were switched to new dispatcher centralisation.

Quality indicators in 2023:

- Use of capacity in border stations: Narva 4.8%; Koidula 6.0%; Valga 20.6% (2022: respectively 14.8%, 8.7% ja 22.8%);
- Adherence to passenger train schedule 99.8% (2022: 99.4%);
- Adherence to freight train regime 100% (2022: 99.5%);
- Number of failures 1718 (2022: 1612).

Infrastructure renewal and maintenance



Construction work

2023 was a busy year in railway construction. Preparations began for the biggest challenge of the coming years, to **straighten curves** and **increase speeds** on the Tallinn–Tartu and Tapa–Narva sections. A number of preparatory activities were carried out – design, procurements and transfer of land. In the second half of the year, the first stage on the section between Aegviidu and Tapa was completed, and the works moved on to the Tapa–Tartu section. Railway work was completed in the **Tapa shunting yard**, which created the prerequisites for ending wagon sorting activities in the densely populated area of Ülemiste. More than 80% of recycled materials (rails-sleepers-ballast) were used in the construction of the Tapa shunting yard. On the Lääne-Harju railway lines, the last section of the main road between Vasalemma and Riisipere was repaired. As a result, all westbound main roads have been reconstructed. In the field of traffic management, a comprehensive traffic management solution was launched on the **Lääne-Harju** lines.

In 2023, a contract was signed for the design, construction and operation of the contact network of the first stage of the **electrification project** (Aegviidu–Tapa–Tartu). In September 2022, a call for tenders was launched and the contract was signed in February 2023. By the end of the year, a large number of catenary mast foundations and masts had been installed, and in some sections the laying of wires had also begun. The tender for the reconstruction of the contact network between Lagedi and Aegviidu was launched in 2023, as a result it is planned to completely renew the contact network which was built decades ago. The procurement contract will be signed in the beginning of 2024.

We continued with projects to **modernize safety systems**. As part of the project, the Tapa station software was completed. The necessary equipment was procured for the renewal of Tartu–Koidula line. In addition, we announced contracts for building works for Tartu–Koidula line and Tapa station construction procurements. For the production and delivery of the switch drives used in the project, we signed a contract with the Czech company AŽD Praha. In order to increase safety, we decided at the end of 2022 that we would introduce a solution with four barriers for level crossings where the speeds of trains are higher.

In cooperation with **local governments**, preparations are being made for the construction of new tunnels, for example, the city of Tallinn has started work on the reconstruction of the Tondi railway crossing into a two-level one. For this purpose, in order to improve the safety of road users, a new underpass will be built instead of the previous crossing, new and safer footpaths, ramps and stairs will be built to ensure better access to the railway waiting platforms. The railway work has been completed as of today. It was a unique project for Estonian Railways, where we had to ensure the organization and operation of passenger transport traffic between Tondi and Pääsküla stations even when all train traffic from Tondi to Balti station was closed for 9 days in October. This project will be fully completed in 2024. Cooperation has also started with the city of Tartu for the construction of two new pedestrian tunnels.





Railway track

The planned maintenance of the railway in 2023 was aimed at achieving and maintaining safe train traffic at the set speeds. The main maintenance works were as follows:

- railway tamping with equipment on 127.5 kilometres (+12% compared to 2022);
- railway tamping with equipment of 69 switches (+29%);
- Fastclip-type rail fastener maintenance on 5.5 kilometres (-17%);
- KB-type rail fastening maintenance on 13.2 kilometres (-16%);
- replacing 2162 wooden sleepers (-44%) and 916 point beams (+15%);
- 80 thermite weldings (-15%) and 53 cross-rail surface welding (-21%) were completed;
- 145 contact welding was completed (+190%);
- replaced 2890 metres of long rail (-38%);
- polished 132 km of tracks (+100%).

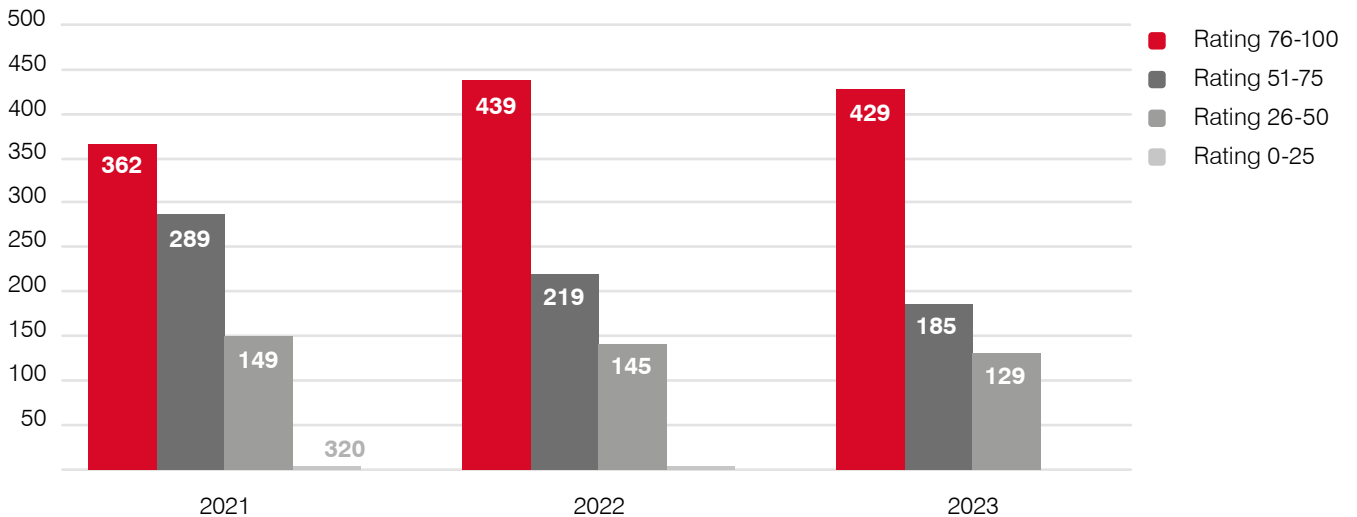
In 2023, in-depth analyses of the condition of railway facilities were carried out, converting the results into a single scale (see below).

CI (condition Index)

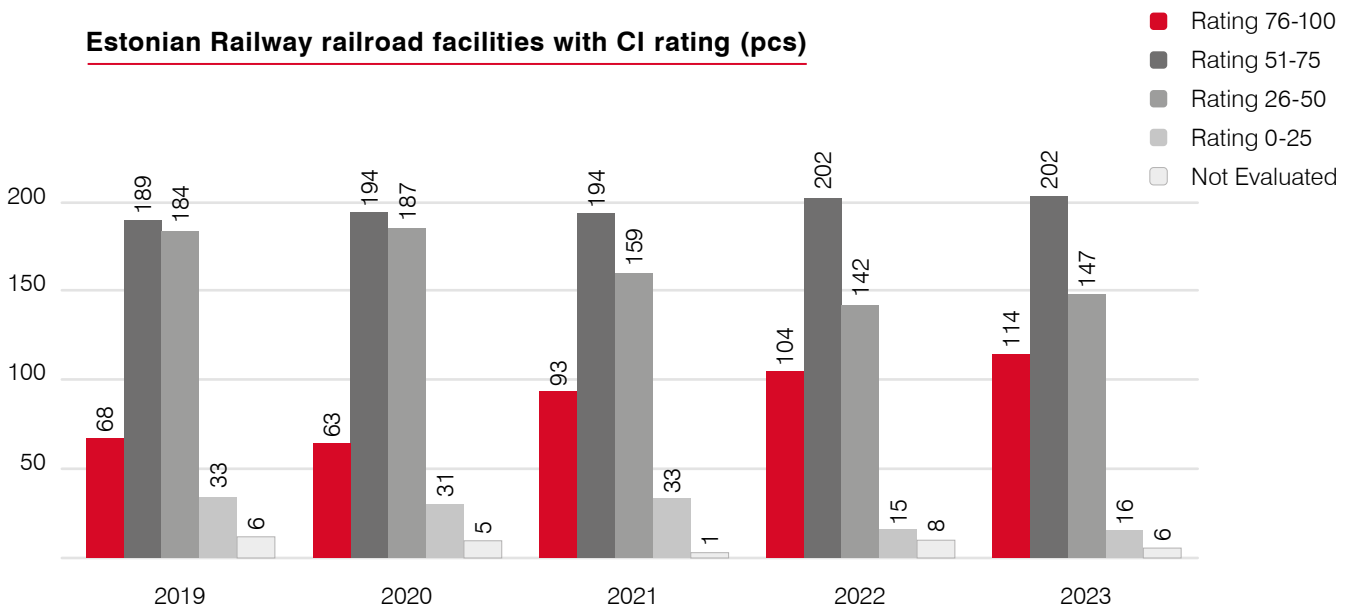
- 0-25 points – needs constant attention
- 26-50 points – needs attention
- 51-75 points – in good condition
- 76-100 points – in very good condition

The average rating for the main railway tracks of Estonian Railways was 75 (+3 compared to 2022), for bridges and culverts 60.2 (+1.2 compared to 2022) and for level crossings 81.4 (+0.4 compared to 2022).

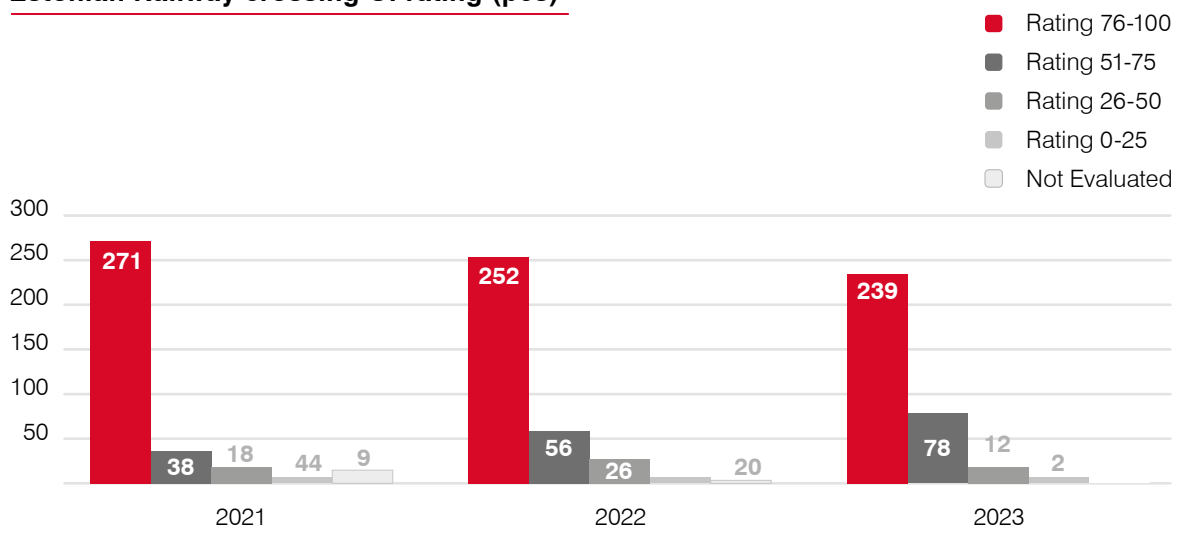
Estonian Railway rails CI rating (total length km)

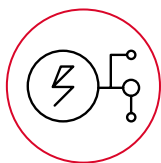


Estonian Railway railroad facilities with CI rating (pcs)



Estonian Railway crossing CI rating (pcs)

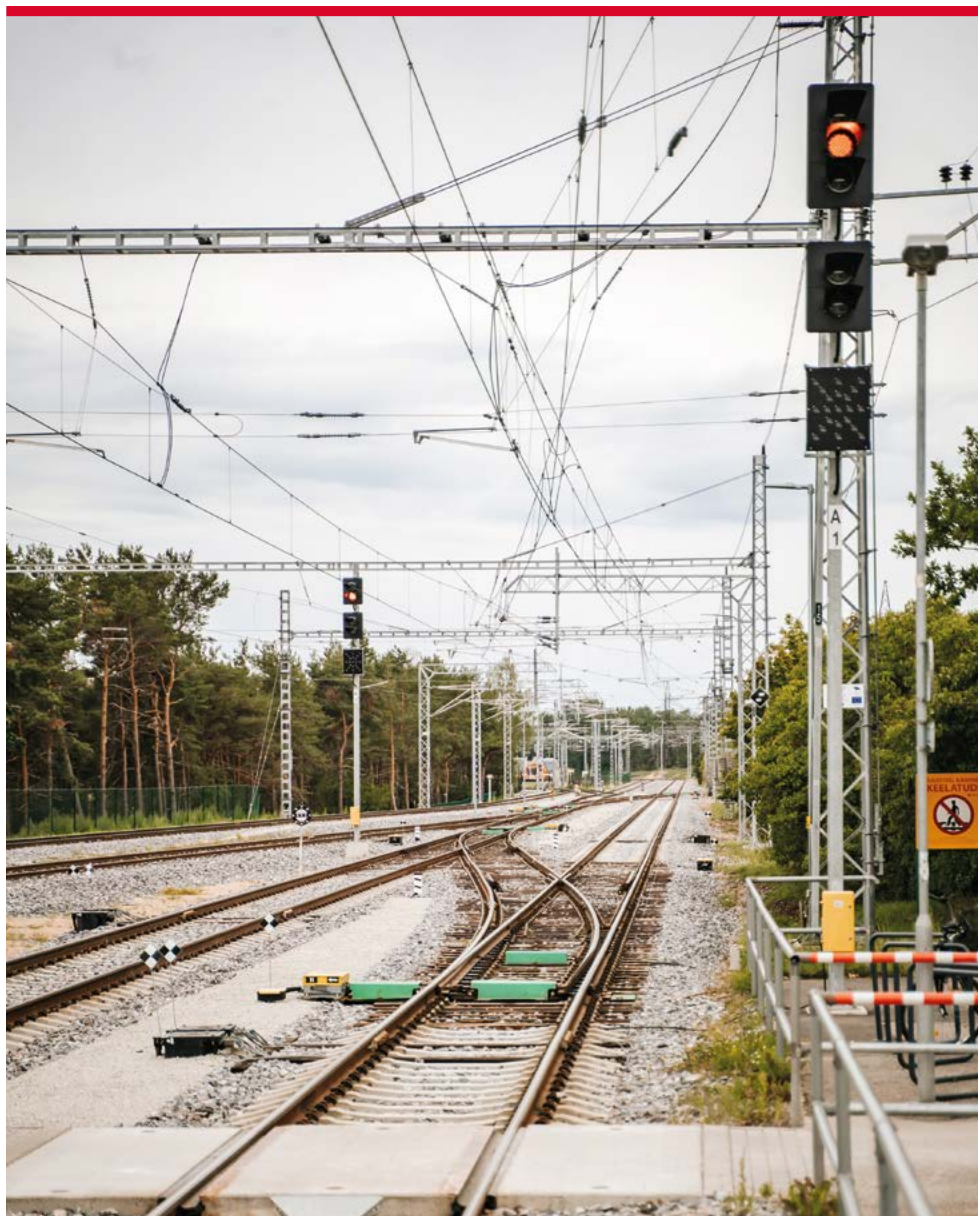




Electricity networks

During 2023, as in previous years, several new power supply points for new safety systems were built, lighting systems were upgraded, electrical heating of switches, etc. were built. AS Eesti Raudtee is also engaged in electricity brokerage, which means that the electricity procured is sold to sub-consumers, the largest of which is Elron. The electric trains of Elron run on electricity supplied by Estonian Railways. In 2022, a public procurement was carried out, as a result of which a two-year power purchase contract for an estimated quantity of 80 GWh was concluded with AS Alexela. All electricity comes from renewable sources, as a result of which all Estonian electric trains use only renewable electricity.

Volatility of prices forces more to look for solutions to reduce electricity consumption. One way is to build local production systems. Thus, the first solar park with a capacity of 50 kW was completed in 2022 at the Tapa station on the Estonian Railways, and a park with the same capacity in Narva by the end of 2023. The completion of 50 kW park in Valga will be in 2024. Every year investments are also made in the renewal of electrical networks and equipment, which is why the company considers the condition of the networks to be completely satisfactory.





Real estate

Major works carried out by the real estate maintenance department in 2023 included the renovation and furnishing of Estonian Railways training and study classroom at the Kopli station; construction of new fences and entrances to surround our areas in Võru and Tartu (Näituse 26a); installation of new LED lights on the waiting platforms and access roads of Tallinn-Balti Station; repair of the Pääsküla contact network building. In addition, we repaired the outer perimeter of the historical baggage shed of the Jõgeva railway station, for which we received the recognition of the National Heritage Board. We renovated the Tartu station tunnel, which contributes to the events of the European Capital of Culture Tartu`2024. In the area of security systems, we updated the monitoring systems of Pääsküla, Saue and Valingu railway crossings. In the summer, Eesti Õpilasmalev helped organize the territory of our central warehouse.

In Tallinn, at Toompuiestee 35, we initiated detailed planning for the construction of a new office building, which would also be our future main building. Among other things, the existing underground fenced parking lot, which covers most of the plot, will be liquidated. In addition to this, a public park area with plenty of greenery will be built on the commercial building with various rest and leisure opportunities, as well as intra-block passageways for pedestrians and light motorists. Based on the needs of the existing and planned building, the parking spaces would be completely arranged on two underground floors.

The new building is designed mainly for the company's own use, so that in the future structural units located in different locations will be moved there. At the moment, Estonian Railway operates on leased premises in Telliskivi Kvartal, but in the long term we see that the current office does not cover the company's future needs in connection with the needs of the new traffic control center. Rail Traffic Management will be an important function of the building. For this purpose, the necessary server rooms will be planned and the hall of traffic controllers will be modernized. According to the plan, we will also plan some rooms for public use.

In 2023, the development strategy for the Ülemiste and Kopli land areas, which are excluded from the management of the railway infrastructure, was started in cooperation with the owners of the neighboring properties and the local government. The goal of the development of railway lands is to find the most favorable new uses for Estonian Railways for land that will be empty of railways.

Regarding the Kopli freight station, we have developed a future solution in cooperation with the Tallinn Strategy Center and submitted proposals to the general plan of Põhja-Tallinn, where the approximate quarterly volumes (buildings, green areas, etc.) and the territory of the freight station to be preserved are outlined. We take into account the wishes of the city of Tallinn when establishing a green network.

At Ülemiste station, work is underway to plan a unified infrastructure in cooperation with Rail Baltic, which has already started construction work on the joint terminal. In 2024, the track that is no longer needed for the railway will be taken up at the Ülemiste station. During the works, the existing railway infrastructure of Ülemiste station will be rebuilt to make room for Rail Baltica's 1435 mm gauge railway. For this purpose, nearly 16.3 kilometers of existing tracks will be demolished, and more than 8 kilometers of new 1520 mm gauge railway will be built in their place.

RAILWAY SAFETY AND SECURITY



SAFETY GOVERNING PRINCIPLE:

we do everything we can to ensure that people are not unintentionally killed or seriously injured on the railway

The objective of Estonian Railways is to prevent incidents and emergencies affecting railway safety, to ensure the provision of safe railway infrastructure and the management of train traffic, as well as safety for railway workers and the general public.

Simultaneously with the increase in passenger train speeds and traffic frequency, we mitigate the resulting dangers and risks for road users and passengers. Estonian Railways have made it a strategic goal to bring the safety and security of railway crossings and passengers boarding the train to a new level. In the next ten years, we will take the following important steps in this direction.

In the summer of 2023, the Minister of Climate approved a new regulation for the technical use of railways that tightens safety requirements, in which additional requirements for railway crossings were established. To increase the safety of railway crossings, they are divided into categories with different safety requirements. While until now the categories of railway crossings were derived primarily from the traffic frequencies of road vehicles and trains, in the future the speed of trains will be an additional criterion. Until now, there were no categories of railway crossings and, consequently, safety requirements for them. In order to determine the categories, we will organize light passenger counts in 2024. Based on these, it becomes clear whether a specific crossing point should have a tunnel, automation, automatic barriers or whether today's solution is suitable.



We will also review the technical solutions of railroad crossings that are already in operation. Based on the collected information, we rank the stations taking into account the possible impact of the changes on train running times, prepare risk analyzes and supplement the investment and financing plans according to the possibilities

Our contribution in numbers

15
pedestrian
underpasses
constructed in
recent years

**More than
67 km**
of fences
erected
to prevent the
railcrossing at
the wrong place

50
barrier-
equipped
level crossings
(of total of 150),
104 crossings
will be equipped
with barriers by
2025



80
automated
traffic light
equipped level
crossings
(total of 150)

122
sound signal
equipped level
crossings
(total of 150)

**More than
EUR
14 million**
of investments
for the
installation of
new safety
equipment
on 110 level
crossings

570
persons (150
employees
of Estonian
Railways and
120 infrastruc-
ture employees,
300 first
responders)
attended safety
related training
courses in 2023
(2022: 467)

**More than
5 000**
children at
school and in
kindergarten
attended railway
safety training
courses from our
employees in
2023
(2022: 650)



Preventive work

NGO Operation Lifesaver Estonia (OLE), founded by us, has almost all Estonian railway companies as its members. Every year it organises railway safety lectures in kindergartens and schools, and in 2023 reached up to 7,000 children with its safety information. Employees of the Estonian Railways took the message to 5,000 of them. In 2023, in cooperation with OLE, we carried out several public campaigns to increase railway safety, focusing on the contribution of railway crossings to increase safety (e.g. dialogue campaign “Did you?”, “You are expected home for Christmas”). A railway safety week was also held.

Rescue capacity

Estonian Railways has high rescue capacity in the form of a rescue train, which ensures round-the-clock readiness to react to incidents and crisis situations on the railway and to eliminate their consequences. Rescue train consists of emergency teams from Tallinn and Tapa, whose basic equipment includes, among other things, three railway cranes, special cars capable of driving on railways, special equipment for pulling railway rolling stock back onto the tracks, and a chemical trailer for responding to incidents involving dangerous goods. In 2023, with our recovery capability, we helped other railway companies to get the rolling stock back on the tracks.

The railway cranes of the rescue train also participated in infrastructure construction works, in the period from August to November 2023, the help of railway cranes was used in a total of 12 possessions for lifting turns etc.

On the basis of cooperation agreements, Eesti Raudtee conducts partner (including the Rescue Board, Police and Border Guard Board, ambulance, Defense Forces) trainings and organizes drills with the aim of preventing accidents and ensuring the fastest and most professional action of various parties to mitigate their consequences and restore railway traffic faster.

From 28 to 29 September 2023 the national large-scale exercise CREVEX (Crises Evacuation Exercise) took place in Muuga, one of the organizers of which was the State Chancellery as well as the Estonian Railways. As part of the exercise, the reaction to an explosion and a large-scale fire caused by the collision of fuel trains in the port of Muuga was practiced. In order for the operational services to be ready for accidents on the railway on a daily basis, we also organized training sessions for first responders before the exercise. During these exercises, our specialists taught how to resolve accidents on the railway. It was tested how to install an emergency bottom valve on a leaking tank and how to use the special tools needed to close dangerous leaks. At the Kopli freight station, the capabilities of the Rescue Board's special vehicles were tested on the tracks awaiting dismantling to see how they cope in difficult conditions. A system consisting of 24 loudspeakers was also installed at the Estonian Railways Muuga station, and the Tartu station also has loudspeakers that are part of the national early warning system.

After the exercise, Eesti Raudtee also participated in the joint exercise of the Defense Forces and the Defence League "Parseltongue", where the Tartu railway station was one of the locations for playing out the scenarios.

We also organize continuity training for our employees. In October 2023, for example, a full-scale continuity and emergency resolution exercise was conducted in the control center of the Estonian Railways, where our traffic controllers had to ensure uninterrupted and safe train traffic regardless of the need for evacuation.



Incidents

Railway safety incidents are classified as major accidents, accidents, incidents and technical incidents according to the Railway Act.

In 2023, there were no major accident. There were 17 accidents with suicides (2022: 11), including four collisions between trains and cars at a railway crossing, eight trains running into people and five suicides. A total of 15 people were injured in accidents and suicides, including eight deaths.

There was a total of six incidents (2022: 5), incl three rail breaks, one passenger train collision into a broken catenary cable and three speeding passenger trains, with which the locomotive driver created a danger to train traffic.

There were 335 technical incidents in 2023 (2022: 340).

In 2023, there were a total of 186 cases of vandalism (2022: 270), incl 60 driving down barriers (2022: 86).



Information security

The goal of the information security policy of Estonian Railways is to ensure uninterrupted functioning of the main and support processes and sufficient protection of personal data and trade secrets handled at the Company. In 2023, we successfully passed the ISO 27001:2013 regular audit to confirm this. The Company's goal is also to prevent information security incidents. In order to ensure the security, availability and integrity of our information, we assess the respective risks and implement the necessary mitigation measures. As a result, our employees, customers and contractors are able to trust Estonian Railways and know that the processed data are protected at the required level. In order to effectively implement the information security management system, an information security council meeting is held every month, where the information security manager gives an overview of the incidents that have occurred, the ongoing information security activities and the fulfillment of the field's goals. The cyber security incidents with the greatest impact in 2023 were the denial of service attacks on Eesti Raudtee's website and the breakage of Eesti Raudtee's fiber optic cable due to construction work, which temporarily caused traffic to stop.

In the last quarter of the year, security testing was organized on the order of the Estonian Information System Authority to find out the company's level of information security. Testing was performed by Security Software OÜ (CYBERS). The purpose of the analysis was to provide the company with an overview of the state of cyber security, identifying gaps and deviations from best practices. In addition to the gap analysis, the company was given recommendations for mitigating risks to help shape the company's cyber security strategy.

In 2023, we also continued cyber security training for our employees, which was completed by 93% of all employees (648 employees).

INNOVATION AND DIGITALISATION



The focus of the Estonian Railways' digital strategy, which was completed in 2022, is the use of innovative solutions with the aim of managing systems proactively, based on new technologies that enable data collection and analysis from devices located on the railway infrastructure.

Key activities in 2023

- As part of the **Infrastructure Maintenance and Event Information System project**, a comprehensive analysis was conducted describing new processes for asset maintenance, troubleshooting and warehouse modules. A market analysis was carried out to select a suitable information system that would meet the previously established requirements. Based on the results of the market analysis, a prototype of the future application was created.
- **A pilot project for data collection and analysis of Lääne-Harju point drives** was continued in order to analyze the data collection process and the correctness of the data during the winter period. The results showed that the accuracy of the data is impressive, and the transition to the principles of preventive maintenance will help us significantly reduce maintenance times and extend the useful life of assets.
- We developed a **geographic information system (GIS)** solution, where the railway main roads are calibrated with the accuracy of the pickets (100 m long sections of the road), enabling the measurement of distances taking into account the broken pickets, and the conversion to picket coordinates and vice versa. We added additional functionalities to the system.
- The piloting of the **digital application for issuing warnings** was started, the process of **monitoring railway crossings** was digitized. Automation of the **process of technological windows** reached the completion stage.

SUSTAINABLE SUPPLY CHAIN

Each year, Estonian Railways organises procurements worth tens of millions of euros: construction and repair works, various services, purchases of equipment, spare parts, machinery, office supplies, etc. We publish procurements in excess of the EUR 60,000 thresholds in the register of public procurements.

Socio-economic impact of procurements

The goal of the public procurement rules is to make procurements generating a cross-border interest available to as many EU suppliers as possible. There is a general rule that the higher the cost of the procurement, the more comprehensive is the list of companies that the invitation to tender is sent to.

During 2023, 318 procurement contracts with the value of just over EUR 256 million were awarded (2022: 238 contracts in the total amount of approximately EUR 179 million). The overwhelming majority, 97% (2022: 92%) of procurement contracts, have been concluded with Estonian entrepreneurs or the Estonian entrepreneur is a joint partner of a foreign entrepreneur. This percentage has remained at a similar level over the years, so the contribution of Estonian Railways as a supplier to the local economy is stably significant.

Estonian Railways operates in an area where safety and environmental protection are of utmost importance and we also take this into account when preparing the documents of public procurements. We also expect procurement participants and our cooperation partners to provide quality services in compliance with contract terms.

The environmental requirements are often set out in procurement terms, so that the materials to be procured or to be used in the provision of services or work need to be in compliance with the required certificates. If possible, we will lay special emphasis on recycling of materials. When drafting the terms, we also take into account the costs over the lifecycle, for example, considering the durability of materials and subsequent maintenance costs.



ENVIRONMENTAL IMPACT AND MANAGEMENT

Green Tiger initiative – Transportation Road Map 2040

In 2023, we participated in the Transport Roadmap 2040 project, leading the rail transport working group. Transport road map 2040 is the third road map of the Green Tiger initiative for the Estonian state in order to achieve a significant reduction of the ecological footprint of human activities.

When preparing the road map, 2019 was chosen as the base year (normal economic situation before the crises). In 2019, the greenhouse gas emissions of the transport sector included in the national balance sheet of Estonian transport sector emissions were 2388 kt CO₂eq, accounting for approximately 16% of the country’s greenhouse gas emissions. In 2019, the emission of rail transport was 50.2 kt CO₂eq. Approximately 70% of this was the emission from freight transport and 30% the emission from passenger transport, but it is important to point out that the 2019 balance includes a significant amount of emissions from freight transit (65% from freight transport and more than 40% of all railway emissions), which by the time the roadmap was published has practically ended, and therefore the remaining greenhouse gas (GHG) emissions from freight transport are of the same magnitude as passenger transport.

Railway transport in total: 50.2	Freight transport: 34.3	Domestic: 6.6	Oil shale: 4.9
	Passenger transport: 15.9	International: 27.7	Other: 1.7
			Transit: 22.1
			Other: 5.6

Distribution of railway transport’s CO₂eq by transport modes and purposes, kt CO₂ per year (2019)

Source: *Transport road map 2040*

The Road Map also listed the main problems of Estonian rail transport:

- passenger transport is not sufficiently connected to the rest of the public transport network;
- the attractiveness and availability of train traffic need to be improved by implementing shorter journey times, smoother transfers and more direct connections;
- on certain lines, the limited capacity prevents the compression of train traffic;
- freight transport companies do not have the financial capacity to replace the diesel locomotives in use with rolling stock that uses alternative fuels;
- the electrification of the railway involves a large amount of investments, to which are added the straightening works of the curves necessary to increase the speeds and ensuring safety with the replacement of signaling systems, etc.

The Green Tiger Transport Roadmap set the goal of reducing the transport sector's CO₂eq by 90% by 2040

In order to solve the aforementioned problems, proposals were presented on the road map, which, if implemented, would make it possible to gradually move towards an economic model that is in harmony with nature.

MEASURE	EXPLANATION
Introduction of battery trains in passenger transport	Conversion of 16 of the 20 diesel trains in Elron's train fleet to batteries, so that when leaving the area of electrified infrastructure, the rolling stock can move forward using the energy stored in the batteries
Implementation of pattern-timetable	Implementation of a pattern-based timetable across modes of transport and creation of hubs where public vehicles would gather every hour, thereby creating an integrated (multimodal) public transport network
Replacing diesel locomotives with locomotives running on alternative fuels	Supporting the purchase of environmentally friendly locomotives or the conversion of existing ones so that freight companies can switch from diesel to hydrogen, gas or electricity

Noise

Noise and vibration from railways are becoming more and more important environmental aspects every year. As a responsible company, we regularly carry out noise and vibration measurements to be informed when they exceed the established norms. As the main means of reducing vibration and noise, Eesti Raudtee uses welded rails when building new railway sections.

The noise comes mainly from the engines of diesel trains or from the wheels of trains with sliding holes. As an infrastructure company, there is not much we can do to avoid this kind of noise. Noise can also occur in the curves of the railway, through which the trains can create an unpleasant screeching noise, to avoid that the rails should be lubricated regularly. The work required for railway maintenance can also be noisy, for example snow or leaf removal with blowers. We try to mitigate such noise by scheduling the works during daytime hours.

Pads installed between sleepers and rails also help to reduce noise. We have built noise barriers, for example, in Tartu and Muuga. We built the first natural noise wall in Saue parish, Laagri township. In connection with the completion of the second main road in Laagris, we did repeated noise measurements in 2023 and we are convinced to this day that the construction of the second road did not increase the noise level in this area in any way, on the contrary, apparently due to the noise mitigation wall, the noise level has actually decreased. Thus, mitigation measures have been effective.

In 2023, the company received a total of 24 noise complaints, which were related to infrastructure construction and maintenance works, freight locomotives and the strength of sound signaling at railway crossings.

Vibration

The vibration can be felt the most in buildings located right next to the railway, in the railway protection zone. According to research, the area of influence of the vibration caused by train traffic is about 25 meters, so the vibration does not spread beyond the railway protection zone. Depending on the type of soil, the transmission of vibrations through the ground varies: the denser the soil, the better it dampens the vibrations. In the vicinity of the railway, there are mostly soils with a high bearing capacity in terms of construction geology, which have lower vibration transmission properties.

Energy and air pollution

Air pollution arising from our direct activities and its impact on the environment and climate changes is mostly minor. The key pollutants from carbon monoxide, sulphur dioxide, nitrogen oxide and natural organic compounds arise from heating the boiler houses, one of which uses light fuel and the other natural gas, as well as the use of the Company's machine park.

At the beginning of 2021, Estonian Railways switched to using certified renewable electricity. In 2023, the Company purchased 34.5 GWh of electricity, which is equivalent to the annual energy consumption of about 10 thousand households per year. In 2023, approximately 40% of the purchased electricity, i.e., 12.3 GWh was used for the infrastructure of Estonian Railways (2022: 14.6 GWh). It is used for operating railway management systems and stations, providing lighting for the infrastructure, turnstiles are heated against freezing etc.

One of the company's goals is to reduce electricity consumption. In 2023, electricity consumption decreased thanks to several activities. So, for example, the electric heating systems of railroad switches are used significantly more judiciously, i.e. they are applied more on a need basis compared to before. An important contribution has been made to reducing the energy consumption of lighting. A large number of old light sources and lamps have been replaced by modern and economical systems, and real needs are increasingly taken into account when using lighting. Informing work among employees is also important, the purpose of which is to explain the needs and possibilities of energy saving. By 2024, the goal has been set that the company's own electricity consumption will not exceed the limit of 13 GWh.

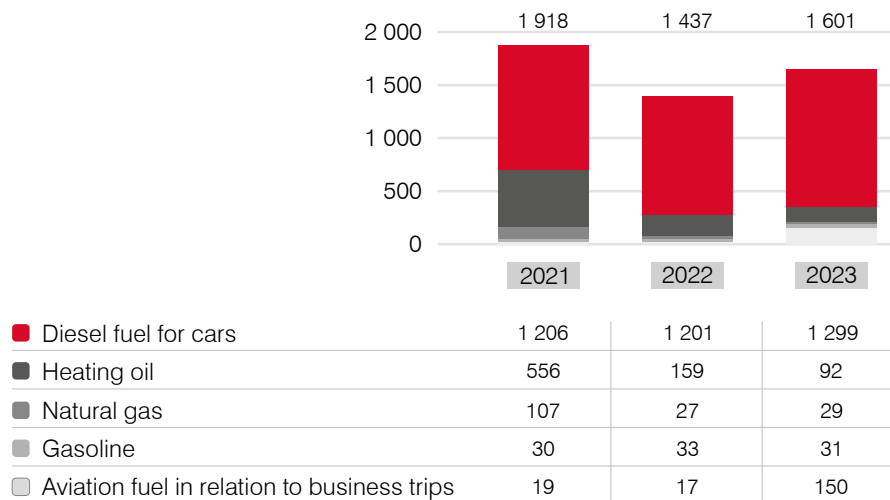
The electric trains of Elron, which organizes passenger transport, also consume approximately 40% of the electricity purchased by Eesti Raudtee through four substations, and 20% of the energy is used by other consumers who are connected to Estonian Railways network. The transition to the use of electricity from renewable sources has made an effective contribution to environmental protection.

Compared to previous years, the number of flight kilometers on business trips increased a lot, which resulted from the fact that we have contractual relations with Spanish companies. However, diesel fuel used in the vehicles of the Estonian Railways still causes the largest footprint.

RESOURCE	UNIT OF MEASUREMENT	2023	2022	2021
Natural gas	m ³	57 068	53 324	58 722
Heating oil	litres	29 000	50 000	42 453
Diesel fuel for cars	litres	398 317	368 303	384 656
Gasoline	litres	11 452	11 867	10 706
Aviation fuel for dispatches (based on mileage)	km	953 060	84 863	102 247

We have taken the direction of using economical heating systems. At the moment, Eesti Raudtee has only two larger boiler houses, whose outdoor air emissions we calculate every quarter – the light fuel oil boiler house in Muuga and the gas boiler house in Narva. In total, the emissions of these two boiler houses in 2023 were 198 tonnes of CO₂ and 0.546 tonnes of other emissions (more details in the GRI index at the end of the report).

The carbon footprint of Estonian Railways in 2023 was 1,601 tonnes CO₂eq (2022: 1,437 tonnes).



To absorb this amount of carbon dioxide 80,042 trees would have been needed to plant (2022: 73,608) or 2.3 MW wind turbine operated for 6,403 hours (2022: 5,888) in 2023.

Materials and chemicals

For the maintenance and construction of infrastructure, we prefer more environmentally-friendly materials. If possible, we subsequently try to re-use materials. A good example is the reconstruction of the Tapa shunting yard, which was carried out with more than 80% of recyclable materials, valorizing them through partial repair or cleaning and screening. In the railway trusses, the rail fasteners were replaced and the worn rail was replaced with a less worn rail, which is not suitable for passenger trains moving at high speeds on the main road, but is perfectly suitable for the sorting ways of the station. Cleaned and screened crushed stone, which is equivalent to new crushed stone in its strength, was also introduced. However, the

leveled areas of the Tapa station were built from the soil excavated during the construction works, which were used as material storage areas.

In our operations, we use two large groups of chemicals: various oils and pesticides. For greasing switches, we use biodegradable lubricant and for lubrication, we use pressure guns that can be adjusted to dispense the minimum necessary quantity on switch pads. The new switches to be installed are already lubricant free.

For weed control we have used glyphosate-based herbicides. Herbicides containing glyphosate were allowed to be used until 15 December 2022. By that time, we must also have an environmentally friendly alternative. For years we have searched for more environmentally friendly options. According to the information received from the Agriculture and Food Board, such an alternative does not exist today, and glyphosate-based weed killers are allowed to be used by professional users in the future.

Waste and recycling

The biggest problem so far has been the old, obsolete sleepers which can be classified as hazardous waste due to their being covered by the carcinogenic substance creosote. The lifetime of such pine sleepers is up to 20 years and their appropriate disposal is extremely costly. We have two sites with waste permits for storing sleepers, in Tapa and Tallinn. Both sites have Insurance and guarantees for the disposal of hazardous waste in accordance with applicable legislation. For three years, Estonian Railways no longer procures wooden sleepers as part of new construction projects. All new railway sections are built on concrete sleepers.

In 2023 we disposed of approximately 650 tonnes of wooden sleepers. We generated a total of 5.2 tonnes of other hazardous and problematic waste, the majority of which consisted of plastic parts used in railway construction.

QUANTITIES OF OTHER HAZARDOUS WASTE DISPOSED OF (KG)	2023	2022	2021
Rubber insulation materials	563	516	30 020
Plastic	1 659	1 037	44 424
Packaging of hazardous substances	449	844	97
Absorbents, cleaning cloths	86	264	112
Engine, gear and lubricating oils	649	562	570
Batteries and small accumulators	9	32	83
Fluorescent lamps	96	159	68
Construction and demolition waste	0	536	340
Tires	205	346	1 887
Large equipment containing hazardous parts	1 103	1 704	1 894
Bitumen	0	671	1 580
Laboratory chemicals	0	150	0
Other waste	379	0	485
TOTAL	5 198	6 821	81 560

Spills and pollution

We always treat potential leaks and spills with extreme caution. The trains carrying hazardous freight (fuel, fertilizers) may be a source of major soil pollution. In 2023, we had no major accidents or leaks from the rolling stock. This day, however, the soil in Sonda is being cleaned from the solvent that leaked from the tanks of the freight train in 2017. Unfortunately, it has not been possible to completely clean it and the analysis still contains solvent residues, so the company that caused the accident has submitted a request to us for the technical conditions for the project of excavating the soil and replacing it with clean soil.

Wildlife

Estonian Railways normally operates within its safety zone. However, there are also nature reserves adjacent to the railway, but they do not reach the safety area. For example, there is a protection zone for butterflies on Valga–Koidula section, Põdrangu nature reserve on Tapa–Tartu route, Äntu protected nature park, Seljamäe reserve area and Mustallika nature reserve. Conservation zones have been set for them, for which the maintenance work is allowed to be performed on existing facilities.

We plan our construction work only on the basis of previously conducted environmental research. While performing work, we always need to consider the effect on wildlife. Railway construction may lead to the felling of trees and bushes, trampling on the ground and the plants, and movement of soil.

For building new railway sections, we also consider the migration routes of wild animals, and we build underpasses for their crossing.



Green office

We launched a green office management system at the head office of Estonian Railways already in 2019. In 2023, a certification audit was carried out, which we successfully passed. The respective certificate is a testimony of our ability to follow sustainable operation principles with regard to creating a healthy working environment, using of natural resources as well as organising procurements and making purchases.

For this purpose:

- we use lights with motion detectors to save energy;
- we separate waste by type for the recycling purpose in our kitchens and there are containers for various types of waste in the outside garbage houses;
- we avoid unnecessary printing of documents;
- we drink clean tap water and offer it our customers.



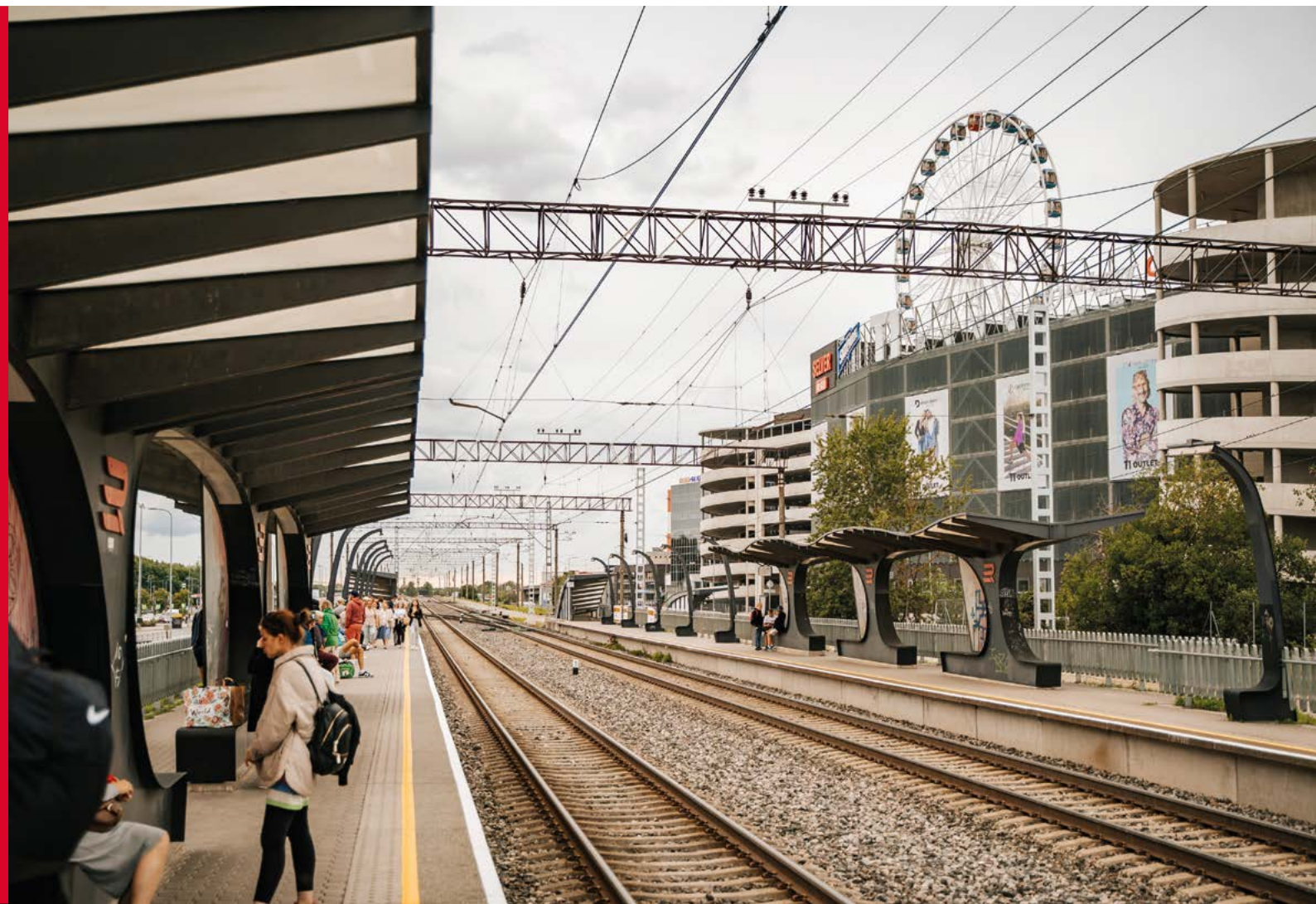
The “Step Hunting” competition is a running/walking event held among the employees of Estonian Railways, where the steps collected together with the teams must virtually fulfill the previously presented challenge. In 2023 there was a step hunt that took place under the motto “Raudselt elektrifitseeritud”, the goal of which was to cover 456 km with the team. This distance corresponds to the length of the railway that Eesti Raudtee has planned to electrify in the sections Aegviidu–Tapa–Tartu (184 km), Tallinn–Aegviidu (121 km) and Tapa–Narva (151 km).

The Company’s employees are increasingly environmentally-conscious and wish to contribute even more to environmental protection. In 2022, we focused more than before on supporting employees’ sports activities. A sports club has been operating in the company for several years, which carried out more than ten sports activities and competitions for our employees (e.g. canoe trip, participation in various races, bowling tournament, basketball and volleyball training, wall-climbing training, the title of the most athletic state institution, Suvespartakiaad summer games etc.).

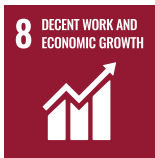


Relations with local communities

In one way or another, a lot of people in Estonia are in contact with the railway. Our task is to inform the general public of what is happening on the railway and ensure safety in every section of the railway at any time. When building new railway level and pedestrian crossings we also involve the representatives of the local government and the community in the planning stage. We take the habits and desires of local people into consideration to the extent possible. For example, in 2023, we improved the condition of the technical tunnel between the Lilleküla railway branches and Tehnika street due to the concerns of the local residents of the Kristiine district. The road board of the company covered the bottom of the technological water carrier with gravel and added a drainage pipe to ensure dry soil. We also offered railway safety training to more than 2,500 children in Nõmme schools in cooperation with the Nõmme District Government when the railway traffic in the area increased.



WORKING ENVIRONMENT

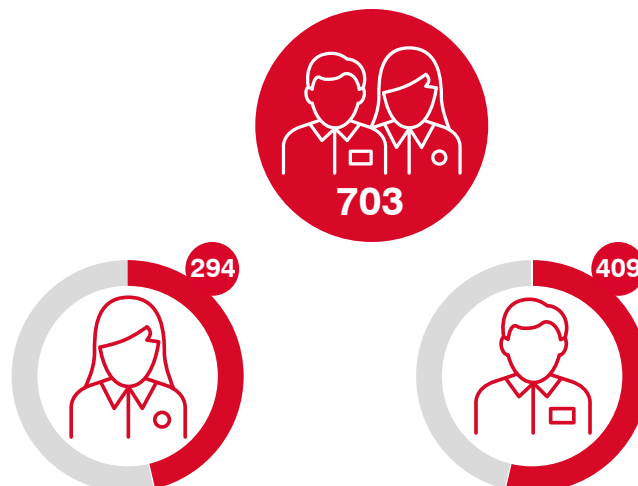


The key topics in human resources include ensuring succession of staff with solid railway knowledge, development of employees by supporting the use of technological solutions, recruiting new employees from the labour market and all-important occupational safety. The fulfilment of the strategic goals of Estonian Railways depends on the contribution of its employees. The goals and activities related to the staff arise from legislation or have been laid down in the human resources policy, training strategy or training principles, recruitment procedure and remuneration system.

Overview and general information

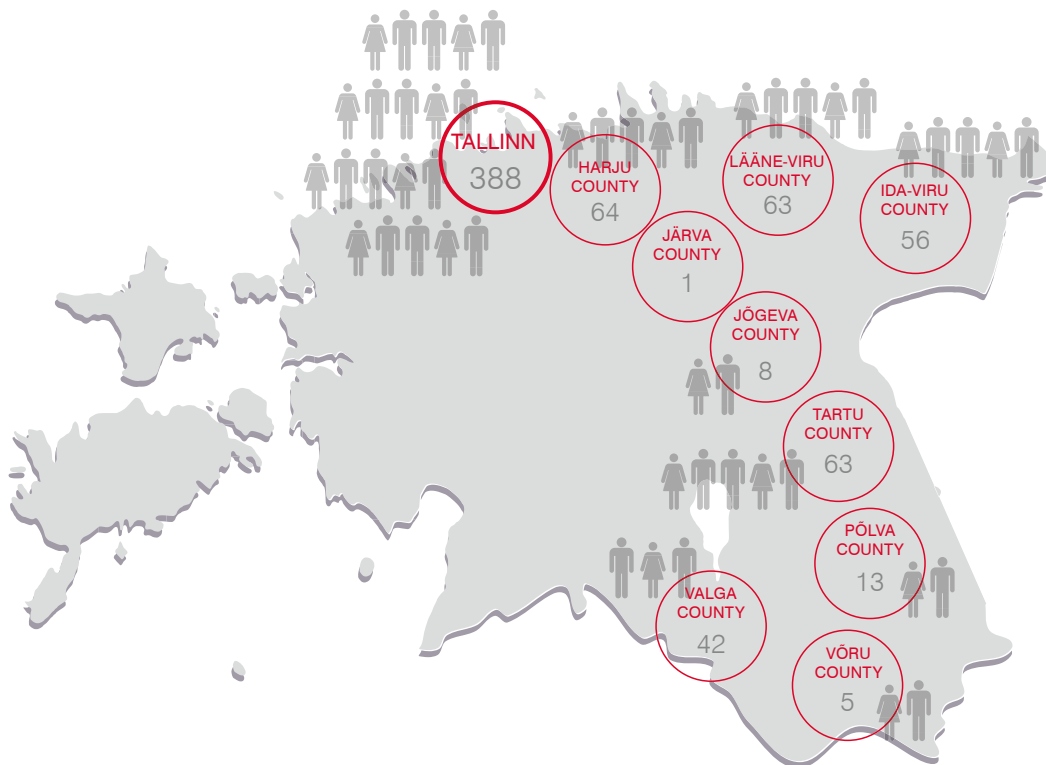
Estonian Railways employs more than 700 employees: the average number of employees in 2023 was 693, at the end of the year, Estonian Railways had 703 employees (including also those on parental leave or in military service). Most of the employees worked in infrastructure and traffic services, 354 and 209 respectively. The share of women and men in the Company is almost the same (58% men and 42% women), whereas the biggest variations occur due to the nature of the work in the traffic service (women 178, men 21), security service (women 2, men 18), and infrastructure service (women 46, men 308). Eesti Estonian Railways also employs four Ukrainian war refugees who work in railway railway construction and energy networks areas.

The average length of service of our employees is 17 years. Staff turnover in 2023 was 5.78% (2022: 7.5%). The average age of employees is 51 years.



Number of employees, year-end	TOTAL	Women	Men
2022	676	293	383
2023	703	294	409
Younger than 30	37	8	29
31-50 year-olds	251	92	159
51 or older	415	194	221
incl. 60 years and older	151	72	79
incl. retirement-age	72	31	41

Number of employees by county



	TOTAL	Women	Men
Number of new employees	86	27	59
Number of employees who left the Company	61	28	33

The increase in the number of employees has been caused by the staff with project management, construction, energy, mechatronics, automation and IT skills, actively recruited for major projects, which we will continue to need in the coming years.

Employer reputation, staffing and fair recruitment



In recent years, our company has paid special attention to improving job satisfaction and commitment in order to create a motivated working environment for railway employees. The company examines the commitment and satisfaction of its employees through annual satisfaction surveys. The next company-wide satisfaction and commitment survey is planned for 2024.

In October 2022, a survey on employee satisfaction and commitment was conducted with as many as 80% of employees participated, and it showed that the vast majority of employees (82%) recommend Estonian Railways as an employer. Based on the commitment scale, it was seen that 65% of Estonian Railways respondents find their work exciting and are committed to the performance of their duties. The results of the study also showed that the strengths of the Estonian Railways are comprehensive teams, management, work organization and role clarity. Every organization also has areas for development, and in the case of Estonian Rail-

ways, the results of the study showed that in our case, the organization of working hours, cooperation and recognition between departments, and feedback topics are a challenge.

In order for the areas of development to become our strengths at some point, we created an action plan based on the results of the job satisfaction and commitment survey, which we review with the managers and adjust once every six months. For example, in the area of recognition and feedback, we studied the best practices of managers and came to the conclusion that, predominantly, managers conduct face-to-face conversations in which mutual feedback is given, work tasks and problem issues are discussed at the moment. The section "Praise a colleague" was created on the intranet, where employees can express their appreciation to their colleagues. In 2023, a pilot project of video screens was launched, which started working as one of our additional internal communication channels.

However, we can improve the organization of working time through the development of employees' skills. In 2023, we created a traffic controller competency model for working with the new traffic management system. We also started training the next generation of traffic controllers. The four-month program, which started in September, was successfully completed by five participants, who then started working in the traffic service of the Estonian Railways. As lecturers of the training program, 18 employees of the company shared their knowledge and experience. The plan is to continue with a similar training program for the next generation in the following years as well.

To ensure the integrity of the company, we have emphasized cooperation between departments. To do this, we conducted a collaborative survey and analyzed the results to improve communication and collaboration between different departments. Common goals are set for project managers, which are constantly kept in focus during periodic, quarterly project manager meetings.

In the railway sector, it is still important to raise the reputation of Estonian Railways as an employer and ensure future growth. In the Instar Employer Attractiveness 2023 survey conducted among students, we were ranked 107th out of more than 200 (2022: 102nd). Students of vocational schools ranked us 124th (2022: 69th). In our target group, students of automation and mechatronics, electrical energy and energy from vocational schools, as well as construction and road construction students from universities and colleges, totaling almost 230, responded to the survey. In summary, it can be said that Estonian Railways

as a company is quite well-known among students – as many as 83% knew our company. In the target group we are interested in, we can say that we are best known among construction and road engineering students and electrical engineers from vocational schools. However, among the students of mechatronics and automation, we still need to make extra efforts to raise the profile of our company as an employer. We cooperate with universities, colleges and vocational schools to ensure the future growth of employees. As an expert in the field, a representative of Estonian Railways is a member of the program councils of Tallinn University of Technology (TalTech) master's program in logistics and bachelor's program in business. Estonian Railways employees were lecturers in many subjects, supervisors of theses or were part of the defense committees of the theses at TTK University of Applied Sciences (TTKK) and TalTech. In 2023, we presented the work and internship opportunities of the Estonian Railways at TTKK and Võru County Education and Technology Centre (EWERS), as well as at three student fairs (Võti Tulevikku, Logistics Seminar and Engineering Career Fair).

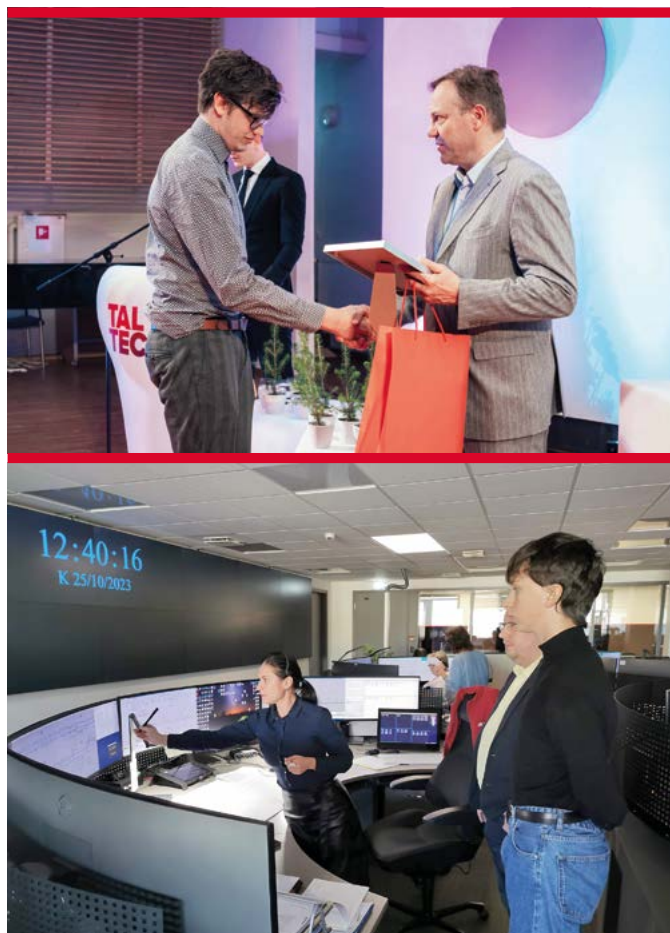
It is important for Estonian Railways to value education and support the studies of young future top performers. In spring 2023, Estonian Railways recognized two TalTech students – Märt Kulda, a third-year student of electrical energy and mechatronics, and Ville Mart Volari, a student of electrical equipment and mechatronics, with a scholarship worth 2,000 euros.

In addition, we have set ourselves the goal of shaping the image of Estonian Railways as an employer among high school students by explaining why it is worthwhile to study a specialty in the railway field. We took part in the Rööpameister competition, which started from the idea of our scholarship holder, where employees of the construction service of the Estonian Railways were in the roles of consultants and jury members. Estonian Railways presented prizes to the best teams. The event turned out to be very popular and therefore it is planned to organize it in the following years as well.

In 2023, we actively participated in the Future Makers program, making presentations in various schools across Estonia. We are an open company and young people are welcome for visits, work shadow days and internships. In autumn 2023, ten good job shadowers took part in the work shadowing week of the Estonian Railways, who "shadowed" in railway safety, environmental protection, personnel work, electrical network administration, traffic management and construction management. For several years in a row, the company also holds job shadowing days, within which employees can shadow colleagues. The purpose of job shadowing days is to get to know each other's work better and to find common ground between different positions and jobs, as well as to improve cooperation in the company. In 2023, 16 job shadow couples participated in job shadowing.

In 2023, 20 young people completed internships in Estonian Railways. Our internship supervisors are professionals in their field. We recognize their responsible work and highlight it in front of other employees. We also participated in the Best Internship and Best Intern competitions organized by The Estonian Employers' Confederation. Hugo Jõks, an intern at the construction department of the construction service of the Estonian Railways, was selected among the first three in the higher education category at the "Best Internship 2023" competition. Hugo is in the 3rd year of the TalTech Tartu College building design and construction management curriculum, and during his internship with us he got to experience participating in projects and also initiating them, he also stood out with his great curiosity, initiative and good time management skills.

We support recruitment through our employees and pay a recruitment bonus to employees for each employee who is referred and recruited.



Involvement and recognition

Corporate values are an integral part of organizational culture, guiding the behavior of our employees in making choices in problematic situations. Once a year, development interviews are held with the employees, during which the employees evaluate themselves through the company's values and through which the managers give feedback to the employees.

In addition to recognition by the manager, the company also has values awards. In 2023, the company's internal competition was the most successful ever, as many as 255 employees voted for the candidates presented for the awards. The merit awards with cash prizes were awarded in nine categories.



- **The locomotive of the year** was Mailis Alt-Adamson, head of the digital development group of the IT department, who manages IT changes and development projects in our company. Our employees consider her to be innovative, solution-oriented and generally a very positive colleague.



- Janika Tasane, the manager of the Tartu region of the traffic service, who has been an example to others with her work style in our company for almost 30 years, became the **bearer of honesty of the year**. She is a punctual, respected and knowledgeable colleague.

- Vitali Hodorkin, the chief specialist in road supervision of the track department, was chosen as the **professional of the year**. During his career in our company, he has impressed his colleagues as a true professional who can always be relied on. He has an extremely versatile and invaluable knowledge of railways.



- Andrus Koha, the head of the train traffic control department, was chosen as the **manager of the year**. He is not a railway worker with usual experience, but he has won the hearts of the control center employees during his three years of service. He leads a very important unit in our company and his subordinates have said that he is a caring and inspiring leader.



- The company has a virtual idea bank, the purpose of which is to collect innovative ideas from employees that improve the work processes and environment of Estonian Railways or otherwise support the company's operations. Making nest boxes for birds was chosen as the **idea of the year 2023**, which was conveyed by Tartu station engineer Natalja Jaarma. The aspect of environmental protection was also important for this idea, the promotion of which is one of our strategic directions.



- Construction service project engineer Karl-Joosep Kass, who originally joined us as a trainee, was chosen as the **newcomer of the year**, who made a quick impression in our company. He surprised his colleagues with his knowledge, interest and thoroughness in the field of railways.

- Maia Sokk, head of the investment department, became the **risk manager of the year**. Under her leadership, internal audits of large projects were started, the aim of which is to get an overview of whether and how successfully project management works.



- Helen Hindrichson-Nairis, head of the document management department, became the **educator of the year**. Her trainings affect almost all of our employees, and their average feedback score is one of the highest. Colleagues appreciate her as a trainer with a very effective and clear message.



- The title of **team of the year** was awarded to the company's sports team led by Madis Kooli. In 2023, our sports club has very actively participated in various stages of the Estonian Sports National Institutions Cup Series and has also organized sports events that have proved extremely popular among our employees.

In order to keep our employees in a common field of information, we regularly organise information days. In October 2023, we conducted such information days in Tallinn, Tartu and Narva. In total 350 employees participated in these days. It was also possible to watch the information days live on YouTube and afterwards on our Company's intranet.

In the spring of 2023, we organized a Children's Protection Day event for the employees' children and grandchildren on the territory of the Estonian Museum Railway in Lavassaare, in the summer we organized a joint event for the company's employees by Lake Peipsi, and in November a celebratory seniority event.





We remember our employees at anniversaries, work anniversaries, family events, the departure of senior employees. It is also important for us to remember our colleagues who are already retired. For example, the Company helped the Estonian Railway Workers' Union, the aim of which is to value the history of rail transport in Estonia and to unite railway workers. They have a tradition of remembering former railway workers on their anniversaries. That is why Estonian Railways prepared diplomas and small souvenir gifts.

Remuneration and rewards



In terms of remuneration, we proceed from the goal of retaining good specialists at Estonian Railways, pay them a competitive salary and offer other motivating means of remuneration. The basis for remuneration of the employees of Estonian Railways is the Company's remuneration and motivation plan.

In addition to the salary, the employees of Estonian Railways are entitled to receive, for example:

- bonus based on performance, fulfilment of targets, attitude to work, responsiveness, loyalty, initiative, cooperation, etc;
- three paid health days per calendar year;
- paid additional days of rest due to length of employment service as well as in case work is subject to special conditions;
- annual vacation allowance, the amount of which depends on length of service;
- insurance against occupational accidents;
- sports compensation of EUR 90 per quarter – 406 employees used it in 2023;
- pension allowance of 10-50% of salary, depending on length of employment, upon retirement;
- compensation for termination of employment due to health reasons, depending on the length of employment in the amount of 1-2 months' salary;
- allowances for joyful events (jubilee, professional jubilee, Christmas, Mother's Day, wedding, birth of a child, and employees children who are starting school), but also for difficult moments, such as the loss of a loved one;
- joint events;
- for the time of participating in training meetings of reservists, we maintain the basic salary of the employee according to the employment contract.

Relations with the trade union

Estonian Railway Workers' Union is a partner for Estonian Railways in negotiations related to employees' working conditions, remuneration, occupational health, workload, termination of the employment contract and other conditions related to the work of the Company's employees. The Company has good and constructive relations with the trade union and holds regular meetings with trade union representatives. The goal is always to find a mutually satisfactory solution to the employees' wishes and problems.

32% of the employees of Estonian Railways are members of the trade union (2022: 36%). The collective agreement of the Railway Workers' Union covered all employees of the Company. At the end of 2023, negotiations for a new collective agreement were concluded and signed in January 2024.

Occupational health and safety

In occupational safety, we adhere to the Occupational Health and Safety Act, the relevant regulations, the ISO 45001 standard and the results of risk assessments. We manage the guiding principles of safety, occupational safety, quality and the environment as a single system.

We believe that accidents, incidents, injuries, work-related illnesses and unsafe practices and working conditions can be prevented. Our goal is to make a culture related to health, safety and well-being a part of the daily work of Estonian Railways employees. We are constantly working to make the workplace safer by conducting safety tours, eliminating hazards, preventing risks, responding to health problems and taking measures to promote occupational well-being. We constantly raise employees' awareness of occupational health and safety with internal trainings and articles published in internal information channels. Assessing the risk factors of the working environment is a continuous activity, during which we update risk analyzes of the working environment and safety instructions.

In 2023 we started with digital innovations in occupational safety and health. The goal is to create an automated workflow, to bring occupational safety processes to one place, so that employees can easily access the necessary information, operations are quick and convenient, and the work environment specialist has a complete overview of his area of responsibility. In this regard, we made the process of occupational safety guidance for new employees easier by adding the option to complete the introductory guidance as a video lecture, which allows the direct manager to organize the guidance without the presence of a work environment specialist. We will continue with the creation of a new online, interactive e-learning environment in the area of occupational safety, which would also enable the management of learning content (learning materials, learning tasks, instructional feedback, tests, etc.).



We digitized instruction cards, health check-up decisions and work accident reports and transferred them to the electronic document management system. An important step forward was also the introduction of the portal for ordering work clothes and work protection equipment, which makes it possible to better monitor that all employees have the necessary work clothes and keep proper records of them. We made the organization of health check-ups easier for the employee and automated the reminder of the approaching health check-up deadlines.

We value creating a work environment that preserves health and promotes healthy lifestyles. In terms of improving working conditions, in 2023 we acquired electric leg frames for the desks of Telliskivi office employees who wanted them, and additionally 24/7 work chairs for our station managers. In 2023, we organized a health week for the first time in our company, where employees could take part in various activities – exciting lectures that introduced tricks from office yoga to mental health, joint sports events and health-related raffle games.

We consider it very important to support the mental health of our employees. For this purpose, an information room “mental health first aid” and instructional material for dealing with psychologically difficult situations have been created on the intranet. In order to resolve tense conflict situations and prevent employee burnout, we engaged a work psychologist who conducted both individual and team counseling. We support the growth of mental health awareness and the acquisition of skills through online training.

In 2023 two occupational accidents occurred with the employees of Estonian Railways (2022: 1).

- On February 10, 2023, an accident occurred in the central warehouse, where an employee stepped on an icy spot hidden under a layer of snow between the tracks, fell, and the result was a broken knee. As a result of the accident, the employee was on disability for 161 days;
- On December 11, 2023 a traffic accident occurred on the highway, in which an employee carrying out work duties with a work car was slightly injured.

In case of occupational accidents, we analyze the causes in order to prevent the recurrence of similar accidents. For the same purpose, we also discuss near-accidents with employees. Compared to the longer period, it can be seen that in the years 2013-2023, the number of work accidents has decreased over the years and remained in the range of 0-3 during the last 5-year period.

Training and development

The strategic objectives of the development and training of the personnel of Estonian Railways are the acquisition of management quality, digital skills and language level necessary for the work, as well as the maintenance and transfer of the knowledge of the organisation and the development of cooperation within the organisation and with external partners (including vocational and higher education institutions).

The Company maintains a strong focus on internal training. There is only one educational institution providing formal education in the field of railways (TTK UAS) in Estonia, but it is important that the knowledge in the Company is preserved and passed on. Since Estonian Railways employs many professional employees with long experience who are about to retire, they share their practical knowledge with the younger generation. In our Company, 50 internal trainers passed on their knowledge in 2023.



Number of trainings attended

		Number of training courses attended	Average number of training hours per employee per structural unit
MANAGEMENT BOARD		26	45
RISK MANAGEMENT AND INTERNAL AUDIT		8	8
INFRASTRUCTURE SERVICE		666	10
TRAFFIC SERVICE		1470	27
SAFETY SERVICE		63	15
FINANCIAL SERVICE AND IT-DEPARTMENT		201	36
DEPARTMENTS UNDER THE AUTHORITY OF THE MANAGEMENT BOARD		261	35
CONSTRUCTION SERVICE		130	29
INTERNATIONAL RELATIONS AND COMMERCIAL SERVICE		37	8

The most important activities of 2023 in the training of employees:

- In-house Estonian language courses continued, which were attended by 15 employees. We also supported employees' studies in the eLearning environment Speakly, where 24 employees studied
- 646 employees completed e-learning on cyber security
- We continued with a language cafés project, where our staffed language mentors conducted Estonian language conversation courses with colleagues who wanted to practice Estonian
- We started the language friend program, where the language mentor talks directly to one of the employees in Estonian
- ITIL (IT Service Selection, Planning, Delivery and Maintenance Standard Framework) training for managers
- ESG and sustainability-aware Management for managers in the organization
- Product management training for managers and project managers
- Training for managers on generational differences and related management challenges
- Team coaching training for the Security Systems Projects' Department
- Effective and efficient meeting training for project managers
- Risk management training for project managers
- Legal remedies training for managers and project managers
- Process management training for field managers
- Change management training for project managers
- Data protection training for employees
- Artificial intelligence – new generation AI solutions training for employees

Internal training is partly directed to the e-learning environment. The Confluence website offers 35 courses in which employees can learn independently.

In order to motivate employees to improve their Estonian language skills and take language level examinations, we reward employees who have passed the B1, B2 or C1 level examinations for a positive result. In 2023, one B1-level graduate, two B2-level graduates and three C1-level graduates were financially rewarded.



Diversity, equal treatment, non-discrimination

The selection of staff, staff appraisal, staff development opportunities, staff promotion, remuneration and redundancy status shall not take into account the age, gender, nationality, mother tongue, religious, political or social convictions of the staff member or membership of legal associations.

We want our culture to be free from discrimination, harassment, and humiliation. When recruiting employees, the main selection criteria are the candidate's work experience, knowledge, skills, desire to develop and work at Estonian Railways, and suitability for the future workforce and organisational culture.

The employees of Estonian Railways include people of various backgrounds, nationalities and cultures. Regardless of the employee's origin, we respect the equal rights, obligations and opportunities of all employees in terms of employment, education and participation in social activities. Important Company information materials are available in both Estonian and Russian. All employees of Estonian Railways are always welcome to attend joint events.

No cases of discrimination were identified in 2023.

During the reporting year, there were two labour disputes. In the first of them, the employee submitted a resignation application to the employer on his or her own request, but later demanded the revocation of the application for cancellation and the establishment of the validity of the employment relationship. By the decision of the labour dispute committee, the claims of the employee were not satisfied. The second dispute, however, concerned the invalidity of the extraordinary termination of the employment contract, where the employee's application against Eesti Raudtee was partially satisfied and compensation was awarded in the employee's favor.

SOCIAL CONTRIBUTION

Involvement of young people

Eesti Raudtee has involved young people through Eesti Õpilasmalev (student work camp). At the beginning of 2023, we also hosted a group of young trainspotters (railway enthusiasts or train watchers who are interested in trains and rail transport systems and who like to take pictures or videos of trains and infrastructure) at Muuga freight station. We did railway safety training for railway fans and showed them the closed area of the railway station, which they would not otherwise be able to visit. It is extremely important to us that these people can practice their hobby safely.



Support activity and cooperation projects

In the spring of 2023, the Supervisory Board of Estonian Railways supported the restoration of the Estonian Museum Railway in Lavassaare and the development of outdoor exhibits with EUR 5,000 and 100 used oak sleepers were donated to them.

With the membership fee, we will also supported the activities of the railway safety NGO OLE with EUR 120,000 in 2023.

In 2023, we supported the activities of the Estonian Railway Workers' Union with EUR 12,660.

We also contributed to cooperation projects with our know-how, infrastructure and staff time.

- We helped the Estonian Railway Workers' Union to organize events in buildings that we own, incl Christmas event.
- Our infrastructure was filmed and photographed in 2023 for different projects. We allowed the filmmakers to do it for free, as long as they complied with our terms and conditions and safety requirements. In 2023, Estonian Railways was approached by more than ten film and TV series makers who wanted to cooperate with us. They were from both abroad and Estonia. For example, on August 3, 2023, the production company Allfilm filmed the movement of freight trains between Muuga and Maardu stations for the Estonian feature film "Frank". The feature films "Aurora" and "Life and Love" were filmed on the infrastructure in Tartu, and there have been other similar projects.
- Employees of Estonian Railways visited the Museum Railway in Lavassaare to help with maintenance work and changed tracks for the Steam Day.
- For several years now, we have been a good partner for sports enthusiasts. Namely, Tallinn Marathon route also runs through our infrastructure.
- In cooperation with the Narva Central Library, the Minister of Culture, the Minister of Education and Research, the representatives of the Integration Foundation and the Mayor of Narva, we opened a travel library at the Narva station.
- The victims of the June deportation were commemorated by decorating the waiting platforms of Balti station and many other Estonian railway stations with mourning ribbons under the leadership of female home guards.
- Our infrastructure is also used by artists.
 - In Tallinn, next to Balti station, in cooperation with the NGO Okapi, there is an art street project on our street fences, where the display of the exhibition is changed after a certain period. Various topics are covered there: photography of the Ukrainian front, the role of women in society and other important topics.
 - Station buildings are also attractive places for art projects. One of them is Kiltsi, where we have had artwork on the windows in the past. The NGO Meie Kiltsi had a painting exhibition "Life is in the countryside" at the Kiltsi railway station, which was motivated by the 10th anniversary of Elron's Stadler trains.



Volunteering of employees

Estonian Railways promotes the employees' contribution to charity and public information activities and enables them to do so from working time. Estonian Railways' employees mainly talk about railway safety in schools and kindergartens, both within the framework of the "Back to School" initiative and on their own initiative. For example, the employees of the company went to Tallinna Südalinn School, Tartu Forselius School and Lääne-Virumaa Haljala School to talk about the Company, the railway sector in general and railway safety. Also, for the second year in a row, the Company's headquarters were visited by the Digiruum Hobby School children's camp, who were able to participate in a safety workshop to review and consolidate the rules regarding railway safety. They were also introduced to the traffic control center and the field of telecommunications and security systems.

AS EESTI RAUDTEE ANNUAL FINANCIAL STATEMENTS 2023



TABLE OF CONTENTS

Management Report	82
<hr/>	
Annual Financial Statements	86
<hr/>	
Statement of Financial Position	86
Statement of Comprehensive Income	87
Statement of Changes in Equity	88
Statement of cash flows	89
<hr/>	
Notes to the Annual Financial Statements	90
<hr/>	
Note 1. Accounting Policies	90
Note 2. Financial risks	99
Note 3. Property, Plant and Equipment	103
Note 4. Intangible Assets	104
Note 5. Inventories	105
Note 6. Receivables and Prepayments	106
Note 7. Changes in Equity	106
Note 8. Loans and Lease Liabilities	107
Note 9. Trade Payables and Other Liabilities	108
Note 10. Prepaid Taxes and Tax Liabilities	108
Note 11. Revenue and Other income	109
Note 12. Operating Expenses	110
Note 13. Financial Income and Expenses	111
Note 14. Income Tax	111
Note 15. Contingent assets, Contingent Liabilities and Contractual Commitments	112
Note 16. Related Party Transactions	113
Note 17. Government Grants	114
<hr/>	
Independent Auditor's Report	116
<hr/>	
Profit Allocation Proposal	118
<hr/>	
Signatures of the Management Board	118
<hr/>	
List of Business Activities	119
<hr/>	

MANAGEMENT REPORT

Business Activities

Eesti Raudtee (hereafter also the Company) operates in several roles at the same time: as a network operator and railway infrastructure manager, we manage, operate, maintain, renew and contribute to the development of public railways. As the main tasks of railway infrastructure management, Eesti Raudtee distributes the capacity of its own public railway and collects infrastructure usage fees.

On February 24 2022, the aggression of the Russian Federation in the Republic of Ukraine began. On April 28 2022, the Minister of Economic Affairs and Infrastructure confirmed the owner's expectations for the joint-stock company Eesti Raudtee. In the document, the company was instructed to evaluate the ethicality of business relations with Russian and Belarusian entrepreneurs and to abandon such business relations that are not unavoidably necessary to ensure cross-border rail traffic and the operation of public railways and to fulfill the obligations prescribed by law and international agreements. The Company continues to perform the role of the railway administration function in cross-border cooperation with the Baltic countries and third countries as part of the railway network with a gauge of 1520 mm on the authority of the ruling minister.

In order to implement the common foreign and security policy, the European Union agreed on several sanctions packages for Russian and Belarusian goods, banks, companies and private individuals. Russian Railways, Ltd, which performs the functions of the railway administration of the Russian Federation, has also been included in the sanctions list. Investment services for Russian Railways are prohibited. Eesti Raudtee does not provide the mentioned services. In order to implement restrictive measures, the company developed a procedure for the implementation of international sanctions and formed an international sanctions committee as an internal working body of the company. It deals with solving issues related to the application of international sanctions, supervises the implementation of international sanctions, assesses risks related to the implementation of international sanctions in the company and approves the list of persons from the Republic of Belarus and the Russian Federation with whom the company has regular settlements.

In 2023, compliance with the sanctions resulted to a continuing decrease in transport volumes in all Baltic countries, which in the case of Estonia means the transformation of the railway infrastructure from a freight railway mainly oriented towards mass transport to a European passenger railway. The number of passengers on trains in Estonia has increased again after the 2020-2021 COVID-19 restrictions, reaching 7.8 million passengers in 2023 (essentially the level of 2019), of which approx. 85% on the infrastructure of the Estonian Railways. The Transport and Mobility Development Plan 2021-2035 set the goal of reaching 20 million passengers by 2035. In order to do so, the speed on the 1520 mm gauge railway must be increased to reduce the spatial-temporal distances between major traction centers in Estonia.

Operating Income

In 2023, the revenue of AS Eesti Raudtee totalled EUR 28.58 million (2022: EUR 29.39 million). Infrastructure services accounted for 73.1% of revenue (2022: 80.0%). 33.6% of user fees were received were from freight companies (2022: 45.2%). In a year, the railway infrastructure user fees from freight companies decreased by 33.6% and that from passenger transport companies increased by 7.8%.

The remaining infrastructure service income was primarily generated by leasing out the service facilities (rolling stock standing roads, travel information boards, locomotive swing bridge in Koidula, waiting areas of Tartu and Narva railway station), also rental of real estate, fiber optic fiber and wagons, and sales of scrap metal and electricity.

Government grants to achieve performance targets made up 72.4% of the infrastructure company's other income (EUR 35.73 million). At the end of 2015, the Company concluded a long-term financing agreement

with the Republic of Estonia for allocation of public funds to ensure the Company's long-term sustainability of operations and the quality of the railway infrastructure. The agreement ensures that under normal business conditions the Company's revenue (consisting of infrastructure user fees, profit generated by other commercial activities and funds allocated by the state or other persons), and railway infrastructure expenditure would be balanced over a five-year period.

As at 31 December 2023 the railway revenue and infrastructure expenditure were balanced during the period 2015-2022. From 2023, the funds necessary to ensure the balance of expenses and revenues of the Estonian Railways will be included in both the state budget and the state budget strategy. The said financing agreement is also an instrument for mitigating the liquidity risk of the Estonian Railways in the event of an interruption of rail freight transport or a trade embargo.

Operating Expenses

In 2023, the operating expenses of Estonian Railways totalled EUR 64.65 million (2022: EUR 58.75 million), increasing by approximately 10.0% in a year. The cost of goods, materials and services remained essentially at the same level compared to 2022, primarily due to the lower price of electricity and the launch of the energy saving program. Other operating expenses increased by 10.9% and personnel expenses by 13.3%. However, the relative growth of business expenses remained comparable to the change in the Estonian consumer price index (9.2%).

In regards to the EU sanctions against Russia and Belarus, there are no direct relations between Estonian Railways and Russian and Belarus' suppliers, also there are sufficient reserves to mitigate supply risks in the medium term.

Results for the Year

Estonian Railways earnings before interest, taxes, depreciation, and amortization (EBITDA) for 2023 was EUR 23.84 million, which was EUR 0.3 million more than in 2022. Considering the logic of the revenue formation of Estonian Railways as a railway infrastructure company, its EBITDA is equal to the amount of depreciation and net financial expenses. The company does not make a net profit with such accounting methods.

The Company's General Meeting presided by the Minister of Climate of the Republic of Estonia shall decide the payment of dividends. Considering the continuing decrease in the volume of freight transport, the principle of determining the railway infrastructure usage fee to taking into account the ability of different market segments to pay this fee and the need for large investments, the sole shareholder expects that AS Eesti Raudtee will not make a profit in the coming years. It is the owner's expectation that since the Company is not operating on the free market, the state does not expect it to pay regular dividends, but the respective decision shall be made on the basis of the Company's outlook in the long run.

As at 31 December 2023, the Company's assets totalled EUR 489.82 million (2022: EUR 417.38 million), of which property, plant and equipment accounted for EUR 407.05 million or 83.1%. The financial ratios were in compliance with the requirements set by the keys creditors (see Annual Financial Statements Note 2.6).

In the financial year 2023, the risks related to changes in currency exchange rates, interest rates and stock exchange rates did not realize. The accounting policies for financial instruments are discussed in more detail in Note 1.7 and financial risks in Note 2. The objective of managing the financial risks of financial instruments is to develop and implement preventive hedging measures to ensure the liquidity and creditworthiness of the Company.

Investments

The strategic task of Estonian Railways as an infrastructure manager is, as set in the owner's expectations, to reduce the technological backlog and to introduce modern solutions in traffic management and infrastructure management. To achieve this, approximately EUR 643 million will be invested in 2022–2028 to renew the railway in accordance with the with the state's strategy documents. The largest investment projects are the electrification of the railway (approx. EUR 285 million in the strategy period), renewal of security and traffic control systems (approx. EUR 155 million), the renovation of the railway necessary to increase speeds (approx. EUR 119 million), etc. All investment projects also include a component of improving railway safety.

In 2023, EUR 83.9 million were invested (2022: EUR 55.6 million). The major investment projects were the following:

- Modernization of CCS-systems and renewal of the traffic control system EUR 19.8 million
- Straightening of curves and renovation of the Tallinn–Tartu–Koidula railway line and land acquisition on the Tartu–Valga railway line EUR 15.5 million
- Electrification of the public railway EUR 10.3 million
- Reconstruction of the Tapa shunting yard EUR 10.1 million
- Renovation of Tallinn–Keila–Paldiski/Riisipere railway line EUR 5.6 million
- Construction of a new administrative building in Tapa EUR 3.0 million
- Railway repair and mass replacement of sleepers EUR 3.0 million
- Renovation of railway crossings EUR 2.9 million
- Straightening of curves and renovation of the Tapa–Narva railway line, EUR 2.7 million
- Renovation of the railway on the Tartu–Valga railway line, EUR 2.7 million

Responsible Activity

The Company has prepared a report in accordance with the Global Reporting Initiative (GRI) sustainability reporting standard, which covers the Company's operations and key performance indicators in the areas of risk management, human resource management, human rights and anti-corruption, as well as the environmental impact of the Company's operations. The said report shows that in 2023 there were no cases of corruption involving the Company or its suppliers. There were also no cases of discrimination in the Company, as the Company's organizational culture is free from unequal treatment, harassment and humiliation. The direct and indirect environmental impact of the company decreased significantly in 2023, as the use and distribution of electricity from renewable sources was switched to at the beginning of the year. The impact of Eesti Raudtee's activities on the environment is moderate considering the size of the company, e.g. the company uses electricity from renewable sources and its consumption decreased by 15.1% in 2023 compared to 2022.



ANNUAL FINANCIAL STATEMENTS

Statement of Financial Position*In thousands of euros*

	Notes	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Property, Plant and Equipment	3	386 594	337 149
Intangible Assets	4	8 296	3 689
Prepayments for property, plant and equipment tangible assets	3	12 148	5 258
Long-term receivables		7	184
Total non-current assets		407 045	346 280
Current assets			
Inventories	5	9 737	7 349
Receivables and Prepayments	6	29 038	31 698
Cash and cash equivalents		44 004	32 053
Total current assets		82 779	71 100
TOTAL ASSETS		489 824	417 380
EQUITY AND LIABILITIES			
Equity			
Share capital		80 303	80 303
Statutory reserve capital		4 473	4 473
Retained earnings		91 341	91 341
Total equity	7	176 117	176 117
Non-current liabilities			
Loan liabilities and borrowings	8	70 161	45 754
Government grants	17	211 636	171 756
Other non-current liabilities		256	383
Provisions		270	237
Total non-current assets		282 323	218 130
Current liabilities			
Loan liabilities and borrowings	8	4 234	3 402
Payables and prepayments	9	26 151	19 627
Government grant prepayments	17	284	88
Provisions		715	16
Total current liabilities		31 384	23 133
Total liabilities		313 707	241 263
TOTAL EQUITY AND LIABILITIES		489 824	417 380

Notes to the financial statements on pages 90-114 are an integral part of the financial statements.

Statement of comprehensive income

<i>In thousands of euros</i>	Note	2023	2022
OPERATING INCOME			
Revenue		28 581	29 392
Other operating income		35 730	29 637
TOTAL OPERATING INCOME	11	64 311	59 029
OPERATING EXPENSE			
Goods, materials and services	12.1	12 062	11 940
Other operating expense	12.2	4 852	4 375
Personnel expenses	12.3	22 110	19 506
Depreciation and impairment	3,4	24 180	23 304
Other operating expense		1 444	-376
TOTAL OPERATING EXPENSE		64 648	58 749
OPERATING PROFIT/LOSS		-337	280
Financial income and expense	13	337	-280
PROFIT BEFORE INCOME TAX		0	0
PROFIT FOR THE YEAR		0	0
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		0	0

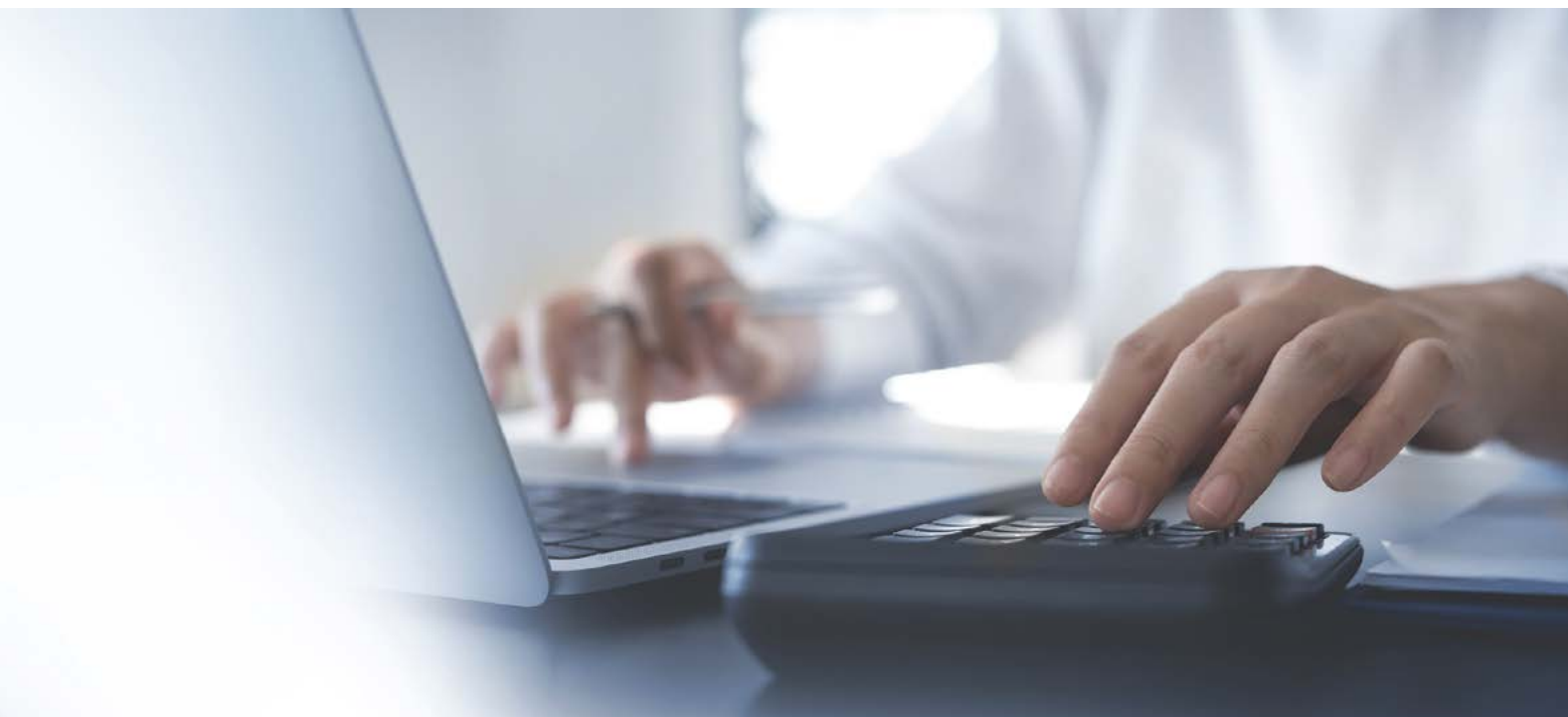
Notes to the financial statements on pages 90-114 are an integral part of the financial statements

Statement of changes in equity

<i>In thousands of euros</i>	Share capital	Statutory reserve capital	Retained earnings	TOTAL
BALANCE AS AT 31.12.2021	80 303	4 473	91 341	176 117
Total comprehensive profit for 2022	0	0	0	0
BALANCE AS AT 31.12.2022	80 303	4 473	91 341	176 117
Total comprehensive profit for 2023	0	0	0	0
BALANCE AS AT 31.12.2023	80 303	4 473	91 341	176 117

For more information on share capital and other items of equity please refer to note 7

Notes to the financial statements on pages 90-114 are an integral part of the financial statements



Statement of cash flows*In thousands of euros*

	Note	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		0	0
Depreciation and impairment of property, plant and equipment	3,4	24 180	23 304
Depreciation of property, plant and equipment of the government grant	17	-7 885	-7 938
Profit/loss from the sale and liquidation of property, plant and equipment	3	-5	-58
Adjustment/revaluation of provisions		713	-859
Right of superficies fee		-128	-128
State budget operating support		-25 855	-20 716
Loss from financial income/expense	13	-337	280
Other adjustments		75	-179
Change in receivables and prepayments	6	-2 238	-1 401
Change in inventories	5	-2 388	-806
Inventory used in the construction of fixed assets	3,5	-2 504	-1 110
Change in payables and prepayments	9	-488	294
Grants received for operating expenses	17	19 668	26 592
Interest income received	13	1 142	58
Interest paid	13	-822	-317
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		3 128	17 016
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	-71 939	-47 936
Proceeds from sale of property, plant and equipment	3	5	60
Government grants for property, plant and equipment received from the state budget	17	1 600	1 986
Government grants received for property, plant and equipment	17	57 805	12 920
Repayment of loans granted		0	1
TOTAL CASH FLOW FROM INVESTING ACTIVITIES		-12 529	-32 969
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received	8	25 000	15 000
Repayments of loans received	8	-2 050	-2 030
Finance lease payments	8	-1 598	-1 490
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		21 352	11 480
TOTAL CASH FLOW		11 951	-4 473
Cash and cash equivalents at the beginning of the financial year		32 053	36 526
Cash and cash equivalents at the end of the financial year		44 004	32 053
CHANGE IN CASH AND CASH EQUIVALENTS		11 951	-4 473

Notes to the financial statements on pages 90-114 are an integral part of the financial statements.

NOTES TO THE ANNUAL FINANCIAL REPORT

General information

AS Eesti Raudtee is a 100% state-owned company registered in the Republic of Estonia on January 14, 2009. The company is administered by the Ministry of Climate of the Republic of Estonia.

The Management Board authorised the financial statements for issue on 18 March 2024.

Note 1 Accounting Policies

1.1 Basis of preparation and measurement and changes in them

The Entity's financial statements for 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These financial statements have been prepared on the historical cost basis.

Changes in the accounting policies

The following new or revised standards and interpretations became effective for the Company from 1 January 2023:

The financial statements are prepared on a consistent and comparative basis, which means that the Company always follows the same accounting policies and principles of presentation. The accounting policies and presentation are amended only if required by new or revised International Financial Reporting Standards ('IFRS') as adopted by the European Union and their interpretations, or if the new accounting policy or presentation provides a more objective view of the financial position, financial performance and cash flows of the Company. The accounting policies applied in the preparation of this report are the same as those used in the Company's financial statements for the year ended 31 December 2022.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies. IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Interpretations of new or revised standards

New or revised standards and interpretations have been issued that become mandatory for the Company from 1 January 2024 or later and that the Company has not early adopted.

- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024).

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional.

The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities.

A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period.

Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments.

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements.

The company assesses the impact of the changes on the financial statement as insignificant. There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

1.2 Critical accounting estimate

The financial statements have been prepared using a variety of management estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates are based on management's best knowledge and may not reflect actual performance. Changes in management's estimates are recognized in the statement of comprehensive income during the period in which the change is made. The following estimates have the greatest impact in 2023. financial information.

a) Determination of the useful lives of property, plant and equipment

The estimated useful lives of property, plant and equipment are based on management's estimate of the period of actual use. Experience so far has shown that the actual useful lives of assets are generally longer than the estimated useful lives of the assets. The weighted average depreciation of fixed assets is 3.71% of the acquisition cost of fixed assets. A change of one percentage point in depreciation rates would change the depreciation charge by 6.3 million per year.

b) Determination of the recoverable value of property, plant and equipment

As at 31 December 2023, the Company prepared a test on the recoverable amount of property, plant and equipment determining the value in use of the assets using the discounted future cash flow method.

Using the weighted average cost of capital accepted by The Consumer Protection and Technical Regulatory Authority as a discount rate of 5.36% (2022: 4.71%), and a long-term growth rate projected by the European Central Bank 2.3%, the recoverable amount of fixed assets exceeds their carrying amount.

1.3 Property, Plant and Equipment

Acquisition cost

Property, plant and equipment are initially recognized at cost.

- The cost of an item of property, plant and equipment comprises the purchase price and any directly attributable expenditure on bringing the asset to its operating condition and location.
- The cost of a self-constructed fixed asset consists of the cost of site preparation, materials and services for manufacturing and commissioning, and labor compensation.

Depreciation

Each part of an item of property, plant and equipment that has a significantly different useful life and whose cost is significant in relation to its total cost is depreciated separately.

Depreciation of fixed assets is calculated on a straight-line basis over the estimated useful life of the asset. The exception is land that is not depreciated.

The useful lives of property, plant and equipment are reviewed at least at the end of each financial year in the context of the annual inventory of fixed assets and adjusted if necessary, on a prospective basis. If the estimated useful life of an asset is significantly different from that established, the remaining useful life of the asset is changed, resulting in a change in the depreciation charge for the asset in subsequent periods.

Useful life of items of property, plant and equipment

The useful life of property, plant and equipment is determined by management's estimate of the period of actual use.

The expected useful lives of property, plant and equipment objects used in the company are as follows:

Buildings	
Buildings	10 - 100 years
Facilities	5 - 100 years
Railways	20 - 50 years
Machines and equipments	2 - 30 years
Other	3 - 15 years

1.4 Intangible assets

Acquired software is classified as intangible assets with a defined useful life.

Capitalised software development costs include staff costs and other development-related direct costs. Software is amortised over 5 years.

The costs related to ongoing software maintenance are recognised as expenses at the time they are incurred.

1.5 Inventories

The cost of inventories is assigned using FIFO method.

1.6 Financial instruments

Financial assets

Classification

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments on the Company's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses). Foreign exchange gains and losses and impairment losses are presented as separate line items in the statement of profit or loss.

All the Company's debt instruments are classified in the adjusted acquisition cost category

Equity instruments

The Company has no investments in equity instruments.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Company measures impairment as follows

- trade receivables amounting to expected credit losses over the life of the asset
- cash and cash equivalents that are considered to have a low credit risk exposure in the reporting period equal to 12 months' expected credit loss;
- for all other financial assets, the amount of credit losses expected to be incurred over a 12-month period, unless the credit risk (ie the expected life of the financial asset in default) has increased significantly after initial recognition; if the risk is significantly increased, the credit loss is measured at an amount equal to the expected credit loss over a lifetime.

Financial liabilities

All financial liabilities (trade payables, loans received, accrued expenses and other payables) are initially recognised at cost, including any directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

The amortised cost of current financial liabilities is generally equal to their nominal value. Therefore, current financial liabilities are stated in the amount that is to be paid. Non-current financial liabilities are measured at amortised cost using the effective interest rate method. Interest expense on financial liabilities are recognised as financial expenses.

Non-current liabilities comprise liabilities that are due to be settled within more than one year after the reporting date or if the Company has no unconditional right to defer settlement of the liability for more than 12 months after the end of the reporting period. All other liabilities are classified as current liabilities.

Accrued expenses comprise liabilities recognised on an accrual basis under a contract or some other relevant document, which are to be settled in the next period.

1.7 Impairment of assets

The Company assesses at each reporting date whether there is any indication that an asset other than inventories and investment properties may be impaired. If any such indication exists, the recoverable amount of the asset is tested.

An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. An impairment loss is recognised as an expense in the period in which it is iden-

tified. The recoverable amount of non-current assets is the higher either of its fair value less costs to sell or value in use. Value in use is calculated by discounting the asset's estimated future cash flows to their present value by applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If an asset does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised for other assets of the company are reversed when there is any indication that an impairment loss recognised in prior periods no longer exists and changes have taken place in estimates that were used to determine the recoverable amount of the asset.

Prior impairment loss is reversed only in extent that the net book value of the asset would not exceed the initial book value found according to normal depreciation without the impact of impairment.

1.8 Revenue recognition

Revenue is income arising in the course of the Company's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a good or service to a customer.

Infrastructure fees

Eesti Raudtee ensures that earnings before interest, taxes, depreciation, and amortization provided to all rail transport companies as laid down in the Railways Act, i.e. which broadly speaking means that the infrastructure in the Company's ownership is made available for use to rail transport companies. The services are provided according to the agreement concerning the use of the railway infrastructure which is concluded with railway transport companies that have gained capacity for the traffic schedule period starting on the second Sunday of December each year and ending on the Saturday before the second Sunday of December of the following year

The infrastructure fees are established in accordance with the methodology of the Minister of Economic Affairs by the director of the Technical Regulatory Authority for the entire timetabling period by segments. The infrastructure fee is determined by the Management Board also for the entire timetabling period. Revenue from the use of the railway infrastructure is recognised in the period in which the Company has provided services.

Real estate services

Real estate services include rental income which has been received for the rent of premises and intermediation of utilities of leased premises. The revenue from real estate services is recognised in the period in which the service is provided.

Sale of inventories

The Company primarily recognises the sale of scrap metal which is generated in the process of renewal of infrastructure when old materials are replaced as the sale of inventories. In addition to scrap metal, the Company also disposes of the inventories and materials that have become unusable from the point of view of the Company's operations. Revenue from the sale of inventories is recognised when control over the asset has been transferred to the customer.

Other services

Other services include various services where the Company is the key service provider as well as rental income from leasing out carriages, fees for carrying out exams, etc. Revenue from providing services is recognised in the accounting period in which the services are rendered.

1.9 Employee benefits

Short-term employee benefits (wages and salaries payable and vacation pay liabilities), which are measured in undiscounted amounts, are recognised as liabilities on an accrual basis as the related service is provided. Salary, wage and vacation pay liabilities are recognised on the basis of contracts signed with employees and the provisions of labour legislation that impose on the Company a legal obligation to make the payments.

Termination benefits are employee benefits payable as a result of the Company's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. The event which gives rise to an obligation is the termination rather than employee service. Therefore, the Company recognises termination benefits when, and only when, it is demonstrably committed to terminate the employment of an employee or a group of employees before the normal retirement date, or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted to their present value.

Vacation pay liability is recognised in the period when the liability arises, that is when the employee has the right to the receivable. Earned vacation pay or the change is recognised as an expense in the statement of comprehensive income and as a short-term liability in the statement of financial position.

The Company recognises bonus payments only when it has a present legal or constructive obligation to make such payments and a reliable estimate of the obligation can be made.

1.10 Income tax

Income tax payable on fringe benefits, gifts, donations, entertainment expenses and non-business expenses is recognised as an expense on an accrual basis.

1.11 Leases

The company as a lessor

Assets leased out under operating leases are presented in the statement of financial position as items of property, plant and equipment. Items of property, plant and equipment, which have been leased out Under operating leases, are depreciated over their useful lives using a policy consistent with the one applied to similar assets. Operating lease income (less of any incentives provided to the lessee) is recognised as income in the period in which it arises.

The company as a lessee

Initial measurement

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability. At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right to use the asset is recognized in the statement of financial position under Property, plant and equipment.

At the commencement date, the lessor measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

When finding an alternative loan interest rate for a lessee, the company has used the loan interest rate obtained from a third party.

Subsequent measurement

After the commencement date, a lessee measures the right-of-use asset applying a cost model.

A lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if:

- a) either there is a change in the lease term. A lessee shall determine the revised lease payments on the basis of the revised lease term; or
- b) there is a change in the assessment of an option to purchase the underlying asset. A lessee shall determine the revised lease payments to reflect the change in amounts payable under the purchase option

The Lessee shall determine the modified lease payments for the remaining lease term on the basis of the revised contractual payments. For this purpose, the lessee uses the unchanged discount rate, unless the change in the lease payment is due to a change in the floating interest rate.

The Company has decided not to apply the requirements of IFRS 16 to short-term leases and low value leases. Payments related to short-term leases and low value leases are recognized as an expense in the income statement on a straight-line basis. Short-term leases are those with a lease term of up to 12 months or less. Low value leases are leases of IT equipment.

1.12 Provisions and contingent liabilities

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, but the ultimate amount or timing of the obligation is uncertain..

The amount recognised as a provision is based on management's estimates and experience and, where necessary, the estimates of independent experts. Non-current provisions are presented in discounted amounts.

The Company has to pay benefits for incapacity for work to persons that have lost their capacity for work by the fault of the Company. The provision for relevant benefits is calculated based on the number of entitled persons, the period over which the benefits are expected to be paid and the size of the benefits.

Other obligations whose settlement is not probable or the amount of accompanying expenditure of which cannot be measured with sufficient reliability, but that in certain circumstances may become obligations, are disclosed as contingent liabilities in the notes to the financial statements (Note 15) and they are not disclosed in the Company's statement of financial position.

1.13 Government grants

Income from government grants is recognised at its fair value when it is sufficiently certain that the Company meets the conditions of the government grant and that it will be granted.

Government grants related to purchase of property, plant and equipment

Government grants relating to the purchase of property, plant and equipment are recognised under the gross method. Assets acquired with government grants are initially recognised at cost in the statement of financial position; the amount received as a government grant is recognised as deferred income from the government grant within non-current liabilities in the statement of financial position. The acquired asset is depreciated, and the grant as deferred income is recognised in profit on a systematic basis, over the useful life of the asset.

Government grants related to operating activity

Grants related to operating expenses are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related expenses for which the grants are intended to compensate. The Company accounts for government grants used to compensate operating expenses using the gross method, according to which the compensated costs and grant received are recognised separately as expense and income.

1.14 Events after the reporting date

The annual financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the reporting date and the date on which the financial statements were authorised for issue but are related to the reporting or prior periods.

Subsequent events that are indicative of conditions that arose after the reporting date but which will have a significant effect on the result of the next financial year are disclosed in the notes to the annual financial statements.

1.15. Related party transactions

Members of the Supervisory Board and Management Board of AS Eesti Raudtee, as well as other persons and companies who can control or significantly influence the financial and business decisions of the company, are considered related parties in the preparation of the financial statements. In addition, related parties and related companies of the persons listed above are considered related parties. As the shares of AS Eesti Raudtee are 100% owned by the Republic of Estonia, railway undertakings controlled or controlled by the Republic of Estonia are also considered related parties in the preparation of the financial statements.

1.16 Statement of cash flow

The statement of cash flows is prepared using the indirect method – cash flows from operating activities are reported by adjusting operating profit for the effects of non-cash items and changes in operating receivables and payables. Cash flows from investing and financing activities are reported using the direct method.

Note 2 Financial risks

2.1 Financial risks

There are several financial risks associated with the company's operations:

- market risk, which includes currency, cash flow, fair value interest risk and price risk;
- credit risk;
- liquidity risk.

The financial risk management procedure approved in the company establishes rules for mitigating financial risks within the company. The biggest risk for Estonian Railways is the liquidity risk, in order to be able to fulfill all the obligations assigned to the company and ensure a sustainable level of investments.

2.2 Market risk

Currency risk is the risk that the fair value or cash flows of financial instruments will fluctuate in the future due to changes in exchange rates. Assets and liabilities denominated in euro are treated as currency-neutral assets and liabilities. The Company is exposed to fluctuations in various exchange rates, particularly those relating to the Swiss franc and the Russian rouble.

As at 31 December 2022 and 31 December 2023 the company didn't have significant currency risks, since liabilities were mainly in euros.

The following table provides an overview of the Company's currency risk exposures as at the reporting date:

<i>In thousands of euros</i>	31.12.2023		31.12.2022	
	CHF	RUB	CHF	RUB
Cash and cash equivalents	116	0	693	0
Receivables	83	0	209	0
Payables	0	-22	-310	-9
Net exposure	199	-22	592	-9

The net exposures in the above currencies are immaterial for the Company and potential exchange rate fluctuations would not have a material effect on the Company's financial statements.

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate in the future due to changes in market interest rates.

Cash flow interest rate risk arises from the Company's floating rate liabilities and involves the risk that financial expenses will increase as interest rates increase.

The company's loan from EIB has a fixed interest rate to protect itself from changes of EURIBOR. Swedbank's loan is linked to EURIBOR, and due to the continued rise of EURIBOR, the company's interest costs will increase as much as three times in the following periods. The interest rates are given in Note 8.

2.3 Credit risk

Credit risk is the Company's potential loss caused by the inability of the other party of the financial instrument to meet its obligations. Cash in bank accounts, deposits, trade receivables and other receivables are exposed to credit risk.

As of the reporting date, a provision for allowances for trade receivables has been established for invoices that are significantly overdue. The provision for expected credit losses has taken into account the fact that the Company has a legal basis for collecting receivables and legal proceedings have been initiated or are being initiated regarding impaired receivables.

Impairment allowance for trade receivables as at 31 December 2023:

<i>In thousands of euros</i>	31.12.2023	31.12.2022
Discount balance at the beginning of the reporting period	81	87
Discounts for the reporting period (Note 12.2)	-81	0
Receivables received during the reporting period	0	-6
Discount at the end of the period	0	81

Receivables related to the government grants are recognised in the statement of financial position only to the extent that there is certainty that these receivables will be received, as the Company has met all the conditions set out in the government grant agreement. Taking into account the previous payment behavior and financial position of the partner of the government grant agreement, the Company has no doubts about the collection of receivables, therefore the impact of the credit loss is not estimated by the Company.

Although cash and cash equivalents and bank deposits with maturities of greater than 3 months also fall under the expected credit loss model of IFRS 9, the identified impairment loss was insignificant as at 31 December 2022 and 31 December 2023.

The Company's cash and cash equivalents and deposits with maturities over three months are kept at the largest banks operating in Estonia Swedbank, SEB and Luminor Estonia.

In thousands of euros

Bank accounts and deposits	31.12.2023	31.12.2022	Rating according to Moody
Swedbank	18 688	21 962	Aa2
SEB Pank	15 175	77	Aa2
Luminor Estonia	10 141	10 014	Baa1
	44 004	32 053	

Given the bank's credit ratings, the credit risk related to cash and cash equivalents has been assessed as minimal by management.

2.4 Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient financial assets to meet its obligations as they fall due.

To ensure liquidity, the Company must have a liquidity buffer (volume of available funds) of at least 2 million euros. Free funds may be invested only in deposits, the investment of funds in other instruments is decided by the Supervisory Board. The instruments used to manage liquidity risk are loans and bonds, operating and finance leases, sale and leaseback, factoring, guarantee, letter of credit and derivatives. The value of a deposit placed in a single bank may not exceed 50% of all financial resources of the company at the time of placing the deposit. The Company diversifies its funds between different banks based on the current account balance fee applied by the bank.

The table below provides an analysis of financial liabilities by maturity, including estimated future interest payments as of 31.12.2023 and 31.12.2022.

31.12.2023

<i>In thousands of euros</i>	Carrying amount	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	More than 5 years	Note
Bank loans	64 913	72 175	4 051	15 613	9 395	43 116	8
Lease payables	9 483	10 453	2 318	1 975	4 401	1 759	8
Trade payables	20 455	20 455	20 455	0	0	0	9
Total	94 851	103 083	26 824	17 588	13 796	44 875	

31.12.2022

<i>In thousands of euros</i>	Carrying amount	Contractual cash flow	Less than 1 year	1-2 years	2-5 years	More than 5 years	Note
Bank loans	41 963	44 850	2 840	3 011	17 208	21 791	8
Lease payables	7 194	8 020	1 617	1 271	3 303	1 829	8
Trade payables	13 746	13 746	13 746	0	0	0	9
Other payables	195	195	195	0	0	0	
Total	63 098	66 811	18 398	4 282	20 511	23 620	

2.5 Operational risks

The operational risk for the Company is primarily business disruptions and a significant damage to assets. The Company is ensured against the damage to assets and business disruptions and has liability insurance of its operations which protects it against the claims of third parties. In addition, the Company has insurance contracts related to the liability of the management (Management Board, Supervisory Board, top executives) and the liability of the employer. The employees of the rescue train have been insured against accidents. The Company has insurance contracts for cybersecurity protection and protection against the damage to motor vehicles.

2.6 Capital management

The Company's shares are owned by the state. Decisions on the distribution of dividends, increase or decrease of share capital are made by the Republic of Estonia and exercised through the Ministry of Climate.

In connection with the incorporation of the Company into the government sector from 01.01.2024, permission must be requested from the Government of the Republic to take out a loan.

The Company's policy is to maintain a strong capital base and maintain the credibility in the capital markets. The Company has access to various credit facilities whose duration and volume allow management to carry out the investment programme designed for the next 12 months.

In loan agreements, the company has undertaken obligations not to exceed the agreed ratio of interest-bearing liabilities and net debt to EBITDA. The Company's equity is sufficient for enabling the Company to raise additional debt capital if necessary. As of 31 December 2023, the share of equity in the balance sheet was 36% (31.12.2022: 42.2%). For more information on equity refer to Note 7.

In thousands of euros

	31.12.2023	31.12.2022
Debt liabilities (Note 8)	74 395	49 156
Cash and cash equivalents (Notes 2.3 and 8)	44 004	32 053
Net debt (debt liabilities-cash and cash equivalents) (Note 8)	30 391	17 103
Equity	176 117	176 117
Total capital (net debt + equity)	206 508	193 220
Debt to equity ratio	36%	25%
Ratio of net debt to total equity	15%	9%



2.7 Fair value

IFRS 7 determines the hierarchy of the fair value measurements, which are based on whether the inputs of the measurement are observable or not. Observable inputs reflect the market data obtained from third parties; unobservable inputs reflect the assumptions about the market. Based on these two types of inputs the following hierarchy of fair value measurements have been created:

Level 1 – quoted prices (unadjusted) on active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. When available, observable market data is used in valuation techniques and Company's own estimates are relied on as little as possible.

The Company estimates that the fair values of financial assets and liabilities carried at amortised cost in the statement of financial position do not differ materially from the carrying amounts recognized in the Company's statement of financial position as at 31.12.2023 and 31.12.2022.

The residual value of short-term receivables, less discounts is estimated to be equal to their fair value.

Note 3 Property, Plant and Equipment

<i>In thousands of euros</i>	Land and buildings	Right of use and equip- ment	Machinery and equip- ment	Right of use vehicles	Other equip- ment	Construction in progress	Total	Note
Balance as at 31.12.2021								
Cost	471 607	4 523	86 409	1 515	1 150	17 045	582 249	
incl. EU and Domestic government grants	173 168	0	13 834	0	0	0	187 002	
Accumulated depreciation	-222 637	-1 500	-51 672	-1 194	-970	0	-277 973	
incl. EU and Domestic government grants	-45 892		-2 193	0	0	0	-48 085	
Carrying amount 31.12.2021	248 970	3 023	34 737	321	180	17 045	304 276	
Changes in 2022								
Acquisitions and improvements	189	0	1 564	0	53	50 670	52 476	
incl. leased assets	0	0	689	0	0	0	689	
Change in right-of-use assets	0	2 151	0	-22	0	0	2 129	
Reclassifications	30 083	0	714	0	0	-30 872	-75	
incl. EU and Domestic government grants	17 848	0	18	0	0	-17 866	0	
Reclassifications from inventories	0	0	0	0	0	1 110	1 110	
Carrying amount of assets sold and written off	-1	0	0	0	0	0	-1	
Depreciation and impairment of fixed assets	-17 113	-542	-4 750	-244	-65	-52	-22 766	
incl. EU and Domestic government grants	-7 198	0	-740	0	0	0	-7 938	17
Balance as at 31.12.2022								

Cost	495 777	6 666	82 136	364	1 071	37 901	623 915
<i>incl. EU and Domestic government grants</i>	188 873	0	13 820	0	0	0	202 693
Accumulated depreciation	-233 649	-2 034	-49 871	-309	-903	0	-286 766
<i>incl. EU and Domestic government grants</i>	-50 946	0	-2 901	0	0	0	-53 847
Carrying amount 31.12.2022	262 128	4 632	32 265	55	168	37 901	337 149
Changes in 2023							
Acquisitions and improvements	158	0	931	0	5	66 043	67 137
<i>incl. leased assets</i>	0	0	185	0	0	0	185
Change in right-of-use assets	0	3 671	0	0	0	0	3 671
Reclassifications	37 628	0	12 668	-2	0	-50 824	-530
<i>incl. EU and Domestic government grants</i>	27 414	0	8 707	0	0	-36 121	0
Reclassifications from inventories	0	0	0	0	0	2 504	2 504
Carrying amount of assets sold and written off	0	0	1	0	0	0	1
Depreciation and impairment of fixed assets	-17 587	-567	-5 064	-53	-67	0	-23 338
<i>incl. EU and Domestic government grants</i>	-7 068	0	-817	0	0	0	-7 885
Balance as at 31.12.2023							
Cost	529 267	10 337	93 111	0	929	55 624	689 268
<i>incl. EU and Domestic government grants</i>	215 445	0	22 525	0	0	0	237 970
Accumulated depreciation	-246 940	-2 601	-52 310	0	-823	0	-302 674
<i>incl. EU and Domestic government grants</i>	-57 214	0	-3 715	0	0	0	-60 929
Carrying amount 31.12.2023	282 327	7 736	40 801	0	106	55 624	386 594

17

The company has made prepayments for the preparation of fixed asset investment projects as of 31.12.2023 in the amount of 12,148 thousand euros (31.12.2022: 5,258 thousand euros). Prepayments are related to railway electrification and security system renewal projects.

In 2023, fixed assets were sold at a sale price of 5 thousand euros (2022 sales price: 60 thousand euros). Profit on the sale of assets are recognised in the statement of comprehensive income under other operating income in the amount of 0 thousand euros (2022: 58 thousand euros), see also Note 11.3.

The Company has fully amortised property, plant and equipment at cost:

<i>In thousands of euros</i>	31.12.2023	31.12.2022
Buildings (buildings and facilities)	52 150	51 550
Machines and devices	19 129	17 258
Other equipment	573	715
Total	71 852	69 523

As at 31 December 2023 and 31 December 2022, no assets of the Company were pledged as loan collateral.

Note 4 Intangible Assets

<i>In thousands of euros</i>	Intangible assets	Software project in progress	Total intangible assets
Balance as at 31.12.2021			
Cost	5 208	1 452	6 660
Accumulated depreciation	-3 954	0	-3 954
Carrying amount 31.12.2021	1 254	1 452	2 706
Changes in 2022			
Acquisitions and improvements	541	907	1 448
Reclassifications	105	-30	75
Depreciation and impairment of assets	-540	0	-540
Balance as at 31.12.2022			
Cost	3 235	2 329	5 564
Accumulated depreciation	-1 875	0	-1 875
Carrying amount 31.12.2022	1 360	2 329	3 689
Changes in 2023			
Acquisitions and improvements	1 066	4 383	5 449
Reclassifications	124	-124	0
Depreciation and impairment of assets	-842	0	-842
Balance as at 31.12.2023			
Cost	4 426	6 588	11 014
Accumulated depreciation	-2 718	0	-2 718
Carrying amount 31.12.2023	1 708	6 588	8 296

Software projects in progress includes the development of the traffic management system, the expected completion of which is planned for 2027.

Note 5 Inventories

<i>In thousands of euros</i>	31.12.2023	31.12.2022
Road administration spare parts	5 026	5 080
Spare parts for Telecom and Security Systems	4 202	1 827
Electricity agency spare parts	371	313
Other inventories	138	129
Total inventories	9 737	7 349

The Company did not write down obsolete or unusable inventories during 2023 and 2022.

In 2023, the material used from inventory in the construction of fixed assets amounts to 2,504 thousand euros (2022: 1,110 thousand euros).

Note 6 Receivables and Prepayments

<i>In thousands of euros</i>	31.12.2023	31.12.2022
Trade receivables	2 017	2 242
Government grants not received from the state budget for operating expenses to ensure the balance of income and expenditures of (Note 17)	14 905	8 716
Government Grants Receivables (Note 17)	6 119	17 205
Tax prepayments (Note 10)	5 525	3 124
Prepaid expenses	200	227
Other short-term receivables	272	184
Total receivables and prepayments	29 038	31 698

Movements of allowance for doubtful accounts

<i>In thousands of euros</i>	31.12.2023	31.12.2022
Impairment balance at the beginning of the reporting period	81	87
Write-offs for the reporting period (Note 12.2)	-81	0
Receivables received during the reporting period	0	-6
Impairment balance at the end of the reporting period	0	81

Note 7 Changes in Equity

7.1 Share Capital

All shares of AS Eesti Raudtee are owned by the Republic of Estonia. They are governed and exercised by the Ministry of Climate, represented by the Minister of Climate at the General Meeting of Shareholders.

As at 31 December 2023, the Company's share capital amounted to EUR 80,303 thousand euros (2022: 80,303 thousand euros) and was made up of 80,302,814 ordinary shares of the same class and a par value of 1 euro each. All shares have been fully paid for. Each share grants the holder the right to attend general meetings of the Company and carries one vote in decisionmaking. All shares have equal rights when it comes to distribution of profits or allocation of liquidation proceeds on the Company's potential liquidation.

According to the Company's articles of association, the maximum authorised number of ordinary shares is 127,823,296 and the maximum authorised share capital amounts to 127,823 thousand euros.

7.2 Statutory Reserve Capital

No statutory reserve capital contributions were made in 2023 and 2022.

Note 8 Loans and Lease Liabilities

Loan and lease liabilities as at 31.12.2023

<i>In thousands of euros</i>	Bal- ance	incl non- current portion	incl current portion	Maturity date	Interest rate
Swedbank loan agreement	14 913	12 844	2 069	15.12.2025	6 months EURIBOR + 0.95%
EIB loan agreement	50 000	49 778	222	31.12.2048	Average 2.02%
Lease liabilities	9 483	7 539	1 943		Average 3.41%
Total loan and lease liabilities	74 396	70 161	4 234		

(see note 2.6)

Loan and lease liabilities as at 31.12.2022

<i>In thousands of euros</i>	Bal- ance	incl non- current portion	incl current portion	Maturity date	Interest rate
Swedbank loan agreement	16 963	14 913	2 050	15.12.2025	6 months EURIBOR + 0.95%
EIB loan agreement	25 000	25 000	0	31.12.2048	Average 0,74%
Lease liabilities	7 194	5 841	1 353		Average 2,44%
Total loan and lease liabilities	49 156	45 754	3 402		

In 2023, interest expense on bank loans and bonds amounted to EUR 664 thousand (2022: EUR 187 thousand) (Note 13).

Net debt

<i>In thousands of euros</i>	Cash and cash equivalents	Loan liabilities with repayment up to 1 year	Loan liabilities with repayment over 1 year	Total
Net debt 31.12.2021	36 526	-3 414	-31 422	1 690
Loans received		0	-17 840	-17 840
Loans repaid		3 520	0	3 520
Reclassification from long-term to short-term		-3 508	3 508	0
Net debt 31.12.2022	32 053	-3 402	-45 754	-17 103
Loans received		0	-28 887	-28 887
Loans repaid		3 648	0	3 648
Reclassification from long-term to short-term		-4 480	4 480	0
Net debt 31.12.2023	44 004	-4 234	-70 161	-30 391

On the 4th March 2020 the Company entered into a loan agreement with the European Investment Bank (EIB) for a loan amounting 95 million over a period of 25 years. The purpose of the loan is to finance the company's investment plan for the modernization of the Estonian railway network. An amendment of the agreement was signed on 12.12.2022, which increased the loan amount to 113.5 million and extended the deadline to 31.12.2048. Four payments have been made from the said loan: 10 million in 2021, 15 million in 2022 and 25 million euros in 2023. A fixed interest is attached to payouts to mitigate the effects of changes in EURIBOR.

As at 31 December 2023 and 31 December 2022, the Company's assets have not been pledged as collateral for loans.

Note 9 Trade Payables and Other Liabilities

<i>In thousands of euros</i>	31.12.2023	31.12.2022
Liabilities on goods and services	20 738	14 950
<i>incl liabilities for property, plant and equipment</i>	17 254	9 903
Other liabilities	63	63
Accrued liabilities to employees	3 450	3 114
Tax liabilities (Note 10)	876	774
Deferred income	1 024	726
Total	26 151	19 627

Note 10 Prepaid Taxes and Tax Liabilities

<i>In thousands of euros</i>	31.12.2023		31.12.2022	
	Tax prepayment	Tax liabilities	Tax prepayment	Tax liabilities
Value added tax	2 785	0	1 757	0
Income tax	0	294	0	257
Income tax on fringe benefits	0	8	0	8
Social security tax	0	528	0	467
Funded pension tax	0	12	0	12
Unemployment insurance tax	0	34	0	30
Balance of prepaid taxes	2 740	0	1 367	0
Total (see notes 6 and 9)	5 525	876	3 124	774

Note 11 Revenue and Other income

11.1 Revenue by activities

<i>In thousands of euros</i>	2023	2022
Infrastructure services	23 556	25 113
Rental income	505	528
Sale of inventory	2 483	1 707
Other services *	2 037	2 044
Total sales revenue	28 581	29 392

* Other services include electricity sales, wagon rent and other rolling stock services and other one-off services (examination, wagon mediation, etc.).

11.2 Revenue by geographical areas

<i>In thousands of euros</i>	2023	2022
Total sale to the EU countries		
Estonia	26 644	29 211
Latvia	1 789	71
Lithuania	12	18
Other countries	46	52
Total sales to countries outside the EU		
Russia	90	40
Total sales revenue	28 581	29 392

Major part of the Company's sales revenue comes from rendering services to companies under the dominant influence of the Republic of Estonia. Also refer to transactions with related parties in Note 16.

11.3 Other operating revenue

<i>In thousands of euros</i>	2023	2022
Financing from the Government grants for operating expenses (Note 17)	25 856	20 716
Financing from the Government grants for fixed assets (Note 17)	7 885	7 938
Fines, penalties and rewards	1 584	160
Gain on sale of property, plant and equipment	5	58
Other operating income	400	765
Total other operating income	35 730	29 637

Note 12 Operating Expenses

12.1 Goods, materials and services

<i>In thousands of euros</i>	2023	2022
Railway repair and maintenance	3 074	2 770
Energy carriers	2 351	3 515
Materials, spare parts and tools	1 721	866
Freight security services	1 104	868
Real estate maintenance	899	877
Goods purchased for resale	750	1 307
Maintenance of machines and equipment	627	570
Maintenance of communication, electrical and security systems	284	508
Other rail transport services	1 252	659
Total goods, materials and services	12 062	11 940

12.2 Other operating expenses

<i>In thousands of euros</i>	2023	2022
IT expenses	1 197	871
Utilities	1 035	1 074
Expenses related to employees	512	432
Lease and rental charges, right of superficies	377	389
Miscellaneous business services	320	380
Office expense	311	132
National and local taxes	304	322
Transportation expenses	262	195
Insurance services	218	208
Training expense	149	150
Business travel expense	122	97
Environmental costs	54	71
Bad debt (Note 6)	-81	-7
Other expens	72	61
Total other operating expenses	4 852	4 375

12.3 Personnel expenses

<i>In thousands of euros</i>	2023	2022
Remuneration, performance fees, holiday pay and bonuses	16 857	14 845
Taxes on personnel expenses	5 253	4 661
Total personnel expenses	22 110	19 506
Number of employees		
Average number of employees	688	675

Note 13 Financial Income and Expenses

<i>In thousands of euros</i>	2023	2022
Interest income	1 142	58
Interest expense	-822	-317
incl. interest expense on loans	-1 123	-350
interest expense on finance lease	-158	-130
interest expense on capitalization	459	163
Profit/loss from foreign currency translation differences	17	-21
Total Financial Income and Expenses	337	-280

Note 14 Income Tax

The statement of financial position does not recognize a potential income tax liability representing the amount of tax that would have to be paid if all of the Company's retained earnings were distributed as dividends is not recognised in the statement of financial position. The income tax payable on the distribution of dividends is recognised as an expense in the period in which the dividends are declared.

As at 31 December 2023, the Company's undistributed profits totaled EUR 91,341. Considering the Commercial Code's requirement to transfer at least 5% of the financial year's net profit to statutory reserve capital, it is possible for the Company to make distributions from its retained earnings as 31 December 2023 in amount up to EUR 91,341 thousand (2022: EUR 91,341 thousand). The maximum income tax liability that would arise, if all of the undistributed profits were distributed as dividends as at 31 December 2023, amounts to EUR 18,268 thousand (2022: EUR 18,268 thousand), net dividends amounts to EUR 73,073 thousand (2022: EUR 73,073 thousand).

According to the profit allocation proposal made by the Management Board, in 2023 the Company will not distribute dividends.

Note 15 Contingent Assets, Contingent Liabilities and Contractual Commitments

Potential liabilities arising from the tax audit

The tax authority has neither initiated nor conducted the Company's tax audit or individual case review for the period 01.01.2023-31.12.2023. The tax authorities have the right to inspect the company's tax records for up to 5 years from the filing date of the tax return and to determine the additional amount of tax, interest and fines if errors are detected. According to the management of the company, there are no circumstances which could lead the tax authorities to impose a significant additional amount on state-owned enterprises.

Liabilities arising from construction contracts

As at 31 December 2023, the company has entered into agreements for the years 2024 to 2045, of which the liabilities arising until the end of the agreement period total to EUR 328.6 million (2022: EUR 233.1 million).

The most important construction contracts are related to the following investment projects:

- Railway electrification;
- Straightening of curves and railway renovation;
- Upgrading CCS-systems across infrastructure;
- Modernization of level crossings;
- Modernization of the traffic management system.

Liabilities arising from government grants

The European Union Cohesion Fund has the right to recover funds in the event of a breach of the grant agreement. The company is obliged to ensure the preservation of the property and its intended use, which were acquired with government grants, within five years from the end of the project's eligibility period. As at 31 December 2023, EUR 228.0 million had been received from such government grants (31 December 2022: EUR 186.7 million), of which EUR 134.4 million had not yet reached the specified five-year deadline.

Pending court cases

1) The application of Capital Kinnisvara OÜ in the proceedings of the Harju County Court is the request to obtain access to the property from the public road through the property at 16 Tehnika Street and to be obliged to give consent. Since Capital Kinnisvara OÜ's own property can currently be accessed through Toompuiestee 37//Tallinn-Balti and Toompuiestee 35/ Tehnika St 16d properties, the first of which is railway land under the building right of Eesti Raudtee and the second is commercial land belonging to Eesti Raudtee, Eesti Raudtee is included in the proceedings as a concerned party, as the court is considering the assignment of an access road easement through the said properties as one of the possible solutions. Eesti Raudtee does not agree with the assignment of an easement through the mentioned properties and has submitted its own objections. The date of the decision is not yet known to the parties to the proceedings.

2) Eesti Raudtee challenged Jõelähtme Municipal Government's order no. 745 of 31.08.2023, with which, in the opinion of Eesti Raudtee, the municipal government improperly designated the properties Nuudi tee 19, Maardu railway station and Keldrimäe as new purpose-built production land (previously transport land), since the land tax rate for production land is higher than the land tax rate for transport land. The cadastral

units in question are not actually used for the purpose of producing anything, no products are stored there, and the cadastral units have no production and industrial buildings. The possible financial impact and the results of the procedure cannot be predicted at this time.

Note 16 Related Party Transactions

The Management Board of the Company discloses transactions with members of the management body and related companies, as well as transactions with railway companies controlled or dominated by the Republic of Estonia.

The contracts of the members of the Management Board provide for severance pay in the amount of 3 months' remuneration in case of removal of a member of the Management Board.

Balancies with related parties

In thousands of euros

	31.12.2023	31.12.2022
Receivables		
Entities related with members of the Management and Supervisory Boards	0	23
Government related railway entities	1 756	2 336
Liabilities		
Entities related with members of the Management and Supervisory Boards	0	1
Government related railway entities	771	669

Balancies with related parties

In thousands of euros

	2023	2022
Receivables		
Entities related with members of the Management and Supervisory Boards	0	198
Government related railway entities	22 423	29 292
Liabilities		
Entities related with members of the Management and Supervisory Boards	41	194
Government related railway entities	62	118

In thousands of euros

	2023	2022
Remuneration and benefits to management	499	458

Note 17 Government Grants

Government grants receivable (Note 6)

In thousands of euros

	31.12.2023	31.12.2022
Government grant receivable for the purchase of property, plant and equipment	6 033	17 205
Government grant receivable from the state budget for operating expenses	14 903	8 716
Other government grant receivables	86	0

Government grants for operating expenses

In thousands of euros

	2023	2022
Government grant received from the state budget for operating expenses to ensure the balance of income and expenditures of the company (Note 11.3))	25 856	20 716
Other government grants received	17	66

Government grants for assets

In thousands of euros

	2023	2022
Liabilities related to government grants at the beginning of the period	171 843	147 822
EU funds (purchased fixed assets)	120 646	110 598
EU funds (prepayments)	16 529	4 078
Domestic government grants	31 104	31 329
Prepaid domestic government grants for fixed assets	3 564	1 817

Movements during the accounting period

Increase in government grants for acquired fixed	47 813	31 959
EU funds	42 213	29 247
Domestic government grants	5 600	2 712
Recognition of liabilities acquired through government grants in income	-7 885	-7 938
EU funds	-6 528	-6 748
Domestic government grants	-1 357	-1 190

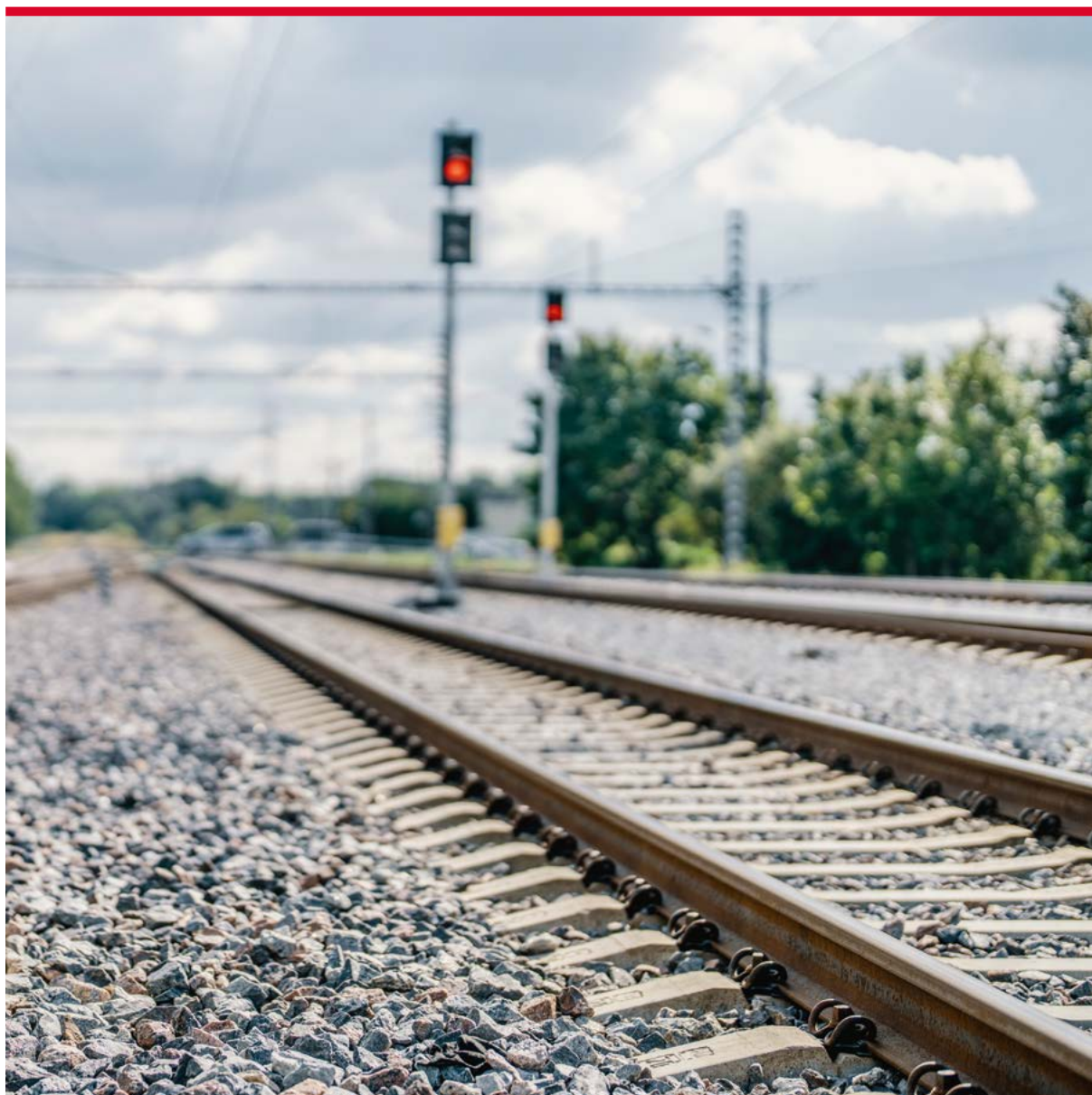
Long-term liabilities related to government grants at the end of the period

	211 771	171 843
EU funds (purchased fixed assets)	148 282	120 646
EU funds (prepayments)	24 578	16 529
Domestic government grants	37 706	31 104
Prepaid domestic government grants for fixed assets	1 205	3 564

On 28 December 2015, the Company and the Ministry of Economic Affairs and Communications entered into a financing agreement to ensure the balance of income and expenditures for the period of 5 years. The contract has been prolonged till 31 December 2025. Overall user-centered performance targets are important for funding in the following areas: train performance in terms of train path speed and reliability, network capacity, level of safety, volume of activity, environmental protection and consumer satisfaction. As the objectives set out in this agreement are not related to the acquisition of direct fixed assets, the funds received are recognized as government grants.

On 15.09.2022, the Minister of Economy and Infrastructure issued directive No. 201 "Approval of the investment plan for the development of the infrastructure of the Estonian Railways for the period 2021-2027". In January 2023, financing decisions were signed for investment projects of the EU program period 2021-2027 in the amount of EUR 319 million, of which 85% is financed from the EU Cohesion Fund and 15% from the state budget. Within the framework of the program, railway electrification and straightening of curves and railway overhaul renovation will be carried out in accordance with the 2021-2028 action plan for the development of public railway infrastructure established by the Government of Estonia.

In 2023, the EU funding period 2014-2020 ended, which ended the investment projects of the Estonian Railways in the total amount of EUR 98.13 million. The projects included railway reconstruction and traffic management modernization in the Lääne-Harju region and railway overhaul renovation in the Tapa shunting yard and on the Tapa-Narva and Tapa-Tartu railway lines.



INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Aktsiaselts Eesti Raudtee

Our Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aktsiaselts Eesti Raudtee (the "Company") as at 31 December 2023, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited?

The Company's financial statements comprise:

- the balance sheet as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises of the Annual Report, Management Report and GRI Content Index (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the Management report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

With respect to the Management report, we also performed the procedures required by the Auditors Activities Act. Those procedures include considering whether the Management report is consistent, in all material respects, with the financial statements and is prepared in accordance with the requirements of the Accounting Act.

Based on the work 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, in all material respects, with the financial statements; and
- the Management report has been prepared in accordance with the requirements of the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board 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 the Management Board 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.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board'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 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.

Lauri Past
Auditor's certificate no. 567

Kristiina Veermäe
Auditor's certificate no. 596

AS PricewaterhouseCoopers
Licence No 6
Tatari 1, 10116 Tallinn

18 March 2024
Tallinn, Estonia

Profit Distribution Proposal

Net profit of AS Eesti Raudtee for the year 2023 was 0 euros.

The Management Board of AS Eesti Raudtee proposes to the General Meeting of shareholders to confirm the retained earnings EUR 91,341 thousand.

Signatures of the Management Board

The annual report of AS Eesti Raudtee for the year ended 31 December 2023 consists of the management report, the annual financial statements, the independent auditor's report and the loss allocation proposal.

The Company's Management Board has prepared the management report, the annual financial statements and the profit allocation proposal.

Kaido Zimmermann
Chairman of the Management Board - CEO

Andrus Kimber
Vice-Chairman of the Management Board - CFO

Arvo Smiltinš
Member of the Management Board - Technical Director

18 March 2024

List of Business Activities

In thousands of euros

Business activity	EMTAK code	2023	2022
Infrastructure services	52219	23 083	24 715
Lease and rental services	77391	216	81
Purchased and resold energy	35141	905	1 394
Telecommunications services	61901	472	397
Real estate services, rental of building and premises	68201	505	528
Sale of inventory	45311	2 483	1 706
Other services	82991	917	571
		28 581	29 392



GRI CONTENT INDEX

The annual report of Eesti Raudtee has been prepared in accordance with the requirements of the most widely used Global Reporting Initiative (GRI) standard for sustainability reporting. The report covers those environmental, social, responsible management and market behavior issues that are most relevant to Eesti Raudtee operations, keeping in mind the impact and stakeholder expectations.

GRI standard	Number	Disclosure	Page numbers in report and/or explanation
Reporting Basis (GRI 101: 2016)			
General Disclosures (GRI 102: 2016)			
Organisational profile			
	102-1	Name of the organisation	3
	102-2	Activities, brands, products, and services	8, 115
	102-3	Location of headquarters	3
	102-4	Location of operations	6
	102-5	Ownership and legal form	8
	102-6	Markets served	6, 38-42
	102-7	Scale of the organisation	8, 24, 67, 122
	102-8	Information on employees and other workers	(All activities are carried out by own employees, except for subcontractors in project-based procurement.)
	102-9	Supply Chain	57 As a result of the company's activities, trains must be able to move smoothly and safely on the railway. To ensure this, the company carries out the following activities itself, through subcontractors and procuring goods from suppliers: - rail maintenance; - maintenance of telecommunication and security systems; - technical and property management; - electricity supply; - traffic management; - ensuring security and safety; - supply of materials; - construction and development; - various support functions.
	102-10	Significant changes to the organization and its supply chain	25
	102-11	Precautionary principle or approach	58-63
	102-12	External initiatives	77-79
	102-13	Memberships of associations	33
Strategy			
	102-14	Statement from the chairman of the council and management board	10-11
	102-15	Key impacts, risks, and opportunities	20-23, 27-28

Ethics and Integrity		
102-16	Values, principles, standards and standards of conduct	27
102-17	Identification and resolution of ethical issues	27
Governance		
102-18	Governance structure	24-30 (The ultimate responsibility for social and environmental issues lies with the Management Board of AS Eesti Raudtee)
Stakeholder Engagement		
102-40	List of stakeholder groups	The company's most important stakeholders are employees, customers, passengers, suppliers and subcontractors, cooperation partners and other organizations in the field, sole shareholder and public sector institutions and the wider Estonian public.
102-41	Collective bargaining agreements	73
102-42	The way in which interest groups are involved	Stakeholders are considered to be parties directly involved in the activity, whose activities affect the company or who are affected by the company's activities, and the public.
102-43	Approach to stakeholder engagement	32-33, 44, 53, 65, 70 (In addition: communication with closer stakeholders takes place in the course of daily work (see GRI 102-40). The expectations of a wider range of stakeholders for the company's activities were mapped at the end of 2019 through an online survey as part of the preparation of the annual report. A customer satisfaction survey was also conducted in 2023)
102-44	Key topics and concerns raised	21, 23
Reporting Practice		
102-45	Entities included in the consolidated financial statements	AS Eesti Raudtee has no additional consolidation entities
102-46	Defining report content and topic Boundaries	3
102-47	List of material topics	14-15, 20-23
102-48	Restatements of information	No restatements.
102-49	Changes in reporting	This is the company's fourth GRI compliant report and covers a wider range of topics than previously reported.
102-50	Reporting period	3
102-51	Date of most recent report	Previous annual report was issued 10.05.2023
102-52	Reporting cycle	The report is prepared annually
102-53	Contact point for questions regarding the report	Monika Lilles (monika.lilles@evr.ee)
102-54	Claims of reporting in accordance with the GRI Standards	The report complies with the standard of International Global Reporting Initiative (GRI) and is based on the Basic requirements of the standard
102-55	GRI content index	116-121
102-56	External Assurance	The compliance with GRI requirements are not controlled by a third party

Sustainability topics

Quality, continuous operations, capacity, accuracy of schedules

Management Approach (GRI 103: 2016)	103-1 to 103-3		30, 35, 45
	non-GRI	Performance indicators	45

Economic Performance (GRI 201: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		82-84, 87
	201-1	Direct economic value generated and distributed	87

Indirect Economic Impact (GRI 203: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		20-23
	203-1	Infrastructure investments and services supported	84
	203-2	Significant indirect economic impact	20-23

Purchasing Principles (GRI 204: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		57
	204-1	Purchases from local suppliers	57

Anti-corruption procedures (GRI 205: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		27
	205-1	Operations assessed for risks related to corruption	As a result of an overall risk assessment covering the entire company, it is known which risks may be involved in corruption (in particular in relation to procurement).
	205-2	Communication and training about anticorruption policies and procedures	27 (The principles are accessible to all employees. All staff with procurement, decision-making and managerial responsibilities must participate in the training.)
	205-3	Confirmed incidents of corruption and actions taken	In 2023 there were no cases involving employees or subcontractors

Energy (GRI 302: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		50, 60-61
	302-1	Energy consumption within the organisation	50, 60-61

Biodiversity (GRI 304: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		63
	304-1	Operational sites on protected areas and areas of high biodiversity value outside protected	63

Emissions (GRI 305: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		60
	305-1	Direct (Scope 1) GHG emissions	60 (Data only for those boiler houses for which the company is obliged to measure ambient air emissions.)
	305-7	NO _x , SO _x and other significant air emissions	Nitrogen oxides NO _x – 0,207 tonnes Sulphur oxides SO _x – 0,029 tonnes Particulate matters in total PM – 0,12441 tonnes Volatile organic compounds VOC – 0,0057 tonnes Carbon dioxide CO ₂ – 197,75 tonnes Carbon oxide CO – 0,13 tonnes Data only for those boiler houses for which the company is obliged to measure ambient air emissions
	non-GRI	Electrification	46

Effluents and Waste (GRI 306: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		62
	306-2	Waste by type and disposal method	62 (The company does not calculate the amount of non-hazardous waste. Hazardous waste is handed over to a waste company, there is no overview of the exact method of disposal)
	306-3	Significant spills	63

Environmental Compliance (GRI 307: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		58-64
	307-1	Non-compliance with environmental laws and regulations	There were no non-compliances

Employment (GRI 401: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		66-76
	401-1	New employee hires and employee turnover	67 (The company operates in one country and therefore does not keep records by smaller regions)
	non-GRI	Other indicators of the collective	66-67, 68, 122

Occupational Health and Safety (GRI 403: 2018)

Management Approach (GRI 103: 2016)	103-1 to 103-3		73-74
	403-1 to 403-7		73-74
	403-9	Work-related injuries, absences and days lost, fatal accidents at work	74 (In 2023 there were 2 workrelated accident. The company does not measure occupational safety indicators related to subcontractors.)
	non-GRI	Safety training for employees	53-54

Training and Education (GRI 404: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		74-76
	404-1	Average hours of training per year per employee	75-76 (As both men and women have equal opportunities to participate in the trainings, the company does not keep records by gender.)
	404-2	Employee skills and transition assistance programs	75-76 (There are no development programs after the termination)
	404-3	Performance and career development reviews	All employees undergo performance and career development reviews
	non-GRI	Leadership development programs	76

Diversity and Equal Opportunity (GRI 405: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		76
	405-1	Diversity of governance bodies and employees	122

Non-Discrimination (GRI 406: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		76
	406-1	Incidents of discrimination and corrective actions taken	76

Local Communities (GRI 413: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		32, 65
	413-2	Incidents of discrimination and corrective actions taken	59-60
	non-GRI	Complaints received from residents	60

Customer Health and Safety (GRI 416: 2016)







Management Approach (GRI 103: 2016)	103-1 to 103-3		29, 52
	416-1	Assessment of the health and safety impacts of product and service categories	Safety risks have been assessed throughout the railway infrastructure and core business.
	non-GRI	Safety and security indicators	53-55
	non-GRI	Safety awareness in society	53

Socioeconomic Compliance (GRI 419: 2016)

Management Approach (GRI 103: 2016)	103-1 to 103-3		21-23
	419-1	Non-compliance with laws and regulations in the social and economic area	No instances



Information Regarding Employees as at 31.12.2023

	Members of the Management Board and Management		Other office workers (excluding the board and management), engineers and so-called technical staff		Workers	Total
						
Number of employees under 30			14	8	15	37
Number of employees aged 31–50	2		94	92	63	251
Number of employees aged 51 and over	5		103	183	113	415
- incl. employees aged 61 and over		1	38	66	41	151
- incl. employees in pensioner age group			18	26	23	5
Number of employees in total	7	1	211	283	191	703
Number of new employees under 30			4	4	9	17
Number of new employees aged 31–50			17	14	12	43
Number of new employees aged 51 and over			12	9	5	26
- incl. new employees aged 61 and over			3	2	1	6
- incl. new employees in pensioner age group				3		3
New employment contracts in total	0	0	33	27	26	86
Number of employees left under 30			4	3	5	12
Number of employees left aged 31–50			6	9	5	20
Number of employees left aged 51 and over			5	16	8	29
- incl. employees left aged 61 and over				2	1	3
- incl. employees left in pensioner age group			2	7	2	11
Number of contracts ended during the year			15	28	18	61

