EESTI RAUDTEE

Annual Report 2024


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Estonian Railways 2024 annual report consists of good corporate governance (GCG) report, management report and accounting reports, along with other information important to stakeholders. For the first time, the annual report also includes a sustainability report. Our goal is to provide open and comprehensive information on various aspects of the activities of Estonian Railways. The reports have been prepared in collaboration with the company's management and field specialists.

We have prepared the reports in accordance with the Estonian Accounting Act, the International Financial Reporting Standards (IFRS) adopted by the European Union, the standards (ESRS) of the Corporate Sustainability Reporting Directive (CSRD), and the requirements of the Estonian Financial Supervision and Resolution Authority's good corporate governance code.

General Information

- Company name: AS Eesti Raudtee
- Business Register Code: 11575838
- Beginning of financial year: January 1
- End of financial year: December 31
- 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 Activity: 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. For the 2024 Annual Report there is no obligation to audit the sustainability report, and the sustainability report section is not audited according to the Corporate Sustainability Reporting Directive (CSRD) standards (ESRS).

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Klooga
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Riisipere
Turba
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Rohuküla
(planned station)
Keila
Valingu
Pääsküla
Ülemiste
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Kiisa
Kohila
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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.

1 186 km of railways

(incl 237 km of electrified tracks)

61 stations

135 passenger platforms

154 years of history and 100 years of electrified tracks

722 employees across Estonia

(incl employees with authorisation agreements)

STATEMENT OF THE MANAGEMENT BOARD

The year 2024 was project-filled for Estonian Railways. The main focus was on work along the Tartu route, which will enable even more comfortable and faster train travel for passengers in 2025. In addition to infrastructure development work, we focused on enhancing the company's sustainability, transforming organizational culture to be more employee-friendly and inclusive, and improving process quality.

We offered the public a glimpse into history by celebrating the 100th anniversary of electrified railways, which symbolizes the development of railway traffic in Estonia over the past 154 years. Notable was our reappointment as a provider of essential services (ETO) in the autumn of 2024 – this necessitates fulfilling several socially important tasks.

Electrification helps meet Estonia's climate goals

The electrification of railways increases the length of Estonian Railways' electrified tracks from 237 kilometers to over 700 kilometers, aiming to make rail transport faster, smoother, and more environmentally friendly. The new passenger transport quality created using renewable energy will significantly reduce the environmental impact of the transport sector. Construction work began in 2023, and initially, the electrified infrastructure up to Tartu was supposed to be completed by the end of 2024. However, mid-year, it became clear that adjustments to the schedule were necessary. Due to events in South Estonia for Tartu 2024 and NATO exercises, railway regular traffic was restricted less than initially planned. Therefore, it was not possible to secure sufficient traffic interruptions for railway and catenary network works. The new deadline for electrification in the direction of Tartu is now the third quarter of 2025.

160 km/h is the New Norm

Adhering to planned deadlines is a challenge because Estonian Railways is simultaneously handling several large-scale investment projects. In addition to electrification, rail curves are being straightened, and platforms, station tracks, and railway crossings are being reconstructed. A very important project is the modernization of safety equipment across the infrastructure, which will enhance railway safety and contribute to increasing passenger train speeds up to 160 km/h. We are undertaking this journey with our main client, Eesti Liinirongid (Elron), whose new Škoda trains began testing on our infrastructure in the summer of 2024.

Tapa Station Reconstruction as a Model of Circular Economy

In the summer of 2024, Tapa marshalling yard and a new energy-efficient near-zero energy administrative building were completed, which now houses all our Tapa structural units. The reconstruction of Tapa station enhances the area's significance as a major railway hub, embodying green thinking with new environmentally friendly solutions. In this project, more than 80% of the building materials used were previously utilized. In addition to the freight train marshalling yard, it serves as a central intermediate station for both Tartu and Narva routes passenger rail traffic. The renewal of the Tapa water tower facade contributed to the preservation of railway heritage.

Sustainability, Employee Friendliness, and Quality go hand in hand

The European Union's Corporate Sustainability Reporting Directive (CSRD) requires companies to disclose information about the impact of their activities on the environment, economy, and society. The CSRD will apply to Estonian Railways starting with the 2025 financial year report, but we aim to align our reporting with the directive even earlier. In 2024, we undertook extensive preparatory work by engaging stakeholders and analyzing the company's impact in various sustainability areas. By the end of the year, the Estonian Railways sustainability strategy up to 2030 was completed, which will help us advance on this journey.

We are proud to have received the silver label in the family-friendly employer program and have joined the diversity agreement. All of this contributes to the development of an employee-centered organizational culture. We are one of the largest employers in Estonia, with over 700 employees of different ages, nationalities, and cultural backgrounds. We wish everyone to feel safe with us.

Investment in Railway Safety through Infrastructure Improvements and Raising Awareness

There is no doubt that adding barriers and signals to level crossings and constructing tunnels and viaducts help enhance the safety of railway infrastructure. In 2024, tunnels and viaducts were added to our infrastructure in Ausi, Kaarepere, Mullavere, and Põdrangu, and by 2025 we have a cooperation agreement with Tartu city for the construction of two new tunnels. Tunnels will also be completed in Alupere, Nelijärve, Jäneda, and Lehtse. In 2024, 50 level crossings were activated. For the first time, we used four barrier solutions on our infrastructure. In public railway safety, we collaborated with the Operation Lifesaver Estonia (OLE) team, and our employees conducted railway safety training in schools and kindergartens for more than 2,000 children.

Freight Transport and Number of Passengers

Freight volumes significantly decreased in 2024 due to sanctions against Russia and Belarus. Transit transport saw the largest decline compared to 2023, but local transport also faced challenges. However, it is encouraging that despite major infrastructure works and temporary service disruptions, passengers remained committed to rail transport – their numbers stayed at a level similar to the previous year.

In 2025, extensive reconstruction work will continue on the route to Tartu, with additional work being carried out on the Narva route. While investments in 2024 amounted to over 120 million euros, in 2025 we aim to invest over 160 million euros, supported by the European Union and Estonia's state budget, to provide our customers with increasingly high-quality and safe railway infrastructure.

Kaido Zimmermann

Chairman of the Management Board

ORGANIZATION AND MANAGEMENT

Goal-Based Management, Vision, and Mission

Estonian Railways' **vision** is to become the most modern railway infrastructure manager in the region. Its **mission** is to serve as a railway competence center and to ensure safe and efficient railway services. Each year, the supervisory board of Estonian Railways approves the company's objectives for achieving strategic directions. Based on these, the management board determines specific goals for structural units.

Estonian Railways Values

The expectation of the Estonian state as the owner is for Estonian Railways to provide a high-quality public service that meets modern technical standards, safety requirements, and the open transport market. Estonian Railways is responsible for managing railway infrastructure and plays a significant role in Estonia's transport system and the economy as a whole. It is a strategically and nationally important infrastructure company for the state. Through this enterprise, the state ensures open and transparent access to Estonian Railways' railway infrastructure for all market participants, as well as seamless railway connections between Estonia's ports and neighboring countries' railway networks with a 1520 mm rail gauge.

COOPERATION

is important for Estonian Railways both within the company and externally, so that employees value communication with each other, consider their colleagues, and solve work tasks together. The company's willingness to cooperate must be reflected to existing and potential partners, as well as to the public.

HONESTY

is an important value in Estonian Railways's sector of activity. As a state-owned company, we strive to be exemplary and honest in our actions and decisions. We also expect an honest approach from our partners.

INNOVATION

is a value that the company strives towards. At the time of preparing this report, Estonian Railways has over 154 years of history, but to maintain competitiveness in today's world, it is necessary to keep up with the times and continually update our processes. We can certainly be much more innovative and advance the company through forward-thinking decisions.

PROFESSIONALISM

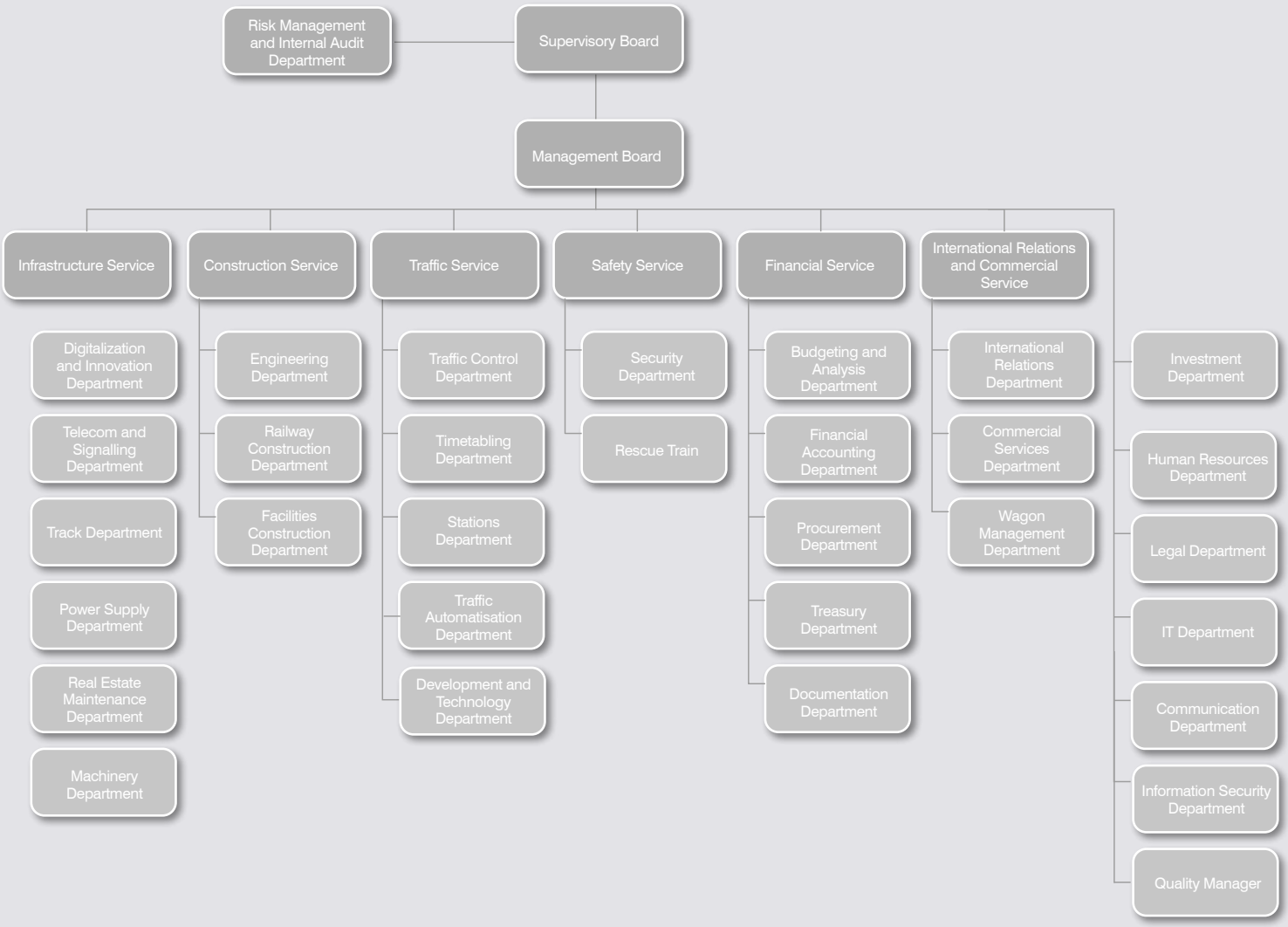
is a cornerstone of the company. Employees embody "railway knowledge" and are top specialists in their fields. Developing our employees is important to us because by enhancing their professionalism, they can also impact the company's financial performance.

Estonian Railways Management System Principles, including Safety, Occupational Safety, Information Security, Asset Management, Quality, and Environmental Guidelines

- As a responsible company, Estonian Railways values sustainable development and strategic contributions to social and environmental progress.
- Threats are identified, risks are regularly assessed, and preventive measures (such as periodic maintenance and automated monitoring) are planned to ensure railway infrastructure is safe for clients and employees and does not harm the surrounding environment.
- International, national, and internal regulations related to railway safety, occupational health and safety, information security, environmental protection, and asset management are adhered to.
- Conditions for the maintenance and use of railway infrastructure, along with safety requirements, are established and compliance is monitored.
- Cyber hygiene standards for employees and partners are maintained.
- Through quality traffic management and minimizing infrastructure faults, maximum capacity for railway infrastructure is ensured, and asset-related activities are planned and prioritized based on data.
- Root causes of work-related accidents, information security incidents affecting railway safety, and other incidents that threaten railway operations are identified, and measures are implemented to prevent such incidents.
- Modern technological solutions and environmentally friendly materials are preferred in the construction, repair, and maintenance of railways to ensure safe operations and prevent environmental pollution.
- Continuous development of staff knowledge and skills is pursued to ensure the effective, efficient, environmentally sustainable, safe, and smooth operation and management of railway infrastructure. Modern tools and web solutions are provided to support the company's shift toward digitalized and automated processes.
- Employees, employee representatives, and partners are involved in identifying occupational health and workplace hazards, analysis, and subsequent control activities.
- The company complies with standards for environmental, quality, occupational health and safety, asset management, and information security management systems (**ISO 14001:2015, ISO 9001:2015, ISO 55001:2015, ISO 45001:2018, ISO 27001:2013).**
- Management principles are accessible to employees and partners. All employees are responsible for implementing these principles.
- Responsibility is taken for updating, maintaining, and ensuring the modernity and continuity of assets (including digital) and information in their area of expertise.
- Based on the zero-vision principle, safety is ensured in collaboration with parties involved in railway infrastructure management and usage to prevent fatalities or severe injuries, even in the event of an error.
- Management system principles are part of Estonian Railways' comprehensive internal control system, which is continuously improved. Every manager is responsible for making these principles understandable to their subordinates.

Detailed information about risk management, safety management, and quality management can be found in the relevant sections.

ORGANISATIONAL STRUCTURE



Risk Management, Safety Management, and Quality Management

Risk Management

Risk management is an important tool for Estonian Railways, providing assurance that strategic and operational objectives are met in a controlled manner, and potential risks are properly mitigated with effective measures. **The company's risk management focuses on prevention – risks are identified, and those responsible for specific risks must implement the best measures to mitigate factors that might trigger the risk.**

The principles of risk management are outlined in a document that describes the risk management policy, process, as well as the roles and responsibilities of the parties involved. Based on the developed risk management solution, comprehensive risk management reporting has been established. The assessment of risks and their mitigation activities is conducted together with employees. Collaborative workshops examine factors influencing and triggering risks and analyze the suitability and effectiveness of implemented mitigation measures. At least once a year, the heads of all key structural units present area-related risks and management challenges, along with measures for managing them, to the audit committee of the supervisory board to ensure the probability and impact of risk realization on the company remain as low as possible. Through these activities, the company monitors whether and how effectively the measures implemented for risk mitigation work. Major improvement activities are tied to detailed objectives for the period. Managers and individuals responsible for specific risks regularly undergo risk management training.

Risk management at Estonian Railways is overseen by the company's management board. Oversight of risk management activities and processes is the responsibility of the supervisory board, its audit committee, and Estonian Railways' risk management and internal audit department. During internal control systems and risk management processes, employees responsible for the effective management of specific risks are appointed.

In 2024, ESG risk assessment was conducted for the first time as part of a double materiality assessment process.

It's important to note that the established risk management principles within the company must also be applied by external parties who are contractually related to Estonian Railways.

Safety Management

Estonian Railways is committed to doing everything possible to prevent severe injuries or fatalities on railways. Employees of Estonian Railways and users of the company's infrastructure must be aware of the potential hazards related to their tasks based on experience and training, and they should avoid putting others at risk during their work.

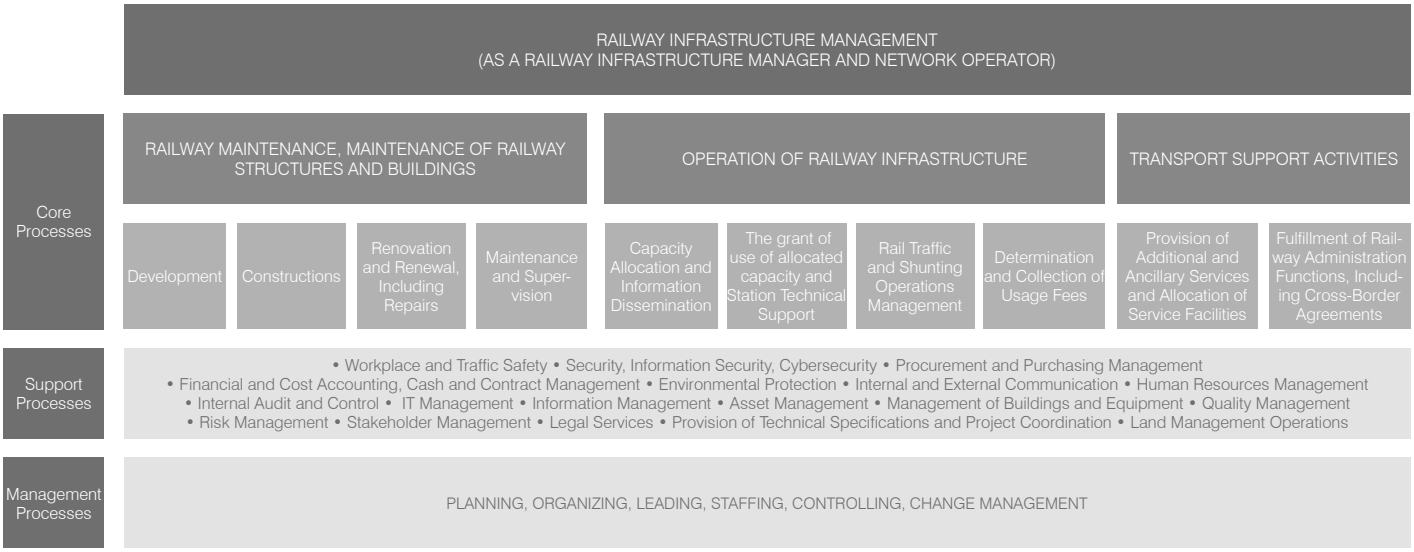
Estonian Railways is dedicated to ensuring the functioning and continuous development of its safety management system. The company's management encourages employees through recognition and motivation to follow shared values and a positive safety culture in their activities. All employees of Estonian Railways, starting from the management board, are responsible for maintaining safety levels.

Quality Management

In 2024, Estonian Railways updated its management system handbook, which includes the management system principles. The handbook encompasses requirements from various standards, providing a comprehensive approach to managing quality, environmental protection, information security, occupational safety, and asset management.

Estonian Railways applies a process-based approach in its operations. Core processes, support processes, and management processes are differentiated. Each process has a specific accountable person, usually the manager of the relevant structural unit or field. Normative documents, including regulations, processes, procedures and guidelines, describe the processes.

Process map



In 2024, certifications for various management standards took place, including external audits and preceding internal audits. Interviews for external audits were conducted over 30 days in various regions and fields.

Corporate Governance Report

General Meeting

The sole shareholder of the public limited company Estonian Railways is the Republic of Estonia, with share capital amounting to 80,302,814 euros.

The Minister of Climate acted as the representative of the sole shareholder until 23.07.2024, when this role was transferred to the Minister of Infrastructure. On 20.05.2024, the Minister of Climate approved the Annual Financial Report for 2023 through a sole shareholder decision.

Supervisory Board

In 2024, the members of the supervisory board included Rene Varek (Chairman), Indrek Laineveer, Hannes Luts, Kaupo Raag, and Anvar Salomets. The supervisory board oversees the activities of the management board, participates in the organization of planning and management of the company's activities, and decides on transactions that exceed the ordinary course of business or the limits of the management board's powers as defined by the supervisory board. The supervisory board operates independently in the interests of the company and the sole shareholder.

The primary form of work for the supervisory board is meeting. In 2024, eight supervisory board meetings took place, and four decisions were made without convening a meeting. One member of the supervisory board did not participate in discussions nor voted on two decisions due to conflicts of interest.

Audit Committee

The audit committee functions as an advisory body to the supervisory board on oversight-related issues, monitors and analyzes financial information processing, the effectiveness of risk management and internal control, approved and the independence and compliance of the auditor. Five audit committee meetings were held in 2024. Members of the audit committee are Roman Laidinen (Chairman), Indrek Laineveer, and Kaur Kajak.

Safety Committee

The safety committee acts as an advisory body to the supervisory board on safety oversight-related matters, considering the specifics of railways. Members of the safety committee in 2024 included Tamo Vahemets (Chairman), Dago Antov, Indrek Laineveer and Sirle Loigo, with Tauno Suurkivi until February 6, 2024, following which Viktor Saaremets joined. Four safety committee meetings were held in 2024.

The state has established the remuneration rates and procedure for supervisory board members. According to this, the chairman of the supervisory board receives a higher remuneration than other members. No remuneration is paid for the month of a meeting to members not in attendance. According to the remuneration procedure, additional fees are paid to supervisory board members who are part of the audit and safety committees for participating in those meetings. Supervisory board members are not paid severance.

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 organizes relevant control and reporting.

The Management Board of Estonian Railways has approved the Management Board's rules of procedure stipulating its internal organization of work, the procedure for adoption of decisions and monitoring of their enforcement and other issues regulating the activities of the Management Board. In 2024, 64 management board meetings were held.

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.

Estonian Railways is managed by Kaido Zimmermann who is the Chairman of the Management Board and General Director of Estonian Railways 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 2024, 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 2023.

Disclosure of Information

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

RESULTS OF 2024

Key Indicators of 2024

Sales Revenue EUR 28,1 million

(2023: 28,6)

EBITDA EUR 27,4 million

(2023: 23,8)

Total Assets EUR 596,5 million

(2023: 489,8)

Equity EUR 176,1 million

(2023: 176,1)

Investments EUR 127,8 million

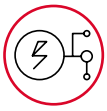
(2023: 83,9)

Railway Accidents/ Injuries/Fatalities 2024: 10 / 9 / 3

(2023: 17/ 15 / 8)

Local Passenger Numbers in Estonia 7,8 million passengers

(2023: 7,8)



Electricity Consumption 11,400 MWh

(2023: 12 300 MWh)

Total Number of Employees in Estonia 722 employees (women 284, men 438)

(2023: 703 employees, women 294, men 409)

Savings from Recycling Rails and Sleepers at Tapa Station EUR 2,88 million


NARVA
NARVA MAANTEE

2024 Goals and Achievements

Estonian Railways 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 2024 in four categories. The following table provides an overview of the most important of them.

2024 Goals and Results

Category	Goal	Result
INFRA-STRUCTURE	EBITDA: at least EUR 24,5 million	Achieved with EUR 27,4 million
	85% of the investment budget is fulfilled	Goal achieved
	In the electrification project the Aegviidu-Tapa-Tartu catenary is ready for energizing The procurement for the design and construction of Tapa-Narva line is carried out	Largely achieved. Majority of the catenary was constructed but the electrification commissioning is scheduled for 2025. The design and construction tender for the Tapa–Narva catenary has been conducted, and contracts are signed
	Control, command and signalling (CCS) project: Complete major construction on the Tapa–Tartu line for the CCS modernization project and conduct the factory test at Ülemiste	Partially achieved. The construction will be completed by April 2025. The Ülemiste factory test has been rescheduled to Q4 2025 according to a revised timeline
	Reduction of non-essential buildings by ten and the electricity consumption in the company will not exceed 13,000 MWh per year	Partially achieved. Seven buildings were disposed of or demolished, and the electricity consumption for the year was 11,400 MWh

STAKE-HOLDERS 	To support the growth of freight transport, two new services have been developed: pre-registration inspection for wagons and technical inspection of rolling stock	Goal achieved
	Annual Mileage for Passenger Trains 4,8 million train kilometers	Goal achieved (4,9 million train kilometers)
	At least three passenger platforms have been renovated	Largely achieved. The Nelijärve platform and the Kaarepere platform and tunnel have been completed and opened for passengers' use
	The fulfillment of the timetable is at least 99,2% for both passenger and freight transport, no more than 220 trains are delayed due to failures preventing train traffic	99.8% for passenger trains and 100% for freight trains of the timetable influenced by the Estonian Railways was fulfilled and 282 trains were delayed due to infrastructure failures
	A procurement process for acquiring a railway crane has been conducted to improve continuity and safety processes	The procurement process of a railway crane has been completed, and the purchase contract has been signed
	The pilot project for the Field Service Management (FSM) has been launched	Pilot project is scheduled to commence in the first quarter of 2025
PROCESSES 	The company has been awarded the asset management system certificate ISO 55001	Goal achieved
	39 railway crossings have been modernized	24 railway crossings were constructed and put into use, 34 railway crossings were activated; the remaining will be modernized in 2025
	The number of railway crossing failures influenced by the company does not exceed 100	Goal achieved. There were 92 failures
	Risk assessments for railway crossings have been completed for the Tallinn–Tartu and Tapa–Narva sections	Goal achieved. Risk assessments were completed for all 147 Estonian Railways railway crossing locations
EMPLOYEES 	The share of Traffic Service employees proficient in Estonian (at least B2 level) is at least 37%	Goal achieved. 38.7% of employees have Estonian language proficiency at least at B2 level
	The majority of employees have completed cyber hygiene training and passed the test	Goal achieved
	The company has at least 20 interns, and an employee satisfaction and engagement survey has been conducted	Goal achieved
	Estonian Railways' ESG (Environmental, Social, and Governance) strategy has been developed and approved by the management board	Goal achieved

Financial Indicators

in million euros	**2024**	**2023**	**2022**	**2021**	**2020**
Total operating income	69.1	64.3	59.0	55.8	63.8
Sales revenue	28.1	28.6	29.4	32.8	31.1
incl. infrastructure services	22.8	23.1	24.7	29.3	28.4
incl. other services	5.4	5.5	4.7	3.5	2.7
Other revenue	41.0	35.7	29.6	23.0	32.7
incl. government grants for investments	9.6	7.9	7.9	7.1	7.8
incl. government grants to achieve performance targets	30.7	25.9	20.7	14.6	24.1
incl. other income	0.7	1.9	1.0	1.3	0.8
Operating profit before interests, taxes, depreciation and amortisation (EBITDA)	27.4	23.8	23.6	22.4	32.7
Net profit	0.0	0.0	0.0	0.0	7.1
Investments	127.8	83.9	55.6	34.6	32.0
Assets at year-end	596.5	486.2	417.4	374.4	356.9
Equity at year-end	176.1	176.1	176.1	176.1	176.1
Interest-bearing liabilities at year-end	102.9	70.8	49.2	34.8	26.3
Total operating expenses	69.7	64.6	58.7	55.5	56.4
incl. goods, materials and services	10.7	12.1	11.9	9.8	8.0
incl. miscellaneous expenses	5.8	4.8	4.4	3.5	4.3
incl. personnel expenses	24.8	22.1	19.5	18.7	18.4
incl. depreciation and amortisation	27.9	24.2	23.3	22.1	25.3
incl. other expenses	0.5	1.4	-0.4	1.4	0.3

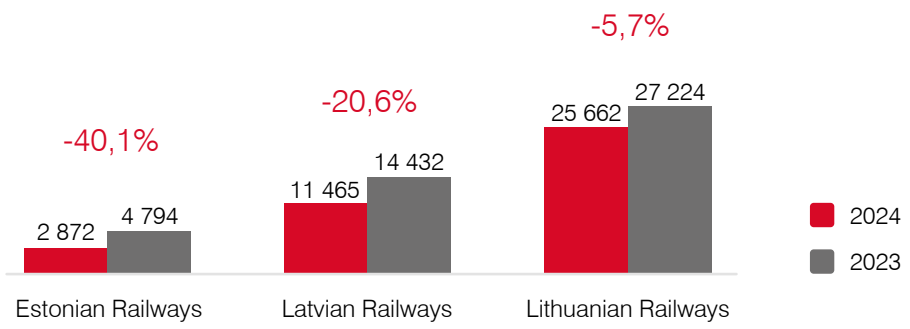
Operating volumes

The company's infrastructure designated for public use had five freight railway undertakings (Operail, Sillamäe Sadam, Enefit Power, GoRail, LDz Cargo Estonian branch) and two passenger railway undertakings (Elron and Pasažieru vilciens (Vivi)) operating on the lines.

Since the 2021/2022 timetable period, Estonian Railways has also entered into infrastructure usage agreements with non-public railway undertakings (such as Skinest Rail) that transport shippers' and receivers' goods across the boundary between public and non-public railways.

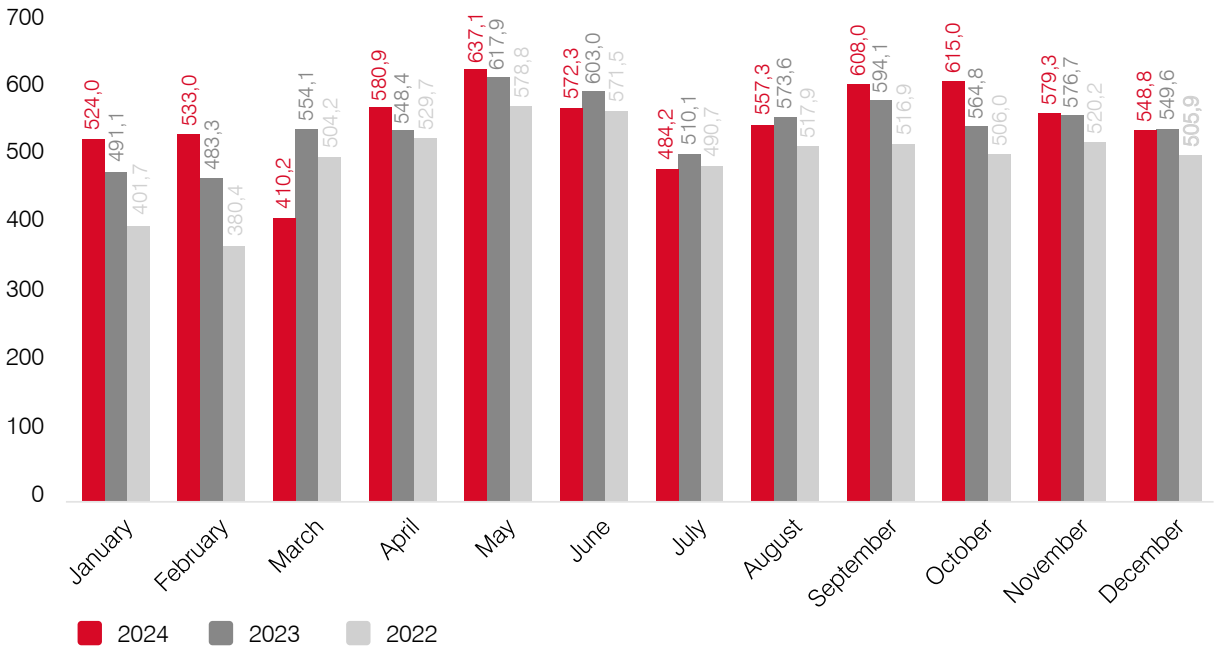
In 2024, 2.87 million tonnes of goods were transported on Estonian Railways infrastructure. Compared to 2023, the transport volume decreased by 40.1%. Operail carried 54.4% of the goods (2023: 41.0%). Changes in transport volumes in 2024 were mainly caused by sanctions imposed on Russia and Belarus due to Russia's ongoing aggression in Ukraine. Freight volumes decreased last year on both Latvian and Lithuanian railway infrastructures.

Freight volume on the public railway of the Baltic States 2023-2024 (thousand tonnes)



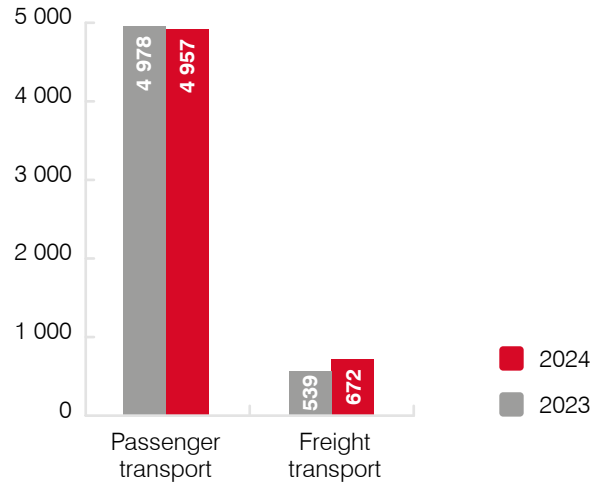
In 2024, 6.65 million passengers were transported on Estonian Railways infrastructure using diesel and electric trains, a decrease of 0.3%. Overall in Estonia, 7.77 million passengers were transported, a decline of 0.5%. There was no international passenger train traffic from 2021 to 2024. Among other Baltic countries, the number of local railway passengers in 2024 was 19.4 million in Latvia (2023: 17.1 million) and 5.0 million in Lithuania (2023: 4.7 million).

Monthly number of local passengers on the infrastructure of Estonian Railways 2022-2024
(excluding the Tallinn/Tallinn-Väike segment, thousand)



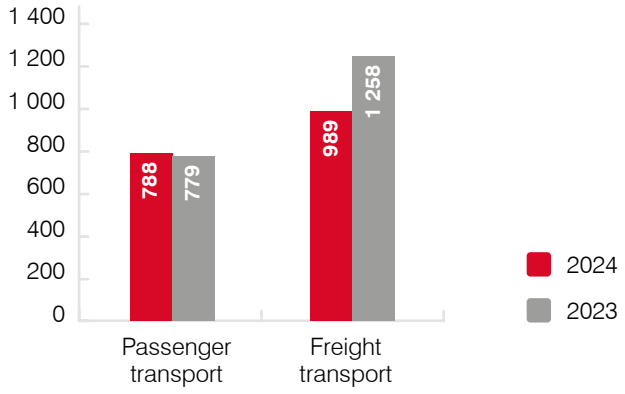
Passenger trains mileage on the company's infrastructure reached 4.98 million train kilometers, accounting for 90.2% of all train mileage (2023: 88.1%). The mileage of passenger trains increased by 0.4% compared to 2023, while the mileage for freight trains decreased by 19.9%.

Rail usage (thousand train kilometers)



In 2024, rolling stock operations on Estonian Railways infrastructure amounted to 1,777 million gross ton kilometers, including 989 million gross ton kilometers from freight train operations, which represented 55.7% (2023: 61.7%). Compared to 2023, freight train operations decreased by 21.3%, while passenger train operations increased by 1.1%.

Operation of rolling stock (million gross tonne-km)



Infrastructure Renewal and Maintenance

Condition of Estonian Railways infrastructure by the end of 2024

- Percentages of railway lines allowing certain speeds: 3% at 140 km/h, 29% at 135 km/h, and 52% at 120 km/h.
- Passenger waiting platforms in use are 100% compatible with the rolling stock used.
- 95% of railway crossings (2023: 90%) are in good condition.
- 60% of railway crossings are equipped with automatic signal lights and barriers; 26% have only signal lights.
- 66% of road structures (bridges, viaducts, culverts) are in good condition.

Quality Indicators for 2024

- Relative utilization of capacity at railway border stations: Narva 5.0%, Koidula 15.0%, Valga 21.1% (2023 figures are incomparable due to train traffic in Narva and Koidula border stations operating under modified temporary technology).
- Passenger timetable adherence at 99.3% (2023: 99.8%).
- Freight trains operating regime adherence at 100% (2023: 100%).
- Number of faults: 2,271 (2023 adjusted: 1,723).

Major Projects

As part of the electrification project, a 25 kV alternating current contact network with transmission substations in Tapa, Jõgeva, Püssi, Oru and Raasik will be built. The complete reconstruction of the contact network began on the Lagedi–Aegviidu section. In 2024, work continued on the Aegviidu–Tapa–Tartu section based on the contract signed a year earlier. On 13.02.2025, the energizing of the Aegviidu–Tapa station gap and the 25 kV contact network of the Tapa station took place. An agreement was signed to equip the Tapa–Narva railway with a catenary. By the end of the year, connections at 110 kV voltage were completed to supply the Jõgeva and Tapa transmission substations, and connection agreements were signed for the Oru and Püssi transmission substations. The plan is to have the catenary ready on the Aegviidu–Tapa–Tartu section in the second half of 2025. The reconstruction of the Lagedi–Raasik catenary will be completed at the end of 2025, and the Tapa–Narva railway section will be equipped with a catenary by mid-2027.

Infrastructure-wide modernization of CCS. During the project, equipment located in stations will be replaced and traffic lights and turnout drives will be replaced. In 2024, construction and installation work on CCS at Tapa station was completed. New cable ducting was built and cables were installed in the station area. An equipment room was put into use in the new administration building, where our contract partner installed new traffic control equipment. In addition, construction procurements for the CCS on the Tapa–Jõgeva and Jõgeva–Tartu lines were carried out. Construction work has already begun today. In connection with the commissioning of the new equipment rooms, the Estonian Railways fiber optic cable network was also upgraded.

Automation of Traffic Management. The project involves creating comprehensive traffic management software integrated with safety systems. New software testing has been completed on the Tartu–Koidula line and factory interface tests have been conducted in the Lääne-Harju area.

Modernization of Railway Crossings. During the renewal of crossings and pedestrian crossings, existing barriers, signals, and equipment are added or replaced. As part of the project, a new monitoring system was introduced, providing real-time information about possible faults and the capability to address them promptly. At the end of 2022, it was decided to implement a four-barrier solution at railway crossings with higher train speeds to enhance safety. By the end of 2024, 7 four-barrier crossings were in use.

Straightening Curves and Overhauling the Tallinn–Tartu–Koidula Railway Line. On the Tallinn–Tapa–Tartu route, the railway is being reconstructed to support passenger train speed limits of up to 160 km/h. The major overhaul of the Aegviidu–Tapa railway section was completed at the end of 2023. In 2024, 21.2 km of main track (including 15 straightening works over 16.8 km and 4.4 km of major overhaul) was installed and opened for traffic on the Tapa–Tartu section, and 9.3 km of station tracks were reconstructed. In 2025, 29.3 km of main track remains to be completed on the Tapa–Tartu section (including 4 straightening works over 9.8 km and 19.5 km of major overhaul) and 5.8 km of station tracks.

The project also includes **construction work on railway structures**. In 2024, the Põdrangu railway viaduct, Kiltsi bridge, Ausi pedestrian tunnel, Kaarepere tunnel and platform, 12 culverts and 1 slope stabilization at Tapa-Kaarepere straightening, 7 culverts at Kaarepere–Kärkna straightening, and 2 culverts between Lagedi and Raasiku were completed. The construction of Mullavere viaduct and Vägeva and Pedja platforms is underway. Construction is starting on Kiltsi, Rakke, Tabivere, and Kärkna platforms, Alupere eco-tunnel, and Lehtse and Jäneda platforms and tunnel (a total of 3 tunnels and 6 platforms). There are also plans to increase the clearance of the Kärkna viaduct.

Collaboration with local municipalities is ongoing for **the construction of new tunnels**, such as the completion of the Tondi railway crossing and a pedestrian tunnel on Paldiski road in cooperation with Tallinn city in 2024. Cooperation with Tartu city has begun for the construction of two new pedestrian tunnels.

Straightening Curves and Major Overhaul of the Tapa–Narva Railway Line. The Tapa–Narva overhaul includes constructing four straightening works (Tapa–Kadrina, a small straightening before Püssi, Püssi–Kohtla, and Jõhvi–Oru) and partially reconstructing 9 stations (Rakvere, Sonda, Kiviõli, Püssi, Kohtla, Jõhvi, Oru, Soldina, Narva). A new wider waiting platform will be built at Oru station. Two existing bridges will be replaced with culverts at the straightening works, and 3 new culverts will be built. The majority of the work will take place from 2025 to 2027.

Straightening Curves and Major Overhaul of the Tartu–Valga Railway Line. The work involves straightening the Palupere–Puka sections (10.2 km) and a major overhaul of the Puka–Keeni section (11.4 km), the removal of the Puka station, and the construction of 7 culverts. The majority of the work will take place between 2026 and 2027.

Railway Maintenance

The goal of the planned maintenance work in railway management for 2024 was to ensure safe train operations at established speeds. The main maintenance tasks included:

- machine tamping of 186.5 kilometers of tracks (+46% compared to 2023);
- machine tamping of 68 turnouts (2023: 69);
- maintenance of Fastclip-type rail fastenings over 12 kilometers (+118%);
- replacement of 2,677 wooden sleepers (+24%) and 1,266 turnout sleepers (+38%);
- conducting 52 thermite welds (-35%) and 67 cross rail build-up welds (+26%);
- performing 233 flash butt welds (+60%);
- replacement of 2,075 meters of continuous welded rail (-28%).

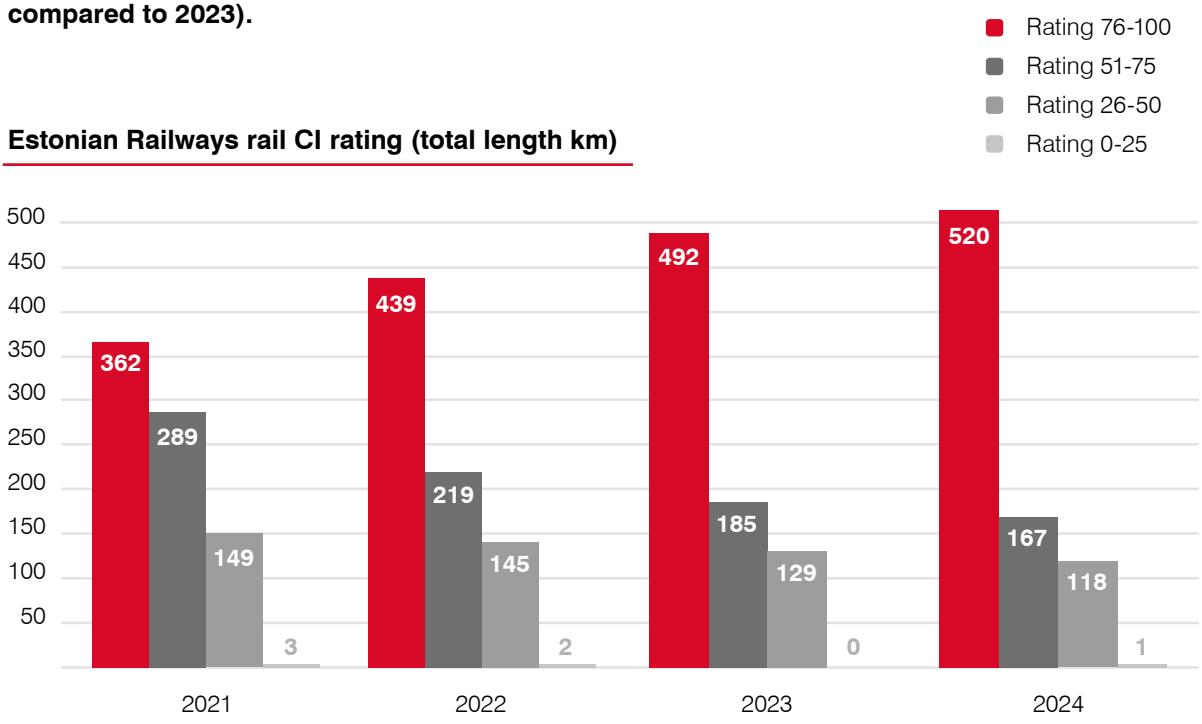
In 2024, thorough analyses were conducted regarding the condition of railway structures, converting the results into a unified scale (see below).

Condition Index (CI)

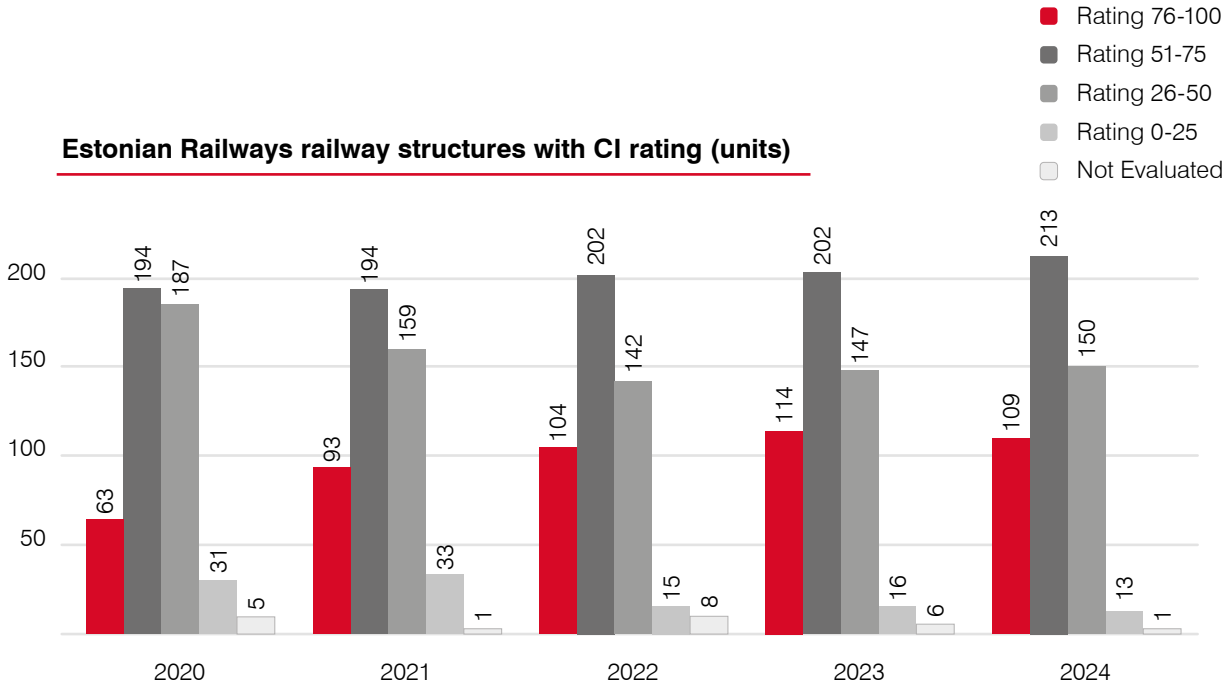
- 0-25 points – requires constant attention
- 26-50 points – requires attention
- 51-75 points – in good condition
- 76-100 points – in very good condition

The average rating for the main railway tracks of Estonian Railways was 76 (+1 compared to 2023), for bridges and culverts 60.3 (+0.1 compared to 2023) and for level crossings 83.5 (+2.1 compared to 2023).

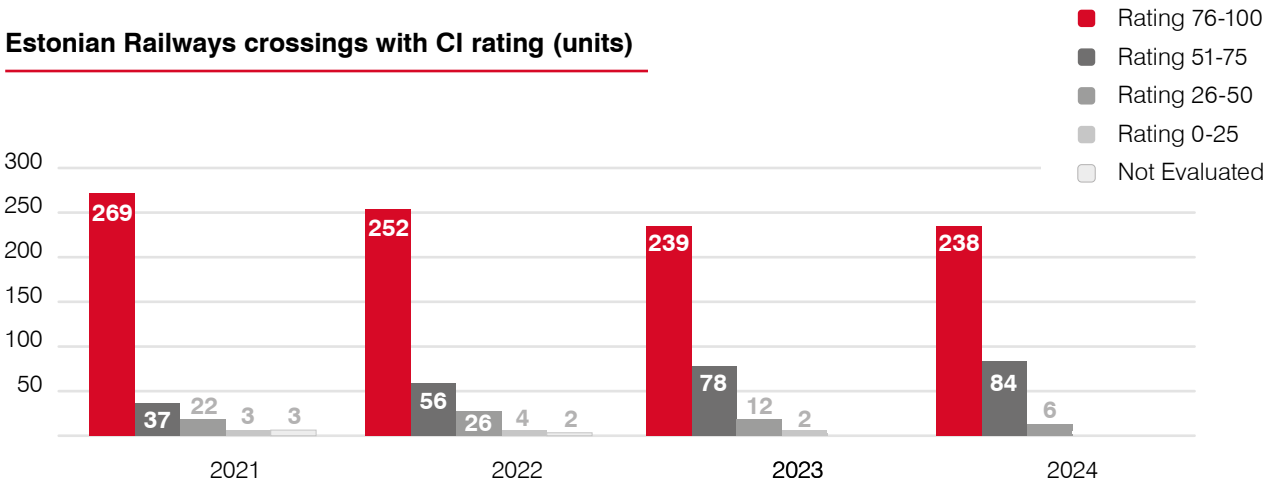
Estonian Railways rail CI rating (total length km)



Estonian Railways railway structures with CI rating (units)



Estonian Railways crossings with CI rating (units)



Electrical Networks

Throughout 2024, various power supply points for CCS were constructed, lighting systems were updated, and electric heating systems for turnouts were developed, similar to previous years. Estonian Railways also engages in electricity distribution, meaning that the purchased electricity is sold to sub-consumers, the largest of which is Elron. Their electric trains are powered by electricity supplied by Estonian Railways. In 2024, a public procurement resulted in a two-year electricity purchase agreement with AS Enefit for an estimated volume of 80 GWh. All the procured electricity comes from renewable sources, ensuring that all electric trains in Estonia use only renewable electricity.

The volatility of prices increasingly necessitates finding solutions to reduce electricity consumption. One approach is to build local electricity generation systems. In 2022, Estonian Railways completed its first solar park at Tapa station with a capacity of 50 kW, followed by a 50 kW park in Narva by the end of 2023, and a 50 kW park in Valga at the beginning of 2024. Investments are made annually in updating electrical networks and equipment, resulting in a satisfactory condition of the networks.

Real Estate

One of Estonian Railways' directions is to offer its employees better, more comfortable, and more modern working conditions. To achieve this goal, a new nearly zero-energy administrative building was completed in Tapa in the summer of 2024. In the communication building on Riia Street in Tartu and in the Ülemiste post building, existing spaces were renovated, and at the end of the year, construction began on a new administrative building in Keila. Three buildings were renovated to accommodate new traffic management equipment (Tamsalu, Ülemiste, and Jõgeva).

To create better working conditions, Estonian Railways aims to build a new main building on the property at Toompuiestee 35 and has submitted a request to the local municipality to initiate a detailed planning process. Currently, the company operates on rented premises in the Telliskivi district, but space constraints are already problematic, and there is a recognized need for additional space to realize the future needs of the traffic control center. The new building is primarily planned for the company's own use, and it is intended to consolidate structural units currently spread across various locations throughout the city.

As part of infrastructure optimization, 7 buildings were demolished in 2024. The fate of historical station complex buildings has become a challenge. They are largely without a designated use, in poor condition, and require extensive renovation. On the other hand, efforts are being made to find new purposes for them before refurbishment. No historical station building is demolished lightly, but unfortunately, they are generally located close to railway lines, obstructing infrastructure redevelopment. One such building was the Tabivere station building in 2024. Efforts were made to find a new life for the building in cooperation with the National Heritage Board, offering it to the Estonian Open Air Museum and organizing a public auction, but unfortunately, these attempts failed. For electrification and the establishment of a new control system, the building still needs to be demolished.

A good example of caring for historical cultural heritage in 2024 was the repair of the facade and window openings of the Tapa station water tower. As the renovation of the exterior of the station building is set to begin in 2025, this landmark significant to Tapa city should be externally restored in the coming years. Estonian Railways hopes that in future cooperation with Tapa city, these buildings can become gathering places for the local community and drivers of cultural promotion.

A good example of cooperating with the local municipality is the developments at Kopli freight station. In collaboration with Tallinn's Strategy Center, Estonian Railways has developed a future solution for Kopli station and submitted related proposals to the North Tallinn general plan. According to the solution, some of the station's territory will remain, but much of it will be built over and transformed into a green area. It is worth noting that Kopli station plays an important role in Tallinn's green network; thus, in 2025, a segment of the Putukaväila (insect alley) lightweight traffic path covered with planings is planned to be established within the Kopli freight station territory.

Innovation and Digitalization

Estonian Railways' digital strategy is designed to maximize the value derived from technology use to achieve the strategic objectives outlined in Estonian Railways' business strategy. The following key activities took place in 2024 to implement the digital strategy.

In the Field Service Management (FSM) project, a procurement process for acquiring the ServiceNow platform was conducted in 2024. The project is divided into two functional modules: infrastructure incident management and planned maintenance management. Development work was carried out in 2024, and the goal of year 2025 is set to test the solution in Southern Estonia and the Lääne-Harju area.

Regarding the development of **the Geographic Information System** (GIS), additional critical objects were added to the GIS map, and the data was transferred to a new platform, offering advantages in data importing, management, and simplifying corrections.

The pilot project for **data collection and analysis** regarding switch drives in Lääne-Harju using the Hitachi Rail–TIRIS platform was completed. Over a period of one and a half years, the behavior of switch drives in the area was tested and analyzed. The pilot project provided valuable insights into the system, which allows for preventive maintenance of critical assets and data-driven decision-making.

To automate and digitize activities, Estonian Railways updated 13 business analytics application reports in **PowerBI.** As part of this initiative, a cloud-based collaboration platform was completed, including an **intranet** in Sharepoint, **a personal protective equipment ordering system, and a vacation management application**. The cloud migration of the ERP system **Dynamics 365** was finalized, and the service for managing windows (technological intervals planned in the timetable) in the Wagon Management System **(VJS)** was launched.

MAJOR EVENTS 2024

JANUARY

- The Consumer Protection and Technical Regulatory Authority issued a safety license to Estonian Railways for managing public railways, valid until 25.01.2029.
- Estonian Railways and the Estonian Railway Workers' Union signed a collective agreement for 2024.

FEBRUARY

- Estonian Railways participated in and helped organize the "Track Master 2024" competition at Tallinn University of Technology (TalTech).
- "Bring Your Child to Work Day" was held, where employees' children attended safety lectures, explored trains, and painted birdhouses, which were displayed at our stations.

MARCH

- A continuity exercise was conducted to test the electrical supply of a strategically important building and ensure smooth traffic management.
- Tiksoja crossing became the first in Estonia to feature a four-barrier solution.

APRIL

- Diversity Month was celebrated for the first time at Estonian Railways, during which a health week titled "Maintaining Health Diversely" was organized, along with a job-shadowing week "Estonian Railways as a Diverse Employer – Get to Know Your Colleague's Work" and training by the Human Rights Center.

MAY

- The Tapa water tower underwent refurbishment. The facade of the tower was repaired, and the depot building was conserved during the process.
- Estonian Railways trained and initiated a group of employee mental health ambassadors to assist colleagues with their concerns.
- On May 31, Estonian Railways employees gathered with their children at the Open Air Museum for Railway Children's Day, with the OLE safety tent also present.

JUNE

- A safety handbook summarizing the fundamentals of railway operations was completed for both employees and partners.

JULY

- On the morning of July 23, Škoda Group, in collaboration with Elron and Estonian Railways, began type testing of the Škoda EMU 21Ev passenger train on Estonia's public railway infrastructure.
- To celebrate the centenary of electric railways, artworks by artist Kadri Roosi were completed at Nõmme train stops.
- The state allocated 2.25 million euros for the reconstruction of the railway waiting platforms at Lehtse and Jäneda.

AUGUST

- A survey was conducted to assess the commitment and satisfaction of Estonian Railways employees.
- Speed tests for the Škoda train commenced between Keila and Klooga.

SEPTEMBER

- The 100th anniversary of the electric railway was celebrated at Nõmme station. Information boards were unveiled at Pääsküla, Nõmme, and Rahumäe railway stations.
- An information security day was held at Estonian Railways.

OCTOBER

- Company-wide information days were held in Tartu, Narva, and Tallinn.
- Latvian Railways visited Estonian Railways to discuss cooperation and learn from our experiences.
- A major exercise "Morna Madness" was conducted in Riisipere in cooperation with emergency responders, simulating a sudden attack scenario. To ensure emergency services are routinely prepared for incidents on the railway, training sessions were held for first responders before the exercise.
- On October 18, amendments to the Emergency Preparedness Act came into force, designating Estonian Railways as a provider of critical services (ETO).
- Estonian Railways received the silver label for organizations valuing mental health, awarded by Peaasi.ee.
- At the end of October, track construction efforts took place at the Lavassaare Museum Railway, with participation from Estonian Railways employees, constructing a total of 98 meters of railway.

NOVEMBER

- Estonian Railways received a special award for "Learning-Friendly Employer of the Year 2024" for its efforts in developing employees' Estonian language skills.
- A public procurement was announced for the straightening and major overhaul of the Tapa–Narva railway line.
- For the first time, Estonian Railways secured the international asset management certificate ISO 55001 and the occupational health and safety certificate ISO 45001. Additionally, the environmental and quality management system certificates ISO 14001 and ISO 9001 were updated.

DECEMBER

- The management board of Estonian Railways approved the company's sustainability strategy up to 2030.
- Contracts were signed with GRK Eesti for the design, construction, and maintenance of the necessary contact network and traction substations for electric trains on the Tapa–Narva railway section, with maintenance services to be provided for a five-year period after the network's completion.
- The OLE appreciation event "Golden Barrier" took place, where the head of the safety service at Estonian Railways received the OLE badge, and four other company employees received letters of gratitude.

GOAL SET FOR 2025

Based on the Strategy of Estonian Railways, the Company Has Established 12 Goals for 2025, Including:

- EBITDA at least EUR 30.3 million;
- The investment budget is fulfilled to the extent of 85% of the cash budget i.e EUR 138.9 million;
- In the CCS project, a new traffic management system was implemented on the Tapa–Tartu line by September. Factory tests for the Kitseküla–Ülemiste line were accepted, and the main construction works have been completed.
- In the electrification project, the catenary and substations on the Aegviidu–Tapa–Tartu line are ready for the opening of electric train traffic in September. The catenary on the Tapa–Rakvere section is prepared for energization, and the main construction works for the reconstruction of the catenary on the Lagedi–Aegviidu section have been completed;
- In the railway overhaul project aimed at increasing speeds to 160 km/h, construction work on the Tapa–Tartu line has been completed. The construction contract for the Tapa–Narva line has been signed, and work has commenced. Additionally, the construction contract for the Palupera–Puka–Keeni section has also been signed;
- Electricity consumption in the company does not exceed 13,000 MWh per year;
- The annual turnover of passenger trains is 4.9 million train kilometers, and the timetable is fulfilled to at least 99.2% for both freight and passenger transport. Twelve information boards have been installed on the Tapa–Tartu section;
- The company's continuity system has been aligned with the new emergency law and the requirements established by the vital service organizing institution (ETKA). The pilot project for the infrastructure maintenance and events information system has been tested in the Western Harju and Southern Estonia regions;
- The last 20 railway crossings are being modernized (78 have already been completed, with a target of 98);
- The proportion of traffic service employees proficient in Estonian (language proficiency at B2 level) is 40%, and a network of digital mentors has been established. At least two training sessions have been conducted to enhance employees' digital awareness;
- The silver level of the employee- and family-friendly employer label has been maintained, and the company has at least 20 interns (including 3 who have started working);
- The gold level of the Responsible Business Index has been upheld, and a supplier survey to identify the indirect impact of ESG (Scope 3) has been conducted (one hundred suppliers with larger contract volumes have received the survey, and results are presented in the "Supply Chain Management" chapter).

SUSTAINABILITY REPORT

Although we are required to submit a report compliant with the European Union's Corporate Sustainability Reporting Directive and standards next year, we wanted to start this year. Previously, we compiled the sustainability section of our report following the Global Reporting Initiative (GRI) guidelines. Our goal is to increase transparency and meet the expectations of society and our owner through the application of previous requirements.

Monika Lilles, Head of Communications at Estonian Railways

ESRS 2 GENERAL DISCLOSED INFORMATION

Principles for Preparing the Sustainability Report

ESRS 2 BP-1 • Preparation of the Sustainability Report

The sustainability report submitted by Estonian Railways for 2025 must comply with the requirements of the European Union's Corporate Sustainability Reporting Directive (CSRD) and standards (ESRS). This current report is prepared following these principles but may include deficiencies that are duly noted.

The sustainability report is not subject to consolidation and does not consolidate any other reports. There is no data excluded from Estonian Railways due to business secrets or confidentiality. If comprehensive information for mandatory data is not available in the first reporting year, it is highlighted in the respective section.

Topics and data points that are not deemed important for Estonian Railways according to the double materiality analysis are excluded from the report:

- ESRS E3 Water and Marine Resources
- ESRS S2 Workers in the Value Chain

Additionally, excluded are topics and data points for which information is unavailable, no corresponding analysis has been conducted, and whose presentation is not mandatory in the first reporting year according to Appendix C of the ESRS standard (except for E5-4):

- ESRS E1 E1-9 Anticipated financial impact from significant physical and transition risks and potential climate-related opportunities
- ESRS E2 E2-6 Anticipated financial impact from pollution-related effects, risks, and opportunities
- ESRS E4 E4-1 Transition plan and the consideration of biodiversity and ecosystems in strategy and business model
- ESRS E4 E4-3 Measures and resources related to biodiversity and ecosystems
- ESRS E4 E4-6 Anticipated financial impact from risks and opportunities related to biodiversity and ecosystems
- ESRS E5 E5-4 Resource input flows
- ESRS E5 E5-6 Anticipated financial impact from resource use and circular economy-related effects, risks, and opportunities
- ESRS S1 S1-7 Characteristics of non-employees within the company's workforce

The report does not specifically separate Estonian Railways' own and value chain activities, but these are distinguishable based on the topic and context. **Estonian Railways continuously considers its activities across the entire value chain.**

The company has conducted a double materiality assessment, which covered both Estonian Railways' own operations and significant environmental, social, and governance issues across the entire value chain. The report is based on the results of the double materiality analysis.

ESRS 2 BP-2 • Time Horizons

The double materiality analysis evaluated the emergence of impacts, risks, and opportunities over a medium-term horizon, up to five years. Other temporal definitions presented in the report are specified with corresponding years, and general terms like short, medium, or long-term horizons are not used.

Data is presented as of December 31, 2024, unless otherwise stated. In some cases, 2025 data is also described.

ESRS 2 MDR-P, MDR-A, MDR-M • Policies, Goals, and Measures Related to Significant Sustainability Aspects

Policies related to significant sustainability aspects, the goals derived from them, and associated measures are presented in the respective subsections on environmental, social, and governance topics.

Integration of Sustainability Topics into Governance

ESRS 2 GOV-1 • Role of Estonian Railways' Administrative, Management, and Supervisory Bodies in Sustainability

The roles and independence of Estonian Railways' administrative, management, and supervisory bodies are described in the chapter "Good Corporate Governance Practices."

The composition of the administrative, management, and supervisory bodies, including the representation of members of the executive management in various roles, the representation of salaried employees and other workers, diversity, and competence are provided in a table on pages 42-43.

Since sustainability goals are part of Estonian Railways' overall strategic objectives, principles ensuring competence and awareness of sustainability-related issues are followed in the selection of governance bodies. Estonian Railways does not separately consider diversity aspects when selecting governing bodies but focuses on sectoral competence, which is referenced in the table as outlined.

Participants in identifying impact, risks, and opportunities included: Head of Communications, Chief Specialist of Budget and Analysis, Head of Human Resources, Head of Safety Services, Head of Budget and Analysis Department, Management Board Members, Quality Manager, Environmental Protection Chief Specialist, Head of Commercial Department, Head of Risk Management and Internal Audit Department, and Head of Procurement Department. The process is detailed further in the chapter "Description of Processes for Identifying and Assessing Significant Impacts, Risks, and Opportunities in Relation to Strategy and Business Model."

ESRS 2 GOV-2 • Information Presented to and Sustainability Aspects Addressed by the Administrative, Management, and Supervisory Bodies

The ESG steering group, which includes members of the administrative, management, and supervisory bodies, reviews significant impacts, risks, and opportunities annually.

MEMBERS OF THE SUPERVISORY BOARD, MANAGEMENT BOARD, AND COMMITTEES

Name	Year of Birth	Level of Education	Position	Year Starting Position	Wolr Experience
Rene Varek 	1972	Bachelor's degree in Business Administration, Faculty of Economics, Tallinn University of Technology.	Chairman of the Supervisory Board.	Elected as Chairman in 2023, previously a member since 2020.	CEO of Amserv Group AS. Previously worked as a member of the management board and marketing director at Estonian Railways, and as a board member of Railcar OÜ, a provider of railway rolling stock rental services.
Indrek Laineveer 	1978	Bachelor's degree in Economics, Tallinn University of Technology.	Member of the Supervisory Board, Member of the Audit Committee, Member of the Safety Committee.	2020	Head of the Railway Department at the Ministry of Climate, and previously at the Ministry of Economic Affairs and Communications.
Hannes Luts 	1988	Master's degree in Transport Systems, Technical University of Munich.	Member of the Supervisory Board, and as of January 28, 2025, Member of the Audit Committee.	2023	Advisor in the Public Transport Department at the Ministry of Regional Affairs and Agriculture, consultant at OÜ Locosmart, which provides transport and mobility consulting services. Previously worked as a consultant at the Swiss company Xrail AG.
Kaupo Raag 	1980	Master's degree in Finance, Tallinn University of Technology.	Member of the Supervisory Board.	2023	Head of Participation Policy and State Aid at the Ministry of Finance. Previously served as a member of the supervisory boards at the Estonian Geological Center, Estonian Maritime Museum, Air Traffic Services, Rail Baltic Estonia (RBE), Nordica, and Levira.
Anvar Salomets 	1983	Master's degree in Transport Engineering, Tallinn University of Technology.	Member of the Supervisory Board.	2023	Chairman of the Board at Rail Baltic Estonia (RBE). Previously worked as the Development Director at Estonian Railways and as Deputy Director General at the Consumer Protection and Technical Regulatory Authority (TTJA).
Roman Laidinen 	1980	Bachelor's degree in Customs from the Estonian Academy of Security Sciences.	Chairman of the Audit Committee.	2016	Lecturer in Risk Management at the Estonian Entrepreneurship University of Applied Sciences (Mainor) and has served as Head of Internal Audit at IPF Digital AS, BLRT Grupp AS, and Tallinna Vesi AS.
Kaur Kajak 	1974	Master's degree in Political Science, Tallinn University.	Member of the Audit Committee.	2022	Deputy Secretary-General for Administrative Policy at the Ministry of Finance. Previously served as Director General of the Consumer Protection and Technical Regulatory Authority (TTJA) and as head of the Supervision Department at the Rescue Board

Tamo Vahemets 	1967	Olustvere Sovhoostehnikum, specializing in Agronomy, and Business Administration studies at EBS (ongoing).	Chairman of the Safety Committee	2015	CEO of Operation Lifesaver Estonia (OLE) and Head of Security and Fire Safety at Eesti Energia. Previously worked as Head of Security at Estonian Railways
Dago Antov 	1956	PhD in Geoinformatics and Cartography, University of Tartu.	Member of the Safety Committee	2017	Emeritus Professor at the Institute of Mechanics and Industrial Engineering, Tallinn University of Technology, and formerly Head of the Logistics and Transport Research Center
Sirle Loigo 	1977	Police College, Estonian Academy of Security Sciences	Member of the Safety Committee	2020	Owner of the Traffic Supervision Service in the Prevention and Criminal Procedure Bureau, Development Department at the Police and Border Guard Board (PPA).
Tauno Suurkivi 	1973	Master's degree in Internal Security, Estonian Academy of Security Sciences	Member of the Safety Committee	2016 (served as a member until February 6, 2024)	Deputy Director General at the Rescue Board, and Head of the Population Protection Research and Development Center at the Estonian Academy of Security Sciences
Viktor Saaremets 	1978	Master's degree in Organizational Behavior, Tallinn University.	Member of the Safety Committee	2024	Head of the Rescue Operations Department at the Rescue Board, previously Head of the Prevention Work Department
Kaido Zimmermann 	1965	Master's degree in Railway Construction, Tallinn University of Technology.	Chairman of the Management Board and General Director.	2021	Former member of the management board at the Environmental Investment Centre (EIC), Vice President, Head of Credit Division, and management board member at SEB Eesti Ühispank, and Chairman of the Supervisory Board at SEB Ühisliising.
Andrus Kimber 	1972	Master's degree in Finance and Strategic Management, University of Tartu, and Master's degree in Digital Transformation in Business, Tallinn University of Technology	Vice-Chairman of the Management Board and Chief Financial Officer.	2017	Former member of the management board at the Environmental Investment Centre (EIC), Vice President, Head of Credit Division, and management board member at SEB Eesti Ühispank, and Chairman of the Supervisory Board at SEB Ühisliising.
Arvo Smiltinš 	1969	Master's degree in Railway Construction, Tallinn University of Technology.	Member of the Management Board and Technical Director.	2021	Member of the Qualification Committee and Chairman of the Assessment Committee at SA Raudteekutsed. Formerly a member of the management board at LEONHARD WEISS OÜ and a member of the management board and Director of Infrastructure at Estonian Railways.

Sustainability aspects are taken into account in the preparation of Estonian Railways' strategy, in decision-making related to major transactions, and in overseeing the risk management process, considering compromises related to sustainability aspects.

ESRS 2, ESRS E1 GOV-3 • Incorporation of Sustainability Performance in Incentive Schemes

The incentive scheme or system of incentives is intended to motivate employees and enhance performance. Its main features and levels of implementation are related to sustainability at Estonian Railways as follows:

- **Sustainability aspects are defined at a strategic level within the company. Accordingly, goals related to sustainability are agreed upon annually at the board, departmental, and employee levels.**
- **The company has a performance bonus as a component of compensation, linked to achieving agreed annual goals. Each spring, the fulfillment of these goals is assessed, and decisions on the payment of performance bonuses are made.**
- **Since sustainability-related goals are part of the company's overall objectives, there is no separate variable pay system established for them. Performance metrics related to sustainability are evaluated on the same basis as other strategic objectives and are reflected in the overall performance bonus system.**

The company's annual goals are approved by the supervisory board. Following this, the management board approves the action plan for structural units to achieve the goals set by the supervisory board, resulting in individual goals for each structural unit.

The performance bonus is a variable component of an employee's salary, which depends on the achievement of company and employee-agreed annual goals. The amount varies by employee. The performance bonus fund constitutes up to 5% of the company's payroll (the average annual performance bonus is about 60% of an employee's monthly salary). The assessment of goal achievement and bonus payment occurs after auditing the financial results in the spring.

For general group (e.g., traffic manager) and operational employees (e.g., supervisor), as well as specialist groups (e.g., project engineer), the payment of a performance bonus is based on the quality fulfillment of the employee's duties. For operational managers (e.g., head of the road department), key employees (e.g., service manager), project managers, and management, the basis for the performance bonus is the achievement of planned activities and goals for the accounting period.

In assessing performance, sustainability-related goals defined in the company's strategy are considered. Examples of such goals include:

- **Electrified infrastructure with modern full-automatic traffic management**
- **Stakeholder satisfaction**
- **Value-based management, a sustainable and socially responsible company**
- **Zero vision in railway infrastructure safety**
- **Being an attractive employer**

Based on these goals, annual company-wide objectives are determined in collaboration with various department heads, such as:

- The Aegviidu–Tapa–Tartu catenary is ready for energization.
- 39 additional modernized railway crossings.
- Risk assessments for railway crossing points have been completed for the Tallinn–Tartu and Tapa–Narva sections.
- ESG strategy is approved.
- Passenger waiting platforms have been renewed.
- Employee- and family-friendly employer action plan is fulfilled.

ESRS 2 GOV-5 • Risk Management and Internal Control for Sustainability Reporting

A representative of the Risk Management and Internal Audit Department is part of the company's ESG steering group and also participated in the assessment of significant impacts, risks, and opportunities (IRO). The risks identified during the impact, risk, and opportunity assessment largely aligned with those previously mapped within existing risk management procedures.

Estonian Railways does not implement separate internal control for sustainability reporting.

Value Chain, Strategy, and Business Model from a Sustainability Perspective

ESRS 2 SBM-1 • Strategy, Business Model, and Value Chain

Estonian Railways is a state-owned company whose main acticvity includes the construction, repair, and maintenance of railway infrastructure and traffic management systems, as well as the organization of railway traffic and shunting operations. Estonian Railways allocates railway capacity, enables railway operators to use the allocated capacity, collects infrastructure usage fees, and executes infrastructure projects to ensure a safe, efficient, and environmentally friendly transport network. Thus, Estonian Railways' business model is asset-centered.

The management system principles of Estonian Railways also stipulate that, as a responsible company, it values sustainable development and strategic contributions to social and environmental progress. Management principles are detailed in the chapter "Organization and Management."

Strategically, Estonian Railways focuses on four strategic directions – infrastructure, stakeholders, employees, and processes – which are, in turn, related to sustainability goals. Strategic directions and relationships are presented in the diagram on page 46.

Estonian Railways's sustainability strategy for 2024–2030 and its implementation plan outline the sustainability goals, activities, and responsible parties. The goals are detailed under each topic in the sustainability report.

Connection of Estonian Railways's Strategy with Sustainability Goals

INFRASTRUCTURE

- Electrified infrastructure with modern fully automatic traffic management
- Optimized infrastructure
- Efficient company

STAKEHOLDERS

- Quality services
- Stakeholder satisfaction
- Growth in rail traffic

EMPLOYEES

- Professional and committed employees
- Value-based management
- Sustainable and socially responsible company
- Attractive employer

PROCESSES

- Digitalized and automated processes
- "Zero vision" in railway infrastructure safety

Passenger Transport

Freight Transport

Real Estate

Real Estate Infrastructure and Traffic Management

SUSTAINABILITY GOALS 2030

ENVIRONMENT

- Reducing climate impact
- Reducing environmental impact
- Increasing reuse

PEOPLE

- Offering passenger-friendly service
- Increasing awareness of railway safety
- Promoting cooperation with communities
- Ensuring workforce succession
- Preventing workplace accidents
- Promoting employee health
- Shaping an employee- and family-friendly company
- Ensuring a diverse and non-discriminatory work culture

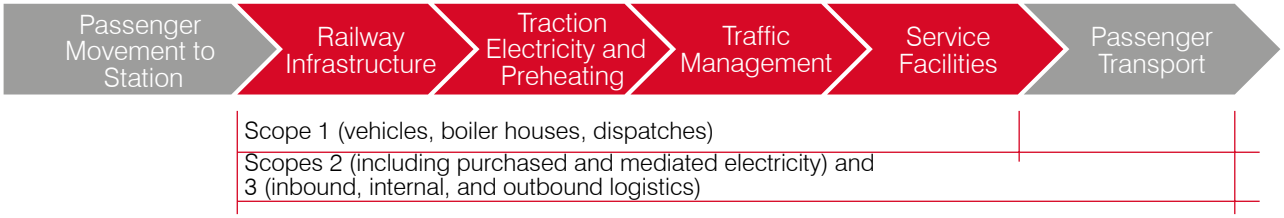
GOVERNANCE

- Embedding company values in employees
- Managing risks
- Preventing corruption
- Encouraging whistleblowing
- Managing supply chain impacts
- Implementing sustainable procurement
- Developing a green office
- Increasing awareness of information security
- Supporting innovation
- Process modeling
- Ensuring the sustainable development of the company

Estonian Railways's value chain includes providing railway infrastructure access to operators for passenger or freight transport, as well as, if necessary, providing access to service facilities, mediating traction electricity, and offering additional and ancillary services.

Estonian Railways Value Chain

Passenger transport



Freight transport

- Services Provided by Estonian Railways
- Services Provided by Clients and Other Stakeholders

Stakeholders and Key Topics

ESRS 2, ESRS S1, ESRS S3, ESRS S4 SBM-2 • Stakeholder Interests and Perspectives

This chapter covers all the sections of the ESRS standard that address stakeholder interests and perspectives.

The main stakeholders of Estonian Railways, their engagement, and the categories, methods, and objectives of engagement are presented on the following page.

Stakeholders and Their Engagement

Roles	Examples	Engagement Goals	Engagement Methods
Clients	Rail undertakings (Operail, LDz Cargo, LTG Cargo, Enefit Power, GoRail, Elron, Vivi, Silport, etc.), Port of Tallinn, HHLA TK Estonia, etc.	Gather client feedback, address concerns, and increase satisfaction.	Annual customer satisfaction surveys, regular meetings, and workshops.
Contractual Partners	Contractors, suppliers, international organizations, entities performing railway administration functions in other countries, public railways (Edelaraudtee), owners of non-public railways (e.g., Maardu Railway), Ministry of Climate, credit institutions (e.g., EIB), OLE, higher education institutions (Tallinn University of Applied Sciences, TalTech, Estonian Academy of Arts), etc.	Develop cooperation, consider partners' needs, plan joint activities, enhance railway safety.	Regular meetings and workshops.
Target Groups	Passengers, freight forwarders, consignees and consignors, ministries (Ministry of Economic Affairs and Communications, Ministry of Finance, Ministry of Regional Affairs and Agriculture), government agencies (particularly TTJA), local municipalities, etc.	Ensure compliance with regulations, consider the needs of target groups, enhance railway safety.	Regular meetings, workshops, social media, joint projects and events, reporting.
Employees	Estonian Railways employees	Increase employee satisfaction and collaboratively develop the company.	Biennial company satisfaction survey, various questionnaires, idea bank, workshops, and training.
Union	Estonian Railway Workers' Union	Protect employee interests and increase satisfaction, resolve issues.	Regular meetings and events.
Communities	Luite Society, schools, cyclists, filmmakers, art project leaders, etc.	Inform, consider needs, disseminate railway safety information.	Press releases, social media, direct contacts, joint projects, events.
Media	Different web, radio, and television channels	Inform and resolve issues.	Press releases, inquiries and interviews, social media, events.

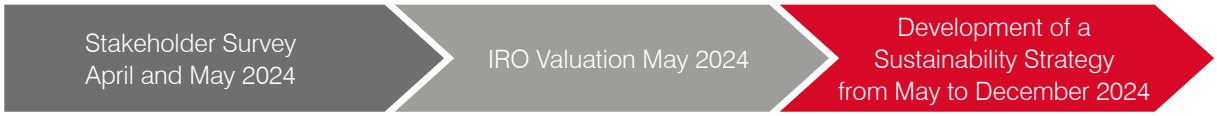
ESRS 2 IRO-1, ESRS 2 SBM-3, ESRS E1 SBM-3, ESRS E4 SBM-3, ESRS E5 IRO-1, ESRS G1 IRO-1, ESRS S1 SBM-3, ESRS S3 SBM-3, ESRS S4 SBM-3 • Description of Processes for Identifying and Assessing Significant Impacts, Risks, and Opportunities and Their Connections with Strategy and Business Model

This chapter covers all sections of the ESRS standard that address the process and description of identifying and assessing IRO (Impacts, Risks, and Opportunities).

By synthesizing the results of the societal impact and responsibility assessment conducted by Estonian Railways in the spring of 2024 and the economic materiality assessment conducted in the summer of the same year, the key aspects were identified that formed the basis for discussions within a working group established in the company on the topics that should be the focus for Estonian Railways in the coming years.

The detailed impact assessment is outlined in the chapters “Consumers and End-users” and “Biodiversity and Ecosystems.”

Process for Assessing Significant Impacts, Risks, and Opportunities



In May 2024, Estonian Railways conducted a double materiality analysis to identify significant impacts, risks, and opportunities, utilizing previously compiled input. The analysis was based on key topics mapped during the implementation of the GRI guidelines in 2018, results from a value chain workshop held in January 2024, and outcomes from stakeholder surveys conducted in April and May of the same year.

The assessment was performed according to the methodology of the ESRS 2 standard and focused on actual impacts, economic risks, and opportunities, considering financial impact and the likelihood of realization.

The following diagram shows the significant impacts, risks, and opportunities that form the basis for selecting the sustainability aspects of the standard, i.e., the structure of this sustainability report. No significant impact was identified on value chain workers and water and marine resources.

ENVIRONMENTAL TOPICS (E)	SOCIAL TOPICS (S)	GOVERNANCE (G)
IMPACTS	**IMPACTS**	**IMPACTS**
Electrification of the railway network	Safe and secure railway	Honest, ethical, and transparent governance, anti-corruption activities
Protection of wildlife	**RISKS**	Responsible Procurement
Noise and vibration	Reduced transport volumes due to sanctions	**RISKS**
Pollution, leaks, chemicals	Inability to meet stakeholder expectations for faster rail connections	Increase in cyber threats
Energy consumption and greenhouse gas (GHG) emissions	Accidents involving people (non-employees) in traffic, infrastructure, etc	Sanction breaches
Waste	Shortage of qualified workforce	Managing sustainability topics' low impact on financing
RISKS	**OPPORTUNITIES**	Additional requirements for supply chain management, including procurement
Rise in resource prices	Development of railway infrastructure	**OPPORTUNITIES**
Stricter wildlife protection requirements	Employee health and safety	Automation and digitalization
Stricter material selection and waste management requirements	Training and development of employees	
GHG emissions	Accurate and quality service	
Additional reporting requirements	Employer reputation and workforce succession	
Reduced fossil fuel consumption impact on transport volumes	Fair salary and attractive incentives package	
Physical climate risks	Employee commitment, satisfaction, and engagement	
Water and soil pollution	Lead in transport sector development	
OPPORTUNITIES	Economic impact/contribution to Estonian society	
Preference for rail transport (modal shift)	Stakeholder engagement	
Savings from material reuse and recycling	Diversity and non-discrimination	
	Supporting local communities	

In addition to the above, a SWOT-TOWS analysis has been prepared for Estonian Railways's strategy, which is described in more detail in the chapter "Consumers and End-Users."

Since Estonian Railways has certified the environmental management system ISO 14001, the company annually evaluates its environmental aspects and impacts. These same aspects are also included in the processes of risk assessment and ESG strategy formulation.

ENVIRONMENTAL TOPICS (E)

Compliance with the European Union Taxonomy

Estonian Railways's activities are primarily related to the European Union Taxonomy Regulation's environmental objectives, particularly climate change mitigation, climate change adaptation, pollution prevention and control, biodiversity and ecosystem protection, and the transition to a circular economy. Based on the screening criteria outlined in the taxonomy compass, the company's activities contribute to the achievement of the first two mentioned objectives, do not harm other environmental objectives, and meet minimum social safeguards.

Estonian Railways falls under the transport infrastructure category of the taxonomy regulation.

Currently, Estonian Railways has not yet conducted an assessment of capital expenditures (CapEx) and operational expenditures (OpEx) in compliance with the taxonomy requirements. During the report submission period, Estonian Railways has begun calculations for the costs of the company's sustainability goals (investments, investment plans, operational costs), with which the company plans to align its economic activities (revenue, capital, and operational costs) with the objectives set out in Commission Delegated Regulation EU 2021/2139, so that its activities comply with the aforementioned EU taxonomy-related environmental objectives which are of priority to Estonian Railways.

E1 Climate Change

ESRS E1 E1-1 • Transition Plan for Achieving Climate Neutrality

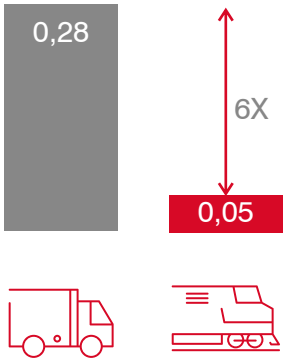
- The Transport and Mobility Development Plan 2021–2035 has set the goal of railway electrification for Estonian Railways to reduce greenhouse gas emissions in Scopes 2 and 3.
- Estonian Railways has aligned its strategic goals with national goals within the company's strategy and business plan, including straightening curves, repairing tracks, and electrifying the Tallinn–Tapa–Tartu (2025) and Tapa–Narva (2027) railway lines. Since the beginning of 2021, Estonian Railways fully transitioned to using and mediating electricity from renewable sources, contributing to increased climate-neutral mobility.
- According to the "Transport Roadmap 2040," created under the Green Tiger initiative, the positive baseline scenario projects a reduction in railway transport emissions in Scope 3 by 66% by 2040, reaching 17.2 kt CO_2eq (2019: 50.2 kt). In the performance scenario, a reduction of up to 90% is considered possible. The scenarios assume, among other things, the implementation of a takt timetable. With the support of national resources allocated from the emissions trading system, Estonian Railways has begun making the necessary investments.

- Air pollution resulting from Estonian Railways's activities in Scope 1 is relatively low. Emissions of carbon dioxide, sulfur dioxide, nitrogen oxides, and natural organic compounds occur from heating with one light fuel oil and one natural gas-fired boiler, as well as from the company's vehicle fleet usage. The approach has been directed towards utilizing sustainable heating systems. Among the goals of the company's sustainability strategy are the quantity of electricity produced by local energy production systems and the number of nearly zero-energy buildings, which contribute to energy efficiency. Additionally, the sustainability strategy specifies increasing the number of environmentally friendly vehicles and electric vehicle charging stations for the company's vehicle fleet.
- A corresponding annual operational goal is to reduce electricity consumption. For instance, turnout electric heating systems are used judiciously, applying them based on need. Lighting systems are replaced with modern and efficient systems. These activities also contribute to climate change adaptation by reducing its impact on people and wildlife.
- According to the European Union climate goals, the Transport and Mobility Development Plan aims to reduce the transport sector's greenhouse gas emissions to 1,700 CO_2eq kilotons per year by 2035, a reduction of 669 kilotons compared to 2019. **The complete electrification of railways, coupled with a modal shift and the replacement of rolling stock, would yield a reduction of 103 kilotons of CO_2eq annually, potentially achieving approximately 15% of Estonia's climate goal.**
- More information about the planning of investments related to sustainability goals is provided in the chapter "Compliance with the European Union Taxonomy."
- Specific goals related to climate change mitigation are described in the following chapters.

ESRS E1 E1-2 • Policies Related to Climate Change Mitigation and Adaptation

In Estonia, the transport sector accounted for 18% of the country's greenhouse gas emissions in 2022, corresponding to 2.6 million tons of CO_2 equivalent (based on the greenhouse gas inventory for the period 1990–2022 completed by the Ministry of Climate in 2024). According to the Green Tiger's "Transport Roadmap 2040," the share of rail transport in this is relatively small. Currently, 8% of all passengers and 7% of goods are transported by rail, but rail accounts for only 2% of the total energy consumed for transportation. These figures indicate that rail is an efficient mode of transport (illustrated on the diagram below). Considering this, the European Commission has stated in its Transport White Paper that 30% of road freight should be shifted to other modes of transport, such as rail or water, by 2030, and over 50% of such transport should be shifted by 2050.

Energy Consumption Target Levels for European Land Transport by 2030, kWh/tonne-km



Source: 30 by 2030. Rail Freight strategy to boost modal shift, www.railfreightforward.eu

Estonian Railways's principles for climate change mitigation and adaptation are as follows:

- Mapping emissions across the supply chain (greenhouse gas emissions in Scopes 1–3);
- Setting and reducing greenhouse gas emission targets, as described in the next chapter.

Estonian Railways currently lacks a separate policy for adapting to actual and expected climate change impacts and processes.

ESRS E1 E1-3 • Measures and Resources Related to Climate Change Policy ESRS E1 E1-4: Goals Related to Climate Change Mitigation and Adaptation

Climate change mitigation is one of the five environmental objectives relevant to Estonian Railways within the European Union Taxonomy Regulation. Based on the screening criteria provided in the EU Taxonomy Compass, the company's economic activities significantly contribute to the achievement of the following goals:

- Climate change mitigation
- Climate change adaptation

Climate-related goals in Estonian Railways's sustainability strategy

Objective / Performance Indicators	Key Results and/or Target Levels						
	2024 actual	2025	2026	2027	2028	2029	2030
Reducing climate impact							
Electrical energy produced by local energy production systems (including solar parks and CCS* containers, Kauba 8, and the new building in Keila), MWh:	150	170	257	325	382	382	382
Share of renewable energy in electricity consumption in Scope 1:	100%	100%	100%	100%	100%	100%	100%
Emissions (greenhouse gas emissions in Scopes 1-3)	Known emissions from own operations and clients The known total emissions amount to 41,842 tons CO2 equivalent	Emissions are mapped across the supply chain.	Quantitative targets are set for reducing GHG emissions.				Scope 1 zero emissions
Percentage of environmentally friendly vehicles (M1, N1) in the total number of acquired vehicles	25% plug-in hybrid	25% plug-in hybrid	25% fully electric	25% fully electric	25% fully electric	25% fully electric	25% fully electric
Number of nearly zero-energy buildings	1 (Tapa administrative building)	2 (+ Keila administrative building)	3 (+ Jõhvi administrative building)				
Number of charging stations for electric vehicles	2 (Tapa)	12 (+Ülemiste, Narva, Tellisivi, Tartu)	12	18 (+Valga, Koidula, Keila)	18	18	18

*CCS (Control, Command and Signalling) is a system for controlling and managing train traffic, ensuring the safety and smooth operation of railway traffic. CCS containers are spaces designed to house the respective equipment.

E1 Energy Consumption and Greenhouse Gases

ESRS E1 E1-5 • Energy Consumption and Breakdown of Energy Sources

Energy Consumption and Breakdown of Energy Sources 2024

(1) Fuel consumption based on coal and coal products (MWh):	0
(2) Fuel consumption based on crude oil and petroleum products (MWh):	107,3 MWh
(3) Fuel consumption based on natural gas (MWh)	0
(4) Fuel consumption from other fossil sources (MWh):	0
(5) Purchased or acquired electricity, heat, steam, and cooling energy produced from fossil energy sources (MWh):	0
(6) Total fossil energy consumption (MWh) (calculated as the sum of lines 1–5):	107,3 MWh
Share of fossil sources in total energy consumption (%):	0,93%
(7) Energy consumption based on nuclear sources (MWh):	0
Total consumption of energy produced from nuclear sources as a percentage of total energy consumption (%):	0
(8) Fuel consumption from renewable sources, including biomass (which includes biodegradable industrial and municipal waste, biogas, hydrogen produced from renewable sources, etc.) (MWh):	0
(9) Consumption of purchased or acquired electricity, heat, steam, and cooling energy produced from renewable energy sources (MWh):	11 400 MWh
(10) Consumption of self-produced renewable energy not used as fuel (MWh):	0

ESRS E1 E1-6 • Total Emissions and Greenhouse Gas Emissions in Scopes 1, 2, and 3

The table presents the greenhouse gas emissions for Scopes 1 and 2. For Scope 3, information on emissions from clients is known. Additional data collection will begin in 2025.

Greenhouse gas emissions (Scopes 1-3)

The calculation used the footprint calculation model from the Ministry of Climate (2024.19.11) and the specific emission factors provided therein

Scope 1	
Energy and vehicles (tons of CO_2 equivalent)	1 402,32
Scope 2	
Location-based measured Scope 2 total emissions, purchased electricity GHG emissions (tons of CO_2 equivalent)	0
Scope 3	
Client GHG emissions (passenger kilometers in electric trains and diesel trains, gross ton kilometers in freight transport) (tons of CO_2 equivalent)	40 440
Total Known GHG Emissions GHG emissions arise from small local boiler houses operating on light fuel oil, vehicles, purchased electricity, and client activities.	
Total GHG emissions (tons of CO_2 equivalent)	41 842

ESRS E1 E1-7 • GHG Sequestration and GHG Emission Reduction Projects Funded through Carbon Credits, and ESRS E1 E1-8: Internal Carbon Pricing

Estonian Railways does not purchase carbon credits to reduce GHG emissions.

E2 Pollution

ESRS E2 E2-1 • Pollution-Related Policy

Estonian Railways is committed to addressing pollution issues and has undertaken numerous preventive actions. In the double materiality assessment, pollution is significant as both an environmental and safety risk, and risk mitigation activities have been described accordingly.

- Estonian Railways has a recovery plan for pollution incidents.
- The use of hazardous substances (as pesticides and for sleeper impregnation) is monitored and, where possible, limited.
- To prevent pollution from rolling stock incidents and emergencies, Estonian Railways engages in pollution prevention. Although by law, the polluter is responsible for cleanup, Estonian Railways, as the infrastructure owner, is prepared to clean up pollution if necessary. The safety service regularly conducts drills and provides assistance in the event of accidents on the infrastructure.
- Increasingly important risks are noise and vibration from rolling stock, and in response, Estonian Railways is developing a noise reduction action plan. While the infrastructure owner does not control noise reduction from trains, Estonian Railways works to maintain and improve a livable environment for people living near the railway.

ESRS E2 E2-2 • Measures and Resources Related to Pollution

Hazardous Substances

Estonian Railways uses two major groups of chemicals in its operations: herbicides and oils. Herbicides based on glyphosate are used, and their use will continue. To reduce environmental impact, specific measures are followed: glyphosate-based herbicides are applied with wind speeds no more than 4 m/s, temperatures not exceeding 25 degrees, in dry weather, and typically at night. Spraying occurs no more than six meters from the rail head. Herbicide is not applied to flowering plants to avoid disturbing bees, and beekeepers are informed about the work in advance. **The strategic goal is to prevent an increase in the amount of pesticides used.**

To minimize the harmful effects of chemicals on humans and the environment, biodegradable grease and pressure sprayers are used for lubricating turnouts, allowing lubricant to be optimally placed on the turnout pad. **New turnouts being installed are already lubricant-free.**

Noise and Vibration

In the European Union Taxonomy Regulation, the concept of "pollution" also includes noise and vibration. Noise on Estonian Railways infrastructure primarily arises from diesel train engines or rolling stock wheels with rail defects. Unfortunately, as an infrastructure company, Estonian Railways can do little to prevent such noise but has nonetheless established noise barriers and natural sound walls. Rails must be regularly lubricated in curves to prevent noise. Pads installed between sleepers and rails also help reduce noise.

The primary means to reduce vibration is the use of welded rails when constructing new railway sections. Railway work, such as using blowers for snow or leaf removal, can also be noisy. To mitigate such noise, the company schedules work during daytime whenever possible. In its sustainability strategy implementation plan, Estonian Railways aims to reduce the number of noise complaints arising from its operations by 17% by the end of the strategic period, compared to the level in 2024.

Estonian Railways has performed noise modeling and real measurements of noise and vibration across almost its entire infrastructure. Problematic locations have been mapped, and communication with stakeholders – local residents submitting complaints about noise from trains – is ongoing. For example, in October 2024, the Health Board's Central Physics Laboratory assisted in measuring noise from a Latvian locomotive in the Nõmme and Baltic station areas.

ESRS E2 E2-3 • Goals Related to Pollution

Pollution prevention and control is one of the five environmental objectives relevant to Estonian Railways within the European Union Taxonomy Regulation.

In Estonian Railways's sustainability strategy, this is combined with biodiversity and ecosystem protection under the goal of reducing environmental impact.

Pollution-Related Goals in Estonian Railways's Sustainability Strategy

Objective	Performance Indicators	Key Results and/or Target Levels						
		2024 actual	2025	2026	2027	2028	2029	2030
Reduction of environmental impact	Number of noise-related incidents (related to noise arising from Estonian Railways's activities)	24	20	20	20	20	20	20
	Quantity of hazardous waste disposed, tons	1 105	1 000	900	800	700	100	100
	Quantity of pesticide use, liters	3 200	3 000	3 000	3 000	3 000	3 000	3 000

ESRS E2 E2-4 • Air, Water, and Soil Pollution

The air emissions significantly decreased in 2024 compared to 2023, primarily due to the challenging situation faced by Operail. As a result of layoffs, there was less need to heat buildings, and locomotive fueling did not occur to the same extent as before.

Estonian Railways monitors water pollution from samples taken at the stormwater discharge from Muuga station.

Quantities of pollutants

Pollutant	Amount (kg)
Helium	0,044
Oil	0,013
BOD7 (Biochemical Oxygen Demand 7)	2,0
COD (Chemical Oxygen Demand)	15,0
Total Phosphorus (P total)	0
Total Nitrogen (N total)	1,0
Zinc (Zn)	0,013

ESRS E2 E2-5 • Problematic and Highly Hazardous Substances

In 2024, Estonian Railways used 3,200 liters of glyphosate-based herbicide to control weeds on and around the railway (within a 6-meter radius).

In the European Union, creosote is classified as a carcinogen. Estonian Railways has decided not to purchase additional creosote-treated sleepers, and they will be gradually replaced with concrete and composite sleepers.

In 2024, 1,092 tons of sleepers removed during road repairs were disposed of.

E3 Biodiversity and Ecosystems

ESRS E3 E3-1 SBM-3 • Significant Impacts, Risks, and Opportunities and Their Connection with Strategy and Business Model

Estonian Railways has not conducted a resilience and climate scenario analysis, which prevents it from detailing connections with the strategy and business model beyond what is presented in the chapter "Description of Processes for Identifying and Assessing Significant Impacts, Risks, and Opportunities and Their Connection with Strategy and Business Model."

ESRS E3 E3-2 • Policies Related to Biodiversity and Ecosystems

Estonian Railways applies biodiversity mitigation measures as needed, which are required by Estonian and international normative documents, such as European Parliament and Council Directive 2009/147/EC on the conservation of wild birds; Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora; and environmental impact assessments as defined in Article 1, paragraph 2, point (g) of European Parliament and Council Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment, among others.

Estonian Railways does not have a specific policy for the protection of biodiversity and ecosystems that encompasses activities in or near areas sensitive from a biodiversity perspective, sustainable land use/ agricultural practices, and deforestation.

ESRS E3 E3-3 • Goals Related to Biodiversity and Ecosystems

The protection and restoration of biodiversity and ecosystems is one of the five environmental objectives relevant to Estonian Railways within the European Union Taxonomy Regulation.

In Estonian Railways's sustainability strategy, goals related to biodiversity and ecosystems are grouped together with pollution-related goals under the objective of "Reducing Environmental Impact."

Goals Related to the Protection of Biodiversity and Ecosystems in Estonian Railways's Sustainability Strategy

Objective	Performance Indicators	Key Results and/or Target Levels						
		2024 actual	2025	2026	2027	2028	2029	2030
Reducing environmental impact	Mowing Metric (Area of Green Habitats in hectares)	1 562	1 550	1 500	1 500	1 450	1 450	1 400
	Number of Green Infrastructure Projects	0	1	-	-	-	-	-

ESRS E3 E3-4 • Impact Indicators Related to Changes in Biodiversity and Ecosystems

Estonian Railways's activities indirectly affect areas sensitive from a biodiversity standpoint. Typically, Estonian Railways operates within its infrastructure protection zone. There are nature conservation areas along the railway, but these do not extend into the railway's protection zone. For example, there is a butterfly sanctuary on the Valga–Koidula section, and nature conservation areas such as Põdrangu, Äntu Landscape Conservation Area, Seljamäe Protected Area, and Mustallika on the Tapa–Tartu direction. Targeted protection zones have been established for these, allowing for maintenance work on existing structures within the protected areas.

The company has commissioned surveys of protected plants within its operational area to collect location statistics and apply for plant relocation. In cases of straightening and major repairs, all protected species in the area are considered. The most common limitations on the company's construction work are protected birds, such as sparrowhawks and eagle owls, whose breeding periods are considered during project implementation. When constructing new rail sections, the company also considers animal movement paths, building tunnels for crossings.

For the protection of ecosystems, Estonian Railways plans its infrastructure construction activities based on previous environmental studies. Goals in the sustainability strategy include increasing the area of green habitats (by reducing the extent of mowed areas) and the number of green infrastructure projects implemented in cooperation with stakeholders, contributing to the protection and preservation of biodiversity. Additionally, there are plans to map all protected plants growing on areas mowed by Estonian Railways.

Railway construction may involve cutting down trees and bushes, trampling vegetation, and relocating soil. Negative impacts related to land degradation, desertification, and soil coverage, as well as impacts on endangered species, have not been measured.

E4 Resource Use and Circular Economy

ESRS E4 E4-1 • Policies Related to Resource Use and Circular Economy

An important opportunity identified in the double materiality analysis regarding resource use and circular economy for Estonian Railways is savings from the reuse and recycling of materials. Estonian Railways incorporates measures for material reuse and recycling within its operations and in the preceding and subsequent stages of the value chain. The share of recycled materials in infrastructure construction and maintenance is gradually increased.

A separate policy dedicated to resource use and circular economy does not exist within the company.

In transitioning to a circular economy, Estonian Railways focuses on the durability and reusability of railway materials. Waste is sorted by type, and hazardous waste is disposed of. To replace materials containing hazardous substances, the company constructs all new railway sections with concrete sleepers, as previously used impregnated wooden sleepers were the company's largest source of hazardous waste. Rails, sleepers, and switches are also reused to a predetermined extent.

As early as 2019, Estonian Railways implemented **a green office management system** in the company headquarters, distinguishing itself by the successful application of circular economy principles in the everyday work environment. In 2023, a certification audit was carried out and successfully passed.

To adhere to green office principles:

- Waste is sorted by type for recycling; kitchens and the outdoor waste house have containers for different types of waste.
- Unnecessary document printing is avoided.
- Clean tap water is consumed and offered to guests.
- Motion sensor lights are used to conserve energy.

ESRS E4 E4-2 • Measures and Resources Related to Resource Use and Circular Economy
ESRS E4 E4-3 • Goals Related to Resource Use and Circular Economy

The sustainability strategy goal "Increasing Reuse/Promoting Circular Economy" is linked to the opportunity for material reuse and recycling. The aim is associated with the following levels of the waste hierarchy:

- Preparation for reuse
- Recycling
- Other forms of recovery

Goals Related to Resource Use and Circular Economy in Estonian Railways's Sustainability Strategy

Objective	Performance Indicators	2024 actual	2025	2026	2027	2028–2030
Development and expansion of the green office in Estonian Railways buildings	Number of buildings with a green office certificate	1	2	3	3	4
Increasing Reuse/ Promoting Circular Economy	Share of materials reused in infrastructure construction	Reconstruction of Tapa station, where over 80% of materials used were reusable. On the Tapa–Tartu section, 45% of switches were reused; sleepers 30%; ballast 30%; ballast reuse in side roads 75%.	Planned reuse for the Tapa–Narva section: 54% of switches reused; 65% of rails reused; 65% of sleepers reused.	Planned reuse for the Tapa–Narva section: 29% of switches reused; 46% of rails reused; 46% of sleepers reused.	In the reconstruction of station tracks, we reuse at least 80% of rails and sleepers.	In the reconstruction of station tracks, we reuse at least 80% of rails and sleepers.
	Share of materials reused in infrastructure maintenance	45%	45%	45%	45%	45%

ESRS E4 E4-4 • Output Flows of Resources

Estonian Railways collects both regular and hazardous waste separately, preparing them for reuse or recycling after handover to a waste handler. Information has been collected only about the quantity of hazardous waste.

The biggest waste problem for Estonian Railways has been old, unusable wooden sleepers, which are classified as hazardous waste because they are impregnated with the carcinogenic substance creosote. The lifespan of such pine sleepers is up to 20 years, and their proper disposal is extremely costly. The company has two licensed sites for storing sleepers – in Tapa and Tallinn. Both sites are insured in accordance with current legislation and have guarantees for the disposal of hazardous waste. Since 2021, Estonian Railways has not ordered wooden sleepers for new construction projects, with all new rail sections built using concrete sleepers.

In 2024, 1,092 tons of old wooden sleepers were disposed of, which represents the amount saved from disposal and the known total waste from other reuse operations (regular waste data is not provided here, only hazardous waste is considered).

In 2024, a total of 1,105 tons of hazardous waste were collected separately. Of these, 13.17 tons were handed over to a waste handler and thus prepared for recycling. No data is available on regular waste handed over to a waste handler.

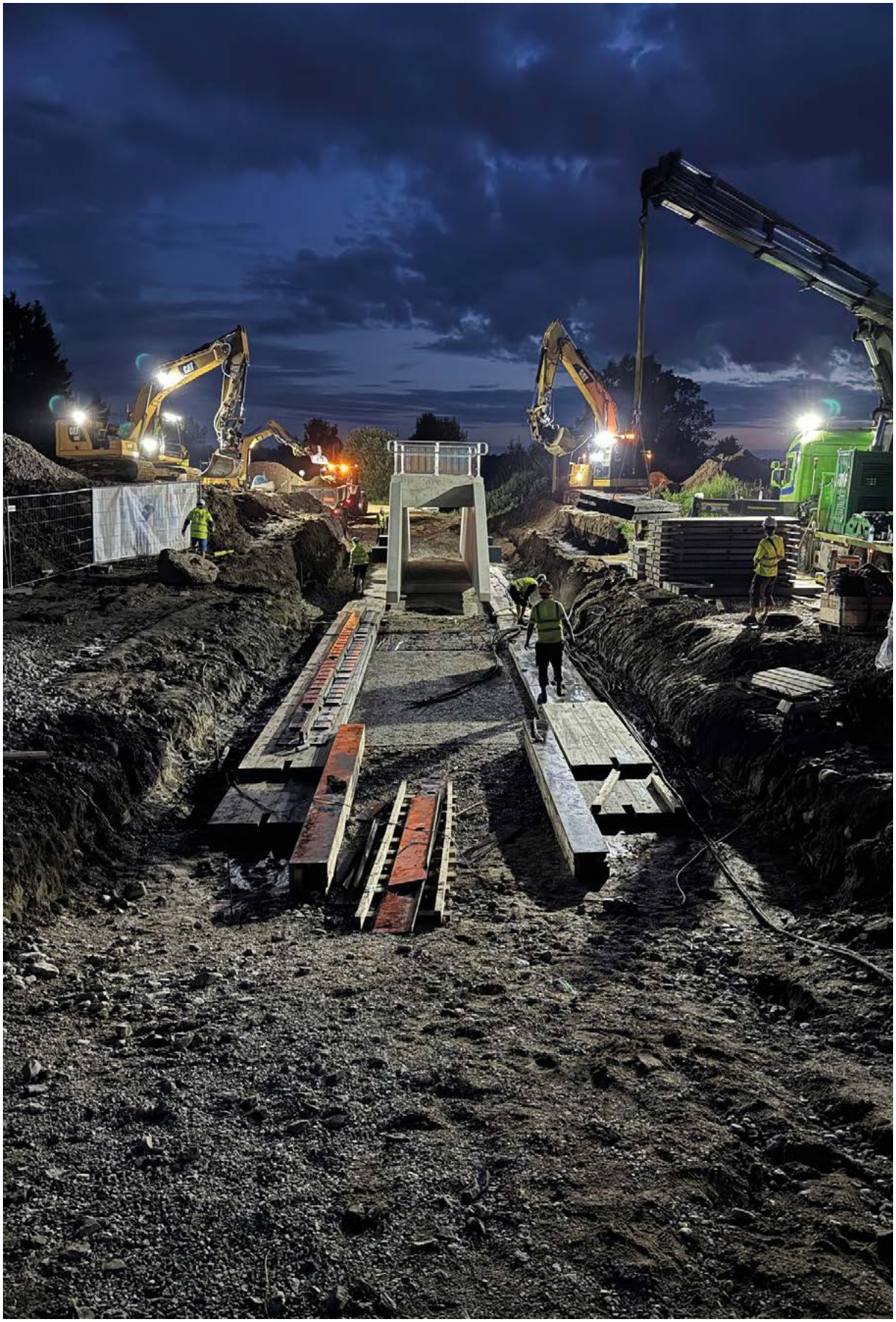
Estonian Railways also has a contract with a producer responsibility organization that ensures the reuse of transport and group packaging, thus ensuring the proper recycling of packaging used for transporting and group handling goods.

Quantities of Transport and Group Packaging

Type of Packaging	Quantity (tonnes)
Sales Packaging	
Paper and Cardboard (Composite):	0,04
Transport and Group Packaging	
Plastic	0,11
Paper and Cardboard	0,34
Ferrous Metal (since 2022)	1,28
Wood	15,96

Quantity of Waste

Type of Waste	Quantity (tonnes)
Total Quantity of Waste Produced	Data unavailable
Hazardous Waste	1 105
Radioactive Waste	0
Mixed Municipal Waste	Data unavailable
Biowaste	Data unavailable
Paper and Cardboard	Data unavailable
Construction and Demolition Waste	7,25



SOCIAL TOPICS (S)

S1 Communication with Own Workforce

ESRS S1 S1-2 • Processes for Communication with Employees and Employee Representatives Regarding Impacts

Communication processes within the company are regulated by Estonian Railways's communication strategy, which defines the goals of communication, key messages, areas of responsibility, and priority target groups and information channels, ensuring consistency in communication.

Annual information days are organized to keep employees informed. In October 2024, these were held in Tallinn, Tartu, and Narva, with more than 350 employees participating. The events could be watched via live streaming and later through the company's intranet, with over 200 views recorded. Other internal communication channels include the intranet (and its information spaces), screens in major stations, and the quarterly internal newsletter for regular information sharing. Communication channels also include emails, meetings, technical drills, and pre-shift briefings.

The company organizes a biennial employee engagement and satisfaction survey (the most recent was in 2024).

Each quarter, meetings of Estonian Railways's workplace safety council take place, where different issues can be raised.

Regular two-way communication occurs with employees through annual interviews, discussions at the start and end of the probation period, and exit interviews.

Employees also participated in a stakeholder survey conducted to identify significant impacts, risks, and opportunities.

Estonian Railways has an overarching framework agreement with employees in the form of a collective agreement. Annual negotiations on the collective agreement and additional meetings based on necessity are held with the Estonian Railway Workers' Union. The collective agreement outlines the procedures for informing and consulting. Compliance with the agreement is monitored by authorized representatives of both Estonian Railways and the Estonian Railway Workers' Union in accordance with the collective agreement law. Parties must notify each other in writing within five working days of the day the breach of the agreement becomes apparent.

In cases of discrepancies during the performance of the agreement (such as planned strikes or lockouts), one party will inform the other within three working days, and within ten calendar days, a labor dispute resolution commission will be formed.

The Head of the Human Resources Department is responsible for ensuring communication with the workforce and contributes to incorporating employee considerations into various practices.

ESRS S1 S1-3 • Processes for Remedying Negative Impacts and Channels for Employees to Raise Issues

Estonian Railways offers the following channels through which employees can directly report their concerns or needs to the company.

- Employees can **report concerns anonymously through whistleblower channels** available both online (via the intranet and the company website) and by telephone.
- Employees are encouraged to contribute to the idea bank, submitting their proposals. Ideas are forwarded to the relevant field representative for resolution, and viable ideas are implemented when possible. Ideas submitted to the idea bank in 2024 led to:
  - A birdhouse crafting workshop for employees' children, with the results displayed at our stations.
  - More flexible vacation rules, allowing employees to take five consecutive days off instead of the previously mandatory seven.
  - Creation of a children's room at the headquarters to enhance family-friendliness.
- **An employee engagement and satisfaction survey was conducted in 2024. The questionnaire was sent to all employees, with an 80.4% response rate. Besides the ratings, 89 pages of comments were received and reviewed. 86% of respondents would recommend Estonian Railways as an employer.** Strengths highlighted included team leadership, goal setting, and alignment with values. Areas for improvement included increasing interdepartmental collaboration, enhancing leadership culture, and addressing responsibility and engagement. Based on employee suggestions, workshops and action plans were developed with managers to address these needs. Recommendations for Estonian Railways and general well-being are above average compared to the peer group, and contemplation of leaving is lower among Estonian Railways employees than in the comparison group.
- The Pony system for incident reporting and registration allows employees to report negative impacts (slippery surfaces, unsuitable office chairs, poor lighting, inappropriate room temperature, etc.), facilitating oversight in addressing these issues.
- Discussions held with employees aim to reduce potential negative impacts and provide an opportunity to express concerns. Employees are more satisfied when issues are discussed and resolved
- Employees can also raise issues through the union.

S1 Policies, Measures, Goals, and Indicators Related to Employees

This section addresses the number of employees as people, without converting part-time employees to full-time equivalents, and includes contract-based workers.

ESRS S1 S1-4 • Implementation of Measures Related to Significant Impacts on Own Workforce and Approaches for Mitigating Significant Risks and Utilizing Significant Opportunities, and Their Effectiveness with Employees
ESRS S1-1 • Policies Related to Own Employees

In Estonian Railways's sustainability strategy, there are five goals concerning employees, which are detailed in the next chapter. Below are the measures and principles related to these goals.

Shaping an Employee- and Family-Friendly Company

In 2023, Estonian Railways joined the Family- and Employee-Friendly Company's label program. In 2024, a working group was established to fulfill and develop the action plan. Monthly meetings of the working group address topics aimed at making the company more family- and employee-friendly by directly enhancing employee experience. In 2024, Estonian Railways received the Family- and Employee-Friendly Company's basic silver label. The company also offers remote work options.

Employees are asked for feedback and are remembered on anniversaries, work anniversaries, family events, and upon departure of long-serving employees.

Preventing Workplace Accidents

- Accidents, injuries, work-related illnesses, and unsafe actions are prevented by continually increasing employee safety awareness. The goal is to make health, safety, and well-being an integral part of Estonian Railways employees' daily work.
- Efforts to make workplaces safer are ongoing, including safety inspections, mapping potential hazards, and developing action plans for risk mitigation and measures to be implemented.
- Clear labels, instructions, and safety warnings are installed at workplaces. Suitable protective equipment is provided to employees (helmets, safety goggles, earplugs, gloves, safety footwear, and respirators, etc.). Equipment maintenance is organized, and regular checks on machines' technical condition are conducted. A portal for ordering work clothes and protective gear is available.
- Awareness is raised through continuous internal training and articles published in internal information channels.
- Employees are encouraged to report near-miss accidents and dangerous situations. The assessment of workplace hazards is a continuous activity during which risk analyses and safety guides are updated. Workplace accidents are documented.
- Digital innovations in occupational safety and health are pursued to create automated workflows, consolidate occupational safety processes, ensuring that necessary information is easily accessible, processes are quick and convenient, and the occupational environment specialist has complete oversight of their area of responsibility.
- The process for new employee induction includes the option to undergo introductory safety training via video lecture, enabling training without the presence of an occupational environment specialist, facilitated by the direct supervisor. Additionally, development of the web-based, interactive e-learning environment continues, managing all learning content (materials and assignments, induction feedback, tests, etc.).

The effectiveness of workplace safety improvement measures is indicated by a **low number of workplace accidents.**

Promoting Employee Health

- Estonian Railways prioritizes creating a work environment that supports health and encourages healthy lifestyles. To improve working conditions, adjustable desks were acquired in 2024. For the second consecutive year, a health week was conducted, offering employees various activities: lectures from office yoga tips to mental health discussions, sports events, and health-related prize draws. All employees may utilize a health compensation of 400 euros per year and take three health days as needed.
- Focus is placed on supporting employees' sports activities. For several years, Estonian Railways has operated a sports club, which organized over ten sports activities and competitions for our employees during the year (rafting trips, participation in various runs, bowling tournaments, basketball and volleyball training, the "Most Sporting Public Institution" series, Summer Spartakiad, etc.).
- Employees are entitled to additional rest days for those working on special schedules and to recover from psycho-emotional work.

Ensuring a Diverse and Non-Discriminatory Work Culture

- Estonian Railways collects and publishes data on complaints related to discrimination/workplace bullying, gender pay gap, and the proportion of women in leadership positions.

Ensuring Workforce Succession

- Participation in career fairs, school visits, and inviting school groups to introduce Estonian Railways as an employer. As a result, each year, dozens of young individuals complete their internships at Estonian Railways. Internship supervisors are professionals in their field, and their responsible work is recognized and highlighted among other employees. Estonian Railways participated in competitions organized by the Estonian Employers' Confederation for Best Internship Place and Best Intern. Job shadowing days and visits for students were organized.
- Collaboration with universities, higher education institutions, and vocational schools to ensure employee succession. In previous years, scholarships have been awarded to students in energy, mechatronics, and road construction programs at TalTech. As a field expert, a company representative is part of the program councils for logistics and sustainable management master's programs and the business bachelor's program at TalTech. Estonian Railways employees serve as lecturers, thesis supervisors, or are members of thesis defense committees at both Tallinn University of Applied Sciences and TalTech.
- The company's compensation system aims to support the recruitment and retention of qualified employees by providing competitive and fair salaries. It rewards work performance, quality, and attitudes and behaviors in line with the company's values as expressed in work.
- New employees undergo a series of management system training sessions, where each area's responsible person introduces their field. Trainings take place twice a year in April and November.
- Employees are recognized and motivated for adhering to organizational values. Annually, values awards are given out in nine categories for promoting the field or for outstanding activity.
- Along with building an internal employer brand, the company also focuses on creating an external employer image. Every two years, participation in an employer attractiveness survey informs the creation of an action plan to enhance the employer's reputation based on the survey results.
- Company-wide job shadowing days have become a tradition, allowing employees to shadow colleagues. The aim of job shadowing is to better understand each other's work, find common ground between different positions and tasks, and improve collaboration within the company.

ESRS S1 S1-5 • Goals Related to Managing Significant Negative Impacts, Enhancing Positive Impacts, and Managing Significant Risks and Opportunities

Employee-Related Goals for 2024 and Their Fulfilment

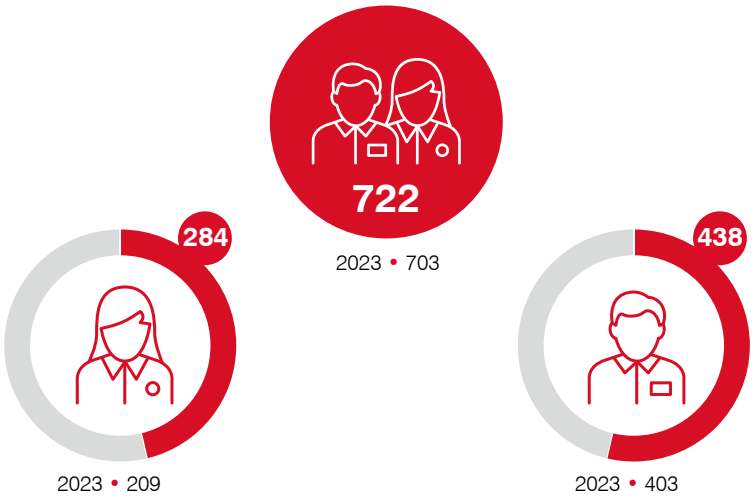
Goal	Result
Development of Key Processes	Updated the probation interview and vacation processes, applications implemented
Employee Development: At least 37% of Traffic Service employees proficient in Estonian (B2 category level)	38% of Traffic Service employees proficient in Estonian (B2 category level)
Mapping of Employees' Estonian Language Skills	Estonian language proficiency level mapped for employees in Infrastructure Service
Training in Service Management and Service Design: At least 45 employees have completed the training	More than 45 employees underwent training
Goal-setting Training: At least 30 managers have completed the training	33 managers completed the goal-setting training
Creation of Estonian Language Learning Portal Concept	Concept created and approved by the management board
Increase in Cyber Hygiene Awareness	All employees completed training and passed the test (except 69% in Infrastructure). Subpage created on intranet

Employee-Related Goals in Estonian Railways's Sustainability Strategy

Objective	Performance Indicators	Key Results and/or Target Levels						
		2024 actual	2025	2026	2027	2028	2029	2030
Prevention of Workplace Accidents	Number of Workplace Accidents (Zero Vision)	2	0	0	0	0	0	0
Promotion of Employee Health	Number of Sick Days for Employees on Medical Leave	5 919	5 500	5 500	5 000	5 000	5 000	5 000
Shaping an Employee- and Family-Friendly Company	Employee- and Family-Friendly Employer Label	Silver	Silver	Silver	Silver	Silver	Gold	Gold
	Ensuring Workforce Succession	86%		86%		86%		86%
	Ensuring a Diverse and Non-Discriminatory Work Culture	90%	100%	100%	100%	100%	100%	100%
Ensuring Workforce Succession	Number of Interns	26	20	25	25	25	25	25
Ensuring a Diverse and Non-Discriminatory Work Culture	Number of Discrimination/ Workplace Bullying Complaints (Zero Vision)	2	0	0	0	0	0	0
	Gender Pay Gap in the Same Positions (Defined as the difference in average salary levels between female and male employees, expressed as a percentage of the male employees' average salary level)	4%	4%	4%	4%	4%	4%	4%
	Proportion of Women in Leadership Positions	27%	30%	30%	30%	30%	30%	30%

ESRS S1 S1-6 • Characteristics of Salaried Employees

Gender Distribution of Employees

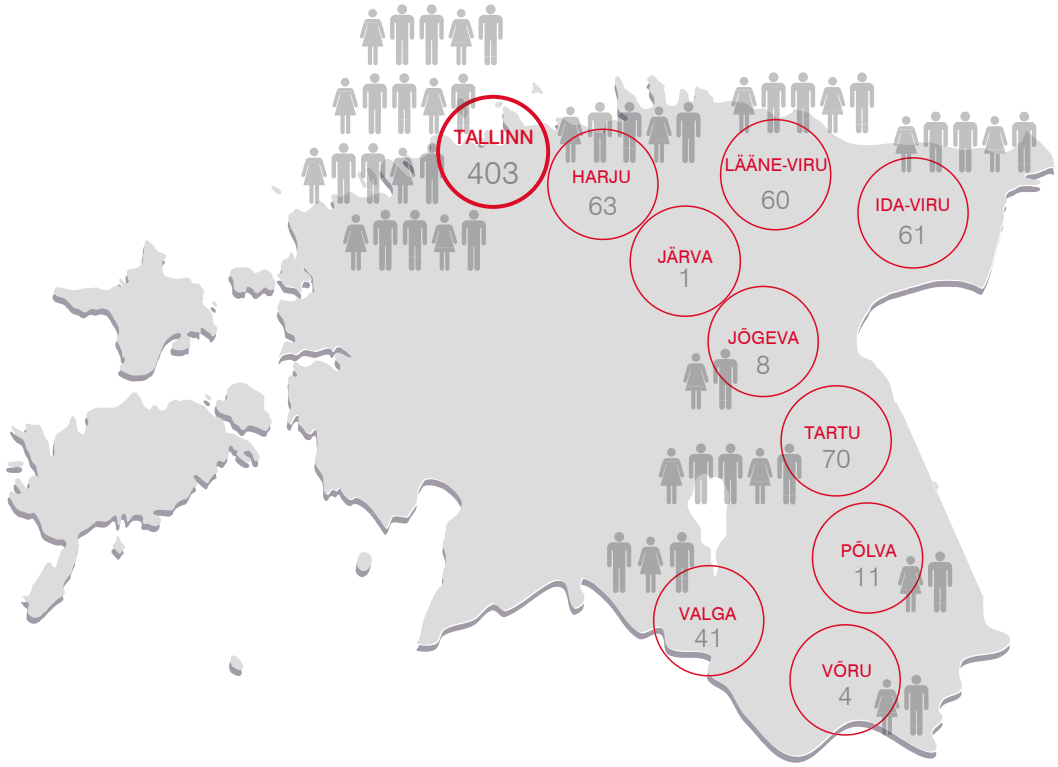


All 722 employees have permanent positions located in Estonia (in Tallinn and Tartu, as well as in the counties of Harju, Lääne-Viru, Ida-Viru, Valga, Põlva, Jõgeva, Võru, and Järva).

Employee data by type of contract based on gender distribution

Total Number of Employees	284	438	722
Number of Employees with Permanent Contracts	279	429	708
Number of Temporary (Fixed-term Contract) Employees	4	3	7
Number of Employees with Commission Contracts (Non-guaranteed work hours)	1	6	7
Number of Full-time Employees (Permanent and Temporary, excluding part-time)	284	428	710
Number of Part-time Employees	1	4	5

Number of Employees by Region



Region	Number of Employees	Permanent Employees	Temporary Employees	Employees with Non-guaranteed Work Hours	Full-time Employees	Part-time Employees
Tallinn	403	392	7	4	394	5
Tartu	70	70			70	
Harju	63	63			63	
Lääne-Viru	60	60			60	
Ida-Viru	61	58		3	58	
Valga	41	41			41	
Põlva	11	11			11	
Jõgeva	8	8			8	
Võru	4	4			4	
Järva	1	1			1	
Total	**722**	**708**	**7**	**7**	**710**	**5**

Employee Turnover

TURNOVER OF OWN EMPLOYEES

5,25%

2023 • 5,85%

NUMBER OF EMPLOYEES WHO HAVE LEFT THE COMPANY

52

2023 • 61

ESRS S1 S1-8 • Coverage by Collective Bargaining and Social Dialogue

All company employees are involved in social dialogue within their work regions, as all employees at Estonian Railways are covered by a collective agreement.

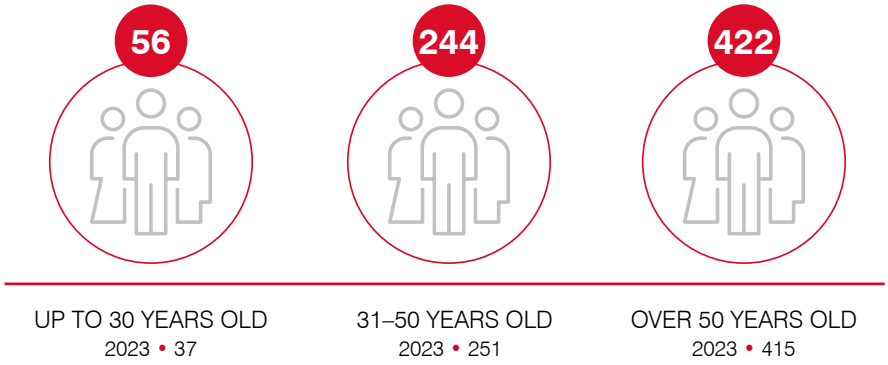
ESRS S1 S1-9 • Diversity Indicators

Gender Distribution in Senior Management:

1

6

Age Distribution of Salaried Employees



ESRS S1 S1-10 • Adequate Compensation

To define adequate compensation, Estonian Railways participates in the Figure salary survey to compare its employee salaries with market medians. In 2024, there were no employees at Estonian Railways whose salary fell below the comparison benchmark.

Estonian Railways pays higher bonuses for evening and nighttime hours than required by law.

ESRS S1 S1-11 • Social Protection

All Estonian Railways employees are covered by social protection (sickness, unemployment, work-related injury or disability, parental leave, pension) as per the laws of the Republic of Estonia.

ESRS S1 S1-12 • Employees with Reduced Capacity to Work

Data has been collected in accordance with legislative restrictions in the Republic of Estonia. Information about the proportion of employees with reduced capacity to work is based on leave taken due to reduced capacity. In 2024, 1.66% of Estonian Railways employees had reduced capacity to work.

The number of sick days for employees on medical leave was 4,547 in 2024, compared to 5,919 in 2023.

ESRS S1 S1-13 • Outcome Indicators for Training and Skills Development

Participation in Development Conversations and Training

Percentage of employees who participated in development conversations, %	100
Average number of training hours per employee, h	20.3

All employees at Estonian Railways participate in development conversations. The average training hours by gender distribution are not known.

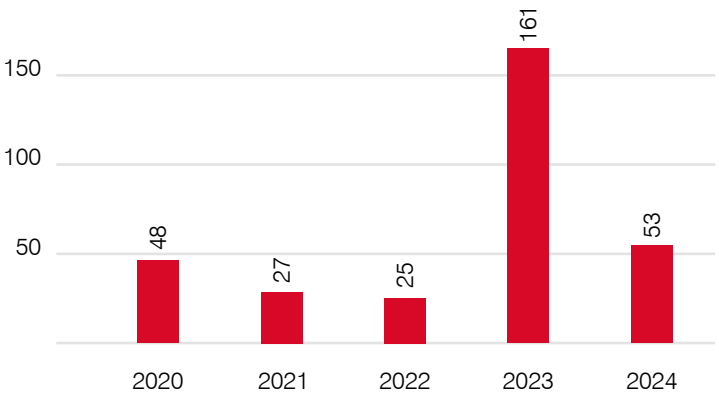
ESRS S1 S1-14 • Health and Safety Metrics

In the event of workplace accidents, causative factors are analyzed to prevent similar accidents from recurring. Near-miss incidents are also discussed with employees for this purpose. Following workplace accidents, employees receive additional safety training. Over a longer period, it is evident that the number of workplace accidents decreased annually from 2020 to 2024 and has remained between 0 and 3 during this five-year period.

Occupational Health and Safety Metrics

Percentage of own employees covered by the health and safety management system	100
Number of confirmed workplace accidents	2
Number of serious workplace accidents	1
Number of fatal workplace accidents	0
Number of lost days due to workplace accidents	53

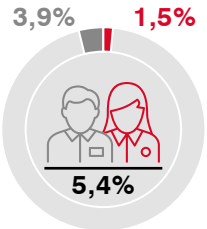
Number of Lost Workdays Due to Workplace Accidents by Year



Estonian Railways does not have information on occupational diseases. The occupational health physician informs the Labor Inspectorate, which conducts general inspections without disclosing specific illnesses.

ESRS S1 S1-15 • Work-Life Balance Metrics

Employees Who Took Family Leave



At the time of the report's completion, the number of employees eligible for family leave is unspecified.

Family leave includes the following variations: a) Maternity Leave (also known as pregnancy and childbirth leave) – leave for working women immediately before and after childbirth. b) Paternity Leave – provided to the father or equivalent second parent for caring for the child at the time of birth or adoption. c) Parental Leave – offered following childbirth or adoption for caring for the child. d) Caregiver Leave – leave for employees to care for a relative or household member with a serious medical condition. Under the laws of the Republic of Estonia, caregiver leave is paid leave granted for taking care of an adult with a severe disability.

ESRS S1 S1-16 • Compensation Metrics (Pay Gap and Total Compensation)

Pay Gap and Total Compensation ratio

Gender Pay Gap	4%
Ratio of Annual Total Compensation	Information unavailable

ESRS S1 S1-17 • Incidents, Complaints, and Serious Impacts on Human Rights

Estonian Railways emphasizes the importance of employees feeling comfortable reporting problems and incidents. **An information space titled "Mental Health First Aid" has been created on the intranet, along with guidance materials for dealing with psychologically difficult situations.** To resolve stressful conflict situations and prevent employee burnout, work psychologists have been engaged to conduct both individual and team consultations. The company also supports the growth of awareness and acquisition of skills on mental health topics through online training courses, with corresponding training provided to managers. In addition, the company has designated "trusted persons" (workplace safety representatives and mental health ambassadors) whom employees can approach if issues arise.

Harassment Incidents

Total Number of Harassment Incidents	0
Number of Complaints Filed Through Employee Reporting Channels	2

Complaints were submitted to the head of occupational health and safety via email.

S3 Communication with Affected Communities

ESRS S3 S3-1 • Policies Related to Affected Communities

The company engaged affected communities by conducting a survey of stakeholders in the spring of 2024. As a result, community opinions were incorporated into the double materiality analysis, and goals and activities were added to the company's sustainability strategy, guiding activities in this area until 2030.

Estonian Railways has official channels through which the public can address the company to resolve issues, obtain information, or involve the company in various processes. All such inquiries are sent to the company's communications department, which involves relevant employees to resolve questions and proposals.

ESRS S3 S3-2 • Processes for Communicating Impacts with Communities

Collaboration with affected communities occurs both project-based and as needed. Communication primarily takes place through local municipalities or direct contact with the company.

For example, at the end of 2023 and the beginning of 2024, there was a discussion regarding the application submitted by Estonian Railways and the State Defense Investment Center to the Connecting Europe Facility (CEF) for renovating the Valga–Koidula railway section and constructing the Sõmerpalu railway hub. As a result, a public meeting was held in Sõmerpalu to introduce the railway plans.

Particularly active communication occurred with Nõmme district administration and local associations due to the 100th anniversary of the electric railway celebrated in September 2024. Various events were organized throughout the year to commemorate this occasion: information boards were unveiled at the railway stops in Nõmme area, an electric railway anniversary photo exhibition was held, a grand birthday event for the local population was held at Nõmme station, and the railway stations were adorned with local art.

One of the largest constructions in recent years, completed in the summer of 2024, was the Tapa marshalling yard along with a new environmentally friendly administration building. To introduce the new station, the work conducted there, employment opportunities, railway safety, and Estonian Railways's specialized equipment, an open house accompanied by an inauguration event was organized at Tapa station in July 2024. In collaboration with Tapa city, a business day was organized at the end of October at Tapa. Presently, joint efforts with the city are ongoing to renovate the Tapa station building and water tower, aiming for the local community to find a suitable purpose for the premises. According to the agreement between Estonian Railways and Tapa, the buildings, after the restoration of facades and conservation of the locomotive depot, will be handed over for use by the municipal government.

With Tallinn city, one of the discussion points is the reduction of Kopli freight station area to create space for constructing the Insect Corridor. Preparations for two new tunnels in collaboration with Tartu city are underway, and safety trainings offered to schools were conducted with the local municipality.

Direct contacts with local communities also occur. The main negative impact is noise from construction work or deficiencies by contractors (e.g., unrectified land after construction). Complaints have been made regarding the loudness of technical sound signals at crossings (e.g., Tiksoja crossing) or insufficient lighting near railway infrastructure. Estonian Railways has attempted to accommodate local community requests where possible, such as asking contractors to repair the land, adjust signal loudness, or add lighting to railway infrastructure.

Communication with local communities falls under the responsibility of the specific sector leader in accordance with the nature of the issue. The company's communications department helps manage information exchange with local communities. Direct communication with local municipalities involves the executive board as well as directors of services and departments.

ESRS S3 S3-3 • Processes for Remedying Negative Impacts and Channels for Communities to Raise Issues

The company has a 24-hour telephone number displayed at all crossings and on its website. Through this number, the dispatcher at the Estonian Railways management center can be informed of incidents on the railway.

Due to major railway infrastructure construction work, information days are organized as needed. Regularly, safety campaigns are conducted, and awareness activities are undertaken in schools, kindergartens, and public events in collaboration with operational partners and representatives from OLE.

Communication channels are also described in the next chapter, “Consumers and End-Users.”

The company evaluates the effectiveness of communication through problem resolution and the satisfaction of community representatives via direct interaction.

S3 Management of Community Impact and Ensuring Safety

ESRS S3 S3-4 • Implementation of Measures Related to Significant Impacts, Approaches to Mitigate Significant Risks Related to Communities, and Utilization of Significant Opportunities, Along with the Effectiveness of These Measures and Approaches

To mitigate risks associated with communities, railway safety training is organized, and railway safety information is shared with the public. The OLE railway safety tent, along with Estonian Railways safety ambassadors, participated in events such as “Electric Railway 100,” a children’s event at the Open-Air Museum, and the grand opening of Tapa station.

The company installs additional barriers and optical and acoustic signaling equipment on infrastructure across Estonia to enhance railway safety. When complaints about sound volume arise (a total of 3 in 2024), the company adjusts the sound level of the equipment accordingly.

Regular noise and vibration measurements are conducted in areas near railways where residents have submitted complaints. In the case of straightening or similar construction activities, noise is modeled, and if limits are exceeded, mitigation measures are applied.

Measures also include reconstructing waiting shelters to be more weather-resistant. In 2024, Kaarepere and Nelijärve shelters were rebuilt.

Simultaneously with the increase in speed and frequency of passenger trains, we mitigate the resulting dangers and risks to road users and passengers.

In summer 2023, the Minister of Climate approved a new railway technology usage regulation that tightened safety requirements, setting additional requirements for railway crossing points in the annex. Previously, there were no categories for railway pedestrian crossings. In 2024, pedestrian and cyclist counts were conducted, and risk assessments were compiled for each railway pedestrian crossing (147 in total). The results clarified whether a specific crossing should have a tunnel, automation, automatic barriers, or if the current solution is appropriate. Additionally, the investment needs for passenger waiting platforms and crossing points were identified.

Safety-Related Indicators

20

Pedestrian tunnels

built in recent years

Nearly 70 km

Fences constructed

to prevent crossing the railway at unauthorized locations

68

out of 150; by 2025, barriers will be installed at 98 crossings

Railway crossings equipped with barriers

126

out of 150

Railway crossings equipped with automatic signal lights

126

out of 150

Railway crossings **equipped with acoustic signals**

More than 14,6 million euros

for 110 railway crossings

Investment for installing new safety equipment at railway crossings

460

(2023: 570)

Number of people (Estonian Railways and contractor employees, first responders) receiving safety training in 2024

Over 2 000

(2023: 5,000

Number of **school children and kindergarten children** receiving railway safety training from our employees in 2024

Prevention Work

The non-profit organization OLE, founded by us, brings together nearly all railway operators in Estonia. Annually, railway safety awareness training is conducted in kindergartens and schools. In 2024, safety information was shared with 4,300 children, of which 2,000 were trained by Estonian Railways employees. In collaboration with OLE, several public campaigns to enhance railway safety were conducted in 2024, focusing on the contribution of railway crossers to improving safety (e.g., "We Expect You Home for Christmas" campaign). A railway safety week was held, and OLE's 20th anniversary was celebrated.

Recovery Capability

Estonian Railways has recovery capability in the form of a rescue train, which ensures round-the-clock readiness to respond to railway incidents and crises, and to eliminate their consequences. The rescue train consists of emergency groups from Tallinn and Tapa, equipped with, among other things, three railway cranes, special vehicles that can travel on railways, special equipment for pulling railway rolling stock back onto tracks, and a chemical trailer for responding to incidents involving dangerous goods.

The rescue train's railway cranes also participated in infrastructure construction work. In 2024, a procurement process was conducted, resulting in a contract for a new railway crane, which will be built and delivered within 24 months. The railway crane allows for more efficient construction and restoration work on electrified railways.

Estonian Railways conducts training and organizes exercises in collaboration with partners (including the Rescue Board, PPA, ambulance, defense forces) with the goal of preventing accidents and ensuring as quick and professional a response as possible from all parties to mitigate consequences and restore rail traffic more rapidly.

During the major exercise "Morna Madness," a sudden attack scenario was played out, more details of which can be found in the chapter "Key Events and Recognitions of 2024."

In addition, continuity exercises are organized for our employees.

Incidents

Railway safety-related incidents are classified according to railway law as serious accidents, accidents, incidents, and technical incidents.

There were no serious accidents in 2024. There were 10 accidents, including suicides (2023: 17), in which nine people were injured (2023: 15), including three fatalities (2023: 8).

There were eight incidents in total (2023: 6), including three track fractures and five hazards due to actions by train drivers.

In 2024, there were 368 technical incidents (2023: 335). The increase was associated with cable damage during large-scale construction work and weather conditions (storm winds, lightning).

There were a total of 154 vandalism incidents in 2024 (2023: 186), including 32 cases of barrier knockdowns (2023: 60). Despite the increase in the number of railway crossings equipped with barriers, the number of barrier knockdowns decreased, indicating a positive trend in traffic culture.

ESRS S3 S3-5 • Goals Related to Managing Significant Negative Impacts, Enhancing Positive Impacts, and Managing Significant Risks and Opportunities

Safety goals are established sector-wise to maintain and potentially elevate safety levels. Through infrastructure development work prompted by the owner's expectations, the aim is to advance the quality, traffic management, and safety of railway infrastructure to a new technological level.

Almost all strategic direction goals, detailed annual objectives for structural units, action plans, and related activities contain components aimed at improving railway safety.

Community-Related Goals in Estonian Railways's Sustainability Strategy

Objective	Performance Indicators	Key Results and/or Target Levels						
		2024 actual	2025	2026	2027	2028	2029	2030
Promoting Cooperation with Communities	Number of Hours Donated for Volunteer Work	100	300	300	300	400	400	400

The goals related to railway safety are outlined in the next chapter, "Consumers and End-Users," as well as in the chapters "Goals for 2024 and Their Fulfillment" and "Goals Set for 2025".

S4 Consumers and End-Users

ESRS S4 SBM-3 • Significant Impacts, Risks, and Opportunities and Their Connection with Strategy and Business Model

In addition to the chapter "Description of Processes for Identifying and Assessing Significant Impacts, Risks, and Opportunities and Their Connection with Strategy and Business Model," Estonian Railways has analyzed the negative and positive impacts on external and internal environments related to consumers and end-users using a SWOT-TOWS analysis. The results are presented in the table below. The TOWS analysis indicates that the strengths identified in the SWOT matrix have created prerequisites for implementing investment projects important to society, either independently or in collaboration with other infrastructure companies. Investment projects also aim to address existing technological weaknesses, which pose a major threat to the company's sustainability alongside political risk. Functioning international relations have contributed to the preservation of freight volumes, including the emergence of new modes of transport (internal container transport, cross-border contrailer train) on the north-south axis. Knowledge transfer is the main opportunity for digitalization and automation.

Negative and Positive Impacts of the External and Internal Environment Identified from SWOT-TOWS Analysis

Strenghts	Weaknesses
■ Strategic leadership by management ■ Dedicated, competent, and mission-driven employees ■ Trust-building management culture ■ Railway as a transport policy-favored infrastructure with low external costs ■ Responsible company ■ Sufficient capacity, ability to handle long and heavy freight trains and service defense transports ■ Existing or restorable connections with potential shippers/receivers ■ Functioning international relationships ■ Supplier trust	■ Low linkage and insufficient automation of processes and services ■ Technological level of traffic management ■ Uncertain action of cooperation partners ■ Dependency on external government grants ■ Capability to implement investments ■ Fragmented organizational culture ■ Lack of workforce succession ■ Recognition yet low attractiveness among young people ■ Mid-level managers' leadership capabilities ■ Employees' low digital skills
Opportunities	**Threats**
■ Implementation of investment projects important to society ■ Participation in international working groups of rail networks with 1435 mm and 1520 mm gauge ■ Cooperation within the Rail Baltic project ■ Transport of new goods on infrastructure and initiation of new transport modes (e.g., fast rail logistics) ■ Preservation of transit transports from third countries ■ Knowledge and technology transfer to contractors and other railways and vice versa ■ Collaboration with research and educational institutions ■ Cooperation with digital country initiatives	■ Sudden decrease in freight volumes due to political and/or economic risks ■ Dependency on technology partners in technology selection leading to high ownership costs ■ Infrastructure failures disrupting efficient traffic management ■ Saturation of the infrastructure construction market ■ Uncertain funding of long-term investment projects ■ Uncontrolled increase in input prices, including labor costs ■ Low interest from educational institutions in railway disciplines ■ Difficulties in filling key positions

ESRS S4 S4-1 • ESRS S4 S4-1 • Principles Related to Consumers and End-Users

The company's established risk management principles apply to all parties and must also be implemented by external stakeholders who have a contractual relationship with Estonian Railways. To ensure awareness, the principles of risk management are introduced to railway operators, and hazards and risk reporting are reviewed in regular safety meetings. Risk management principles are discussed with railway maintenance contractors in project documentation and work technologies and in regular project team work meetings.

When entering into contracts and following the work permit process, Estonian Railways informs cooperation partners of risks associated with its activities, as well as broader railway-related hazards that their employees may encounter while fulfilling their duties, and the precautionary measures to avoid them. Continuous information exchange with partners is conducted to ensure effective operation, safety, and quality.

Data is analyzed and improvement measures are developed to prevent or mitigate incidents that may affect the efficient operation of the railway network and all other services. Incidents are recorded in Estonian Railways's incident register, while other important information and agreements are documented within the information management system, and the execution of actions is monitored.

ESRS S4 S4-2 • Processes for Communicating Impacts with Consumers and End-Users

Estonian Railways strives to be a trustworthy partner to all stakeholders.

In 2024, it was important in communication to disseminate information both on railway-related plans and development directions, as well as on safety and major Tapa–Tartu railway construction work and restrictions that impacted train schedules. Due to sanctions, there was continued interest in the types of goods transported by rail, rolling stock labeling, and transport operators.

Interest in Estonian Railways's activities is on the rise, prompting increased focus on enhancing public safety awareness and sharing preventive information. In 2024, public interest grew in infrastructure reconstructions, the introduction of new trains, the progress of electrification, and plans for waiting shelters' reconstruction.

Estonian Railways has its social media channels (Facebook, Instagram, LinkedIn, YouTube), with a constantly growing follower base where information on railway safety, the company, its procurements, and projects is shared. Additionally, it presents Estonian Railways as a potential employer – campaigns were created for social media in collaboration with the company's brand ambassadors to introduce the fields of railway electrical and safety systems. Information is also promptly shared via local government websites and the website of the passenger-serving transport operator. On social media, suggestions to Estonian Railways focused primarily on old station buildings, as well as platform maintenance and malfunction reporting.

In the spring of 2024, participation in the Transport Sector Green Forum organizing team included sharing the experience of Tapa station's circular economy-based reconstruction with the public.

Two key themes consistently dominated client communication: sanctions related to freight transport and temporary traffic restrictions due to railway works. The former affected (and continues to affect) freight operators, whereas passenger transport is central regarding traffic restrictions. Both influencing factors are dynamic and require continuous adaptation to atypical conditions. The main form of communication has become operational network-wide working group meetings, allowing a broad spectrum of stakeholders to enter a shared information circle on short notice.

Amid operational activities, Estonian Railways participated from January to May 2024 in an EAS-supported workshop project, "Design Masterclass," during which an IT service to facilitate rail use for freight operators was designed. Several freight operators and external service providers joined the weekly sprints.

ESRS S4 S4-3 • Processes for Remedying Negative Impacts and Channels for Consumers and End-Users to Raise Issues

Estonian Railways organizes anonymous satisfaction surveys for its clients. In 2024, we also met face-to-face with transport operators for in-depth interviews.

On the company's website, there is an anonymous option to report illegal activities and/or violations, as well as other matters concerning Estonian Railways. The whistleblowing line is a tool that increases transparency, helps reduce risks, and supports the company's values and ethical work culture.

If desired, informants can leave their contact information to receive feedback on the case proceedings. Information is processed following the personal data protection regulations, ensuring the confidentiality of the informant. There is also a phone number available for reporting. The whistleblowing process operates according to independence principles, meaning management is not involved.

Furthermore, legislation provides transport operators the opportunity to raise queries related to railway infrastructure company's decisions with the Competition Authority, which has the authority, responsibility, and competence to address them.

ESRS S4 S4-4 • Implementation of Measures Related to Significant Impacts on Consumers and End-Users. Approaches for Managing Significant Risks and Utilizing Opportunities Related to Consumers and End-Users and Their Effectiveness

Since the effectiveness of the company's information security affects stakeholders (clients, passengers), digital security is a priority for Estonian Railways. In 2024, the primary focus of the information security sector was the protection of the organization's digital infrastructure, enhancement of security measures, and raising employee awareness.

In April, a dedicated information security department was established to strengthen information security management and coordination within the organization.

The information security policy was thoroughly reviewed and updated to ensure compliance with existing legislation and international standards such as ISO/IEC 27001. An ISO 27001 audit conducted in October confirmed system compliance.

ZeroTrust technology was adopted in IT services, ensuring comprehensive access control and continuous authentication. Additionally, a centralized incident management system was created for quick response to information security incidents.

In September, an information security day was organized, attended by company leaders and featured speakers from various institutions who shared knowledge and best practices. Several cyber drills were also conducted to practice employee behavior in different cyber incident scenarios. All company employees, except those in the infrastructure service who predominantly perform fieldwork, completed cyber hygiene training.

Moreover, several security assessments and tests were conducted to identify potential vulnerabilities and risks.

ESRS S4 S4-5 • Objectives related to managing significant negative impacts, enhancing positive impacts, and managing significant risks and opportunities

Objectives related to consumers and end-users in the sustainability strategy of Estonian Railways

Objective	Performance Indicators	Key Results and/or Target Levels						
		2024 actual	2025	2026	2027	2028	2029	2030
Providing a passenger-friendly service	The number of renovated additional waiting rooms	2	16	6	TBD	TBD	TBD	TBD
	The number of additional grade-separated railway crossings	3	2	4	TBD	TBD	TBD	TBD
Increasing information security awareness	The proportion of passwords entered in phishing tests (not more than)	20%	15%	13%	11%	10%	10%	10%
Increasing awareness of railway safety	The number of trained external stakeholder representatives per year	500	500	500	500	500	500	500
	The number of railway safety actions/ OLE public safety campaigns/OLE field events	0/3/10	1/3/10	1/3/10	1/3/10	1/3/10	1/3/10	1/3/10
	The number of employees who have completed safety training and instruction	200	200	200	200	200	200	200

GOVERNANCE (G)

ESRS G1 G1-1 • Business Conduct Policy and Corporate Culture

The management culture of Estonian Railways is based on five golden rules of corporate governance:

- The company has established values and a code of ethics;
- Strategic objectives are articulated, relevant, and recognized internally within the company;;
- Strategic management is transparent, enabling the realization of long-term objectives involving all company structural units;
- Employees are responsible for fulfilling their tasks;
- The company has an effective reporting system and internal communication.

An overview of business conduct and corporate culture is provided in the chapters “Organization and Management” and “Good Corporate Governance Practices.”

RESPONSIBLE BUSINESS INDEX GOLD LEVEL 2023

Objectives related to governance in the sustainability strategy of Estonian Railways

Objective	Performance Indicators	Key Results and/or Target Levels						
		2024 actual	2025	2026	2027	2028	2029	2030
Implementation of Principles for More Environmentally Friendly Procurement	Proportion of Sustainable Procurement in Total Number of Procurements	12%	14%	16%	18%	20%	22%	24%
Ensuring the Company's Sustainable Development	Result of the Responsible Business Index	Gold level	Gold level	Gold level	Gold level	Gold level	Gold level	Gold level
Encouraging Whistleblowing	Whistleblower Channel Availability is Ensured	100%	100%	100%	100%	100%	100%	100%
Ensuring Ethical and Transparent Governance, Preventing Corruption	Proportion of Procurement-Related Employees Who Have Participated in Anti-Corruption Training	100%	100%	100%	100%	100%	100%	100%
Embedding Company Values in Employees	Proportion of Value Awareness Among Employees	Survey to be conducted in 2026	Survey to be conducted in 2026	80%	80%	80%	80%	80%
Managing Supply Chain Impacts	Number of Suppliers Reporting ESG Impacts	0	5	10	10	10	20	20
Supporting Innovation	Proportion of Implemented Proposals from the Idea Bank	30%	30%	30%	30%	30%	30%	30%
Process Modeling	Proportion of Key Processes Modeled	0%	0% (acquisition of technical tools)	25%	40%	50%	80%	100%
Risk Management	Proportion of Critical Risks	13%	12%	12%	12%	10%	8%	8%

ESRS G1 G1-2 • Supply Chain Management

Procurement

Estonian Railways operates in a sector where safety and environmental protection are of paramount importance, and these considerations are reflected in the preparation of tender documents for public procurement. Participants in tenders and partners are expected to deliver services properly and in accordance with contract terms.

Environmental requirements are often specified within the tender conditions, for example, the materials used in providing services or completing work must meet the required certifications. Whenever possible, the tenders emphasize the reuse of materials. Tender conditions focus on lifecycle costs, taking into account factors like the durability of purchased materials and future maintenance costs.

Estonian Railways organizes procurements worth hundreds of millions of euros annually: we commission construction and repair work, various services, purchase equipment, spare parts, machinery, etc., to develop railway infrastructure and ensure its quality.

In 2024, a total of 299 procurement contracts were concluded, worth approximately 158 million euros (2023: 318 contracts worth approximately 256 million euros).

The public procurement process is meticulously regulated at the legislative level, and as a procurer, Estonian Railways complies with all requirements, as confirmed by multiple audits and supervisory authorities. When organizing procurements, the principles of public procurement are adhered to, including transparency and proportionality, equal treatment of bidders and avoidance of conflicts of interest, effective utilization of competition, and economical and efficient use of financial resources.

In addition, Estonian Railways aims to promote value-based procurements and environmentally conscious thinking. The criteria in the tender documents assist in evaluating the qualitative aspects and sustainability of the proposals.

If the national goal is to increase the proportion of environmentally friendly procurements to 9% by 2025 and 20% by 2035, Estonian Railways already achieved a rate of 16% in 2023 and 27% of all our procurements in 2024.

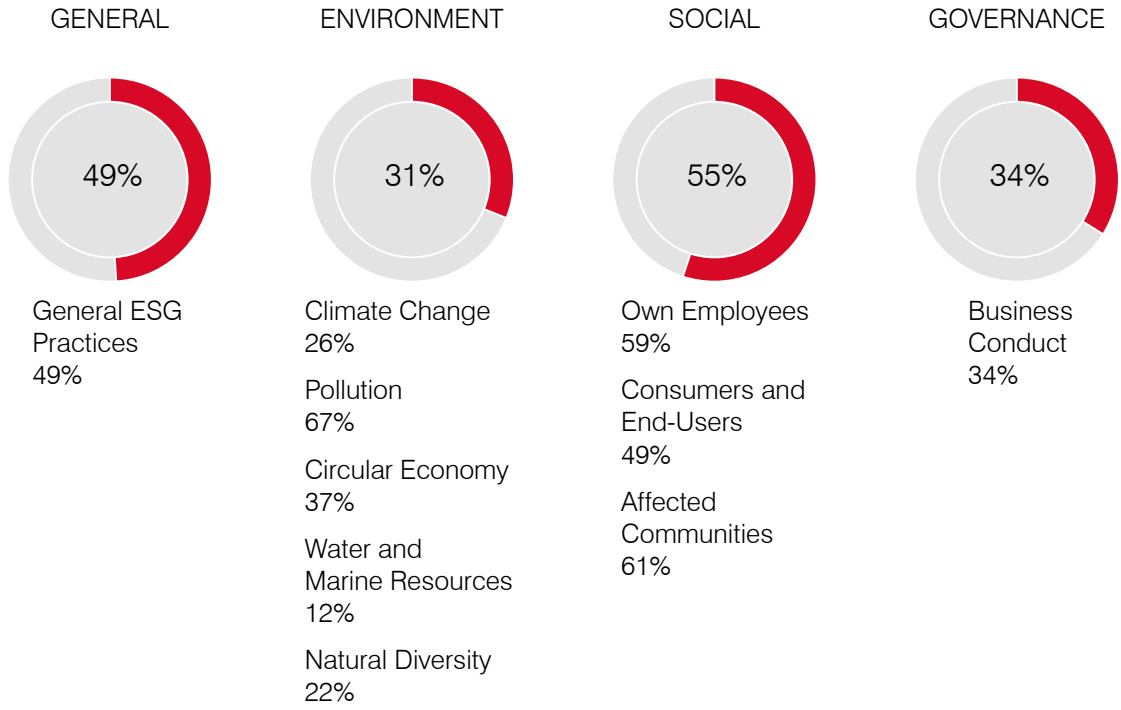
Supply Chain

In the coming years, there are plans to map ESG impact in the supply chain and to set the goal of prioritizing sustainable products and services.

At the end of 2024, Estonian Railways conducted a sustainability survey among suppliers, with results emerging in February 2025. The survey was sent to the one hundred largest suppliers in terms of contract volume in 2024, with responses received from 41 suppliers.

In Estonian Railways suppliers' ESG assessment, the strongest area is social responsibility (55%), followed by governance (34%) and environment (31%), as reflected in the diagram below. Regarding environmental impacts, 48% of suppliers measure their energy usage, but only 26% focus on climate impacts, and 37% follow circular economy principles. Pollution reduction measures are implemented by 67% of suppliers, but only 12% assess sustainable use of water and marine resources. In the social domain, the results are stronger – 85% ensure good working conditions, 98% implement occupational safety measures, and 61% contribute to the development of local communities, reflected in a 59% score in employee well-being. Corporate governance maturity is at 34%, with 35% of suppliers having established a business ethics code and 57% implementing anti-corruption measures, whereas only 15% collect ESG data in their own supply chain. **The overall ESG level indicates that suppliers have made the most progress in social responsibility, but environmental impact management and responsible business practices still require development.**

Summary result of the suppliers' ESG survey



Distribution of Suppliers Participating in the Survey

Sector	Number of Suppliers
Specialized Construction Activities	5
Wholesale Trade (Excluding Motor Vehicles and Motorcycles)	5
Computer Programming, Consultancy, and Related Activities	4
Retail Trade (Excluding Motor Vehicles and Motorcycles)	3
Building Construction	2
Civil Engineering	2
Wholesale, Retail Trade, and Repair of Motor Vehicles and Motorcycles	2
Repair and Installation of Machinery and Equipment	2
Building and Landscape Maintenance Services	2
Activities of Organizations	2
Information Service Activities	1
Security and Investigation Activities	1
Travel Agency, Tour Operator, Reservation Service, and Related Activities	1
Legal and Accounting Activities	1
Support Activities for Financial and Insurance Services	1
Manufacture of Other Non-Metallic Mineral Products	1
Telecommunications	1
Electricity, Gas, Steam, and Air Conditioning Supply	1
Manufacture of Machinery and Equipment n.e.c.	1
Manufacture of Electrical Equipment	1
Manufacture of Wood and Products of Wood and Cork (Excluding Furniture), Articles	1
Repair of Computers and Personal and Household Goods	1

ESRS G1 G1-3 • Prevention and Detection of Corruption and Bribery

Estonian Railways employs comprehensive measures to mitigate potential fraud and corruption incidents, including:

- Values and ethics code;
- Regular reviews of risks, controls, internal audits, and activities of structural units by the board, audit committee and/or council;
- Identification of fraud and corruption risks in the risk register;
- Procedures to avoid conflicts of interest and regular declarations of interests (annually);
- Establishing limits and principles for giving and receiving gifts;
- Random background checks on employees to the extent permitted by law and public databases;
- Defined responsibilities and authorities, with responsibilities spread across different management levels;
- Regular analysis of purchase and sales ledgers;
- Approval of procurement procedures and weekly procurement meetings with independent member participation;
- Collaboration with law enforcement agencies and the NGO Transparency International Estonia;
- Establishment of rules for whistleblowing (including misconduct procedures) and defined channels (phone, email, hotline, form);
- Broader registration of incidents, which includes not only infrastructure incidents but also procurement failures, contract breaches, and employee negligence;
- Invoice confirmation rules requiring multiple eyes and signature authority;
- Whistleblowing channels on the company website;
- Development of long-term training plans (corruption prevention and risk management) and regular training sessions as needed for specific target groups.

Employees are informed of anti-corruption rules through regular training and internal communication channels. They are aware of the company's set of values, with special attention given to the prevention of corruption and fraud.

In 2024, there were 17 inquiries made to the whistleblower hotline, but none warranted further investigation.

Estonian Railways's value-based expectations extend to employees as well as company partners. The risk management and internal audit department is responsible for prevention, reduction, and response to corruption incidents, performing regular reviews of risks, controls, internal audits, and activities of structural units in the board, audit committee, and/or council.

ESRS G1 G1-4 • Incidents of Corruption and Bribery

In 2024, there were no corruption incidents or other significant violations of laws related to the company.

ESRS G1 G1-5 • Political Influence and Lobbying

Estonian Railways interacts with the state on matters arising from the company's ownership relations and owner expectations. The main topics are related to infrastructure investment projects, their financing, compliance with railway safety requirements, and laws and regulations affecting the company.

Estonian Railways operates within the following national and international professional associations:

- Community of European Railway and Infrastructure Companies (CER) based in Brussels;
- Collaboration platform for European railway infrastructure managers PRIME;
- Executive board of the North Sea-Baltic Rail Freight Corridor (RFC 8, RFC NS-B);
- RailNetEurope (RNE) based in Vienna;
- Bureau International des Containers et du Transport Intermodal (BIC) based in Paris;
- Estonian Chamber of Commerce and Industry;
- NGO Logistics and Ports Association;
- NGO Rail Baltic Business Network;
- NGO Operation Lifesaver Estonia;
- Estonian Environmental Management Association (EKJA);
- Estonian Human Resource Management Association (PARE);
- NGO Sustainable Business Association KELL (formerly NGO Responsible Business Forum);
- NGO Estonian Internal Training Development Association;
- Railway Vocations Foundation (SA Raudteekutsed);
- Green Tiger Foundation (SA Rohetiiger);
- Network of Fair Entrepreneurship (NGO Transparency International Estonia).

Under the mandate of its sole shareholder (Republic of Estonia), Estonian Railways participates in the following organizations:

- Organisation for Co-operation between Railways (OSJD) based in Warsaw;
- Council for Rail Transport.

ESRS G1 G1-6 • Payment Practices

The general terms of purchase contracts specify a 30-day payment deadline. The standard payment deadline for clients in railway infrastructure usage agreements is ten days. There were no pending legal proceedings or convicted court judgments related to late payments in 2024. Estonian Railways uses the Finbite e-invoice system for invoice management, through which invoices are sent to relevant employees for review and approval.


Ehitustööd Tapal
EESTI RAUDTEE

SUSTAINABILITY REPORT APPENDIX

Appendix 1 ESRS 2 GOV-4 • Statement on Sustainability Due Diligence

Overview of Sustainability Due Diligence

Key Elements of Due Diligence	Overview of Sustainability Due Diligence
Integration of Due Diligence into Governance, Strategy, and Business Model	■ ESRS 2 BP-1 Sustainability report preparation ■ ESRS 2 BP-2 Time perspectives ■ ESRS 2 GOV-1 Role of administrative, management, and supervisory bodies in sustainability ■ ESRS 2 GOV-2 Information presented to and sustainability aspects addressed by an organization's administrative, management, and supervisory bodies ■ ESRS 2 GOV-5 Risk management and internal control of sustainability reporting ■ ESRS 2 SBM-1 Strategy, business model, and value chain ■ ESRS E1 GOV-3 Integration of sustainability performance in incentive schemes regarding climate change ■ ESRS E1 E1-2 Policies related to climate change mitigation and adaptation ■ ESRS E1 E1-4 Goals related to climate change mitigation and adaptation ■ ESRS E2 E2-1 Policies related to pollution ■ ESRS E2 E2-3 Goals related to pollution ■ ESRS E4 SBM-3 Significant impacts, risks, and opportunities and their connections to strategy and business model ■ ESRS E4 E4-2 Policies related to biodiversity and ecosystems ■ ESRS E4 E-4 Goals related to biodiversity and ecosystems ■ ESRS E5 E5-1 Policies related to resource use and circular economy ■ ESRS E5 E5-3 Goals related to resource use and circular economy ■ ESRS S1 SBM-3 Significant impacts, risks, and opportunities and their connections to strategy and business model ■ ESRS S1 S1-1 Policies related to own workforce ■ ESRS S1 S1-5 Goals related to managing significant negative impacts, enhancing positive impacts, and managing significant risks and opportunities ■ ESRS S3 S3-1 Policies related to affected communities ■ ESRS S3 S3-5 Goals related to managing significant negative impacts, enhancing positive impacts, and managing significant risks and opportunities ■ ESRS S4 S4-1 Principles related to consumers and end-users ■ ESRS S4 S4-5 Goals related to managing significant negative impacts, enhancing positive impacts, and managing significant risks and opportunities ■ ESRS G1 G1-1 Business conduct policy and corporate culture ■ ESRS G1 G1-2 Supply chain management ■ ESRS G1 G1-6 Payment conditions
Engagement of Affected Stakeholders in all Critical Stages of Due Diligence:	■ ESRS 2 GOV-3 Integration of sustainability performance in incentive schemes ■ ESRS 2 SBM-2 Stakeholders› interests and perspectives ■ ESRS S1 S1-6 Characteristics of employer›s workforce ■ ESRS S1 S1-8 Coverage with collective bargaining and social dialogue ■ ESRS S1 S1-9 Diversity metrics ■ ESRS G1 G1-5 Political influence and lobbying

Identification and Assessment of Adverse Impacts	■ ESRS 2 SBM-3 Significant impacts, risks, and opportunities and their interaction with strategy and business models ■ ESRS 2 IRO-1 Description of processes for identifying and assessing significant impacts, risks, and opportunities ■ ESRS E1 E1-5 Energy consumption and distribution of energy sources ■ ESRS E1 E1-6 Total emissions for Scopes 1, 2, and 3 emissions and total greenhouse gas (GHG) emissions ■ ESRS E2 E2-4 Pollution of air, water, and soil ■ ESRS E2 E2-5 Problematic and hazardous substances ■ ESRS E5 E5-5 Output flows of resources ■ ESRS G1 G1-3 Prevention and detection of corruption and bribery
Implementation of Measures for Mitigating These Adverse Impacts	■ ESRS E1 E1-1 Transition plan to achieve climate neutrality ■ ESRS E1 E1-3 Measures and resources related to climate change policy ■ ESRS E1 E1-7 GHG sequestration and GHG emission reduction projects financed through carbon credits ■ ESRS E1 E1-8 Internal carbon pricing ■ ESRS E2 E2-2 Pollution-related measures and resources ■ ESRS E5 E5-2 Resource use and circular economy measures and resources ■ ESRS S1 S1-2 Processes for communicating impacts with own employees and their representatives ■ ESRS S1 S1-3 Processes for remedying negative impacts and channels for employees to raise concerns ■ ESRS S1 S1-4 Implementation of measures concerning significant impacts to own workforce and approaches to mitigate significant risks and leverage significant opportunities related to workforce, as well as the effectiveness of these measures ■ ESRS S1 S1-10 Adequate remuneration ■ ESRS S1 S1-11 Social protection ■ ESRS S1 S1-12 Persons with reduced work capabilities ■ ESRS S3 S3-2 Processes for communicating impacts with affected communities ■ ESRS S3 S3-3 Processes for remedying negative impacts and channels for affected communities to raise concerns ■ ESRS S3 S3-4 Implementation of measures concerning significant impacts and approaches to mitigate significant risks and leverage significant opportunities related to affected communities, as well as the effectiveness of these measures and approaches ■ ESRS S4 S4-2 Processes for communicating impacts with consumers and end-users ■ ESRS S4 S4-3 Processes for remedying negative impacts and channels for consumers and end-users to raise concerns ■ ESRS S4 S4-4 Taking measures concerning significant impacts to consumers and end-users, along with approaches to manage significant risks and leverage related opportunities for consumers and end-users, as well as the effectiveness of these measures
Monitoring and Reporting on the Effectiveness of These Efforts	■ ESRS E4 E4-5 Impact indicators related to biodiversity and ecosystem change ■ ESRS S1 S1-13 Indicators for training and skills development ■ ESRS S1 S1-14 Health and safety-related indicators ■ ESRS S1 S1-15 Work-life balance indicators ■ ESRS S1 S1-16 Remuneration metrics (pay gap and total compensation) ■ ESRS S1 S1-17 Incidents, complaints, and serious impacts on human rights ■ ESRS G1 G1-4 Incidents of corruption and bribery

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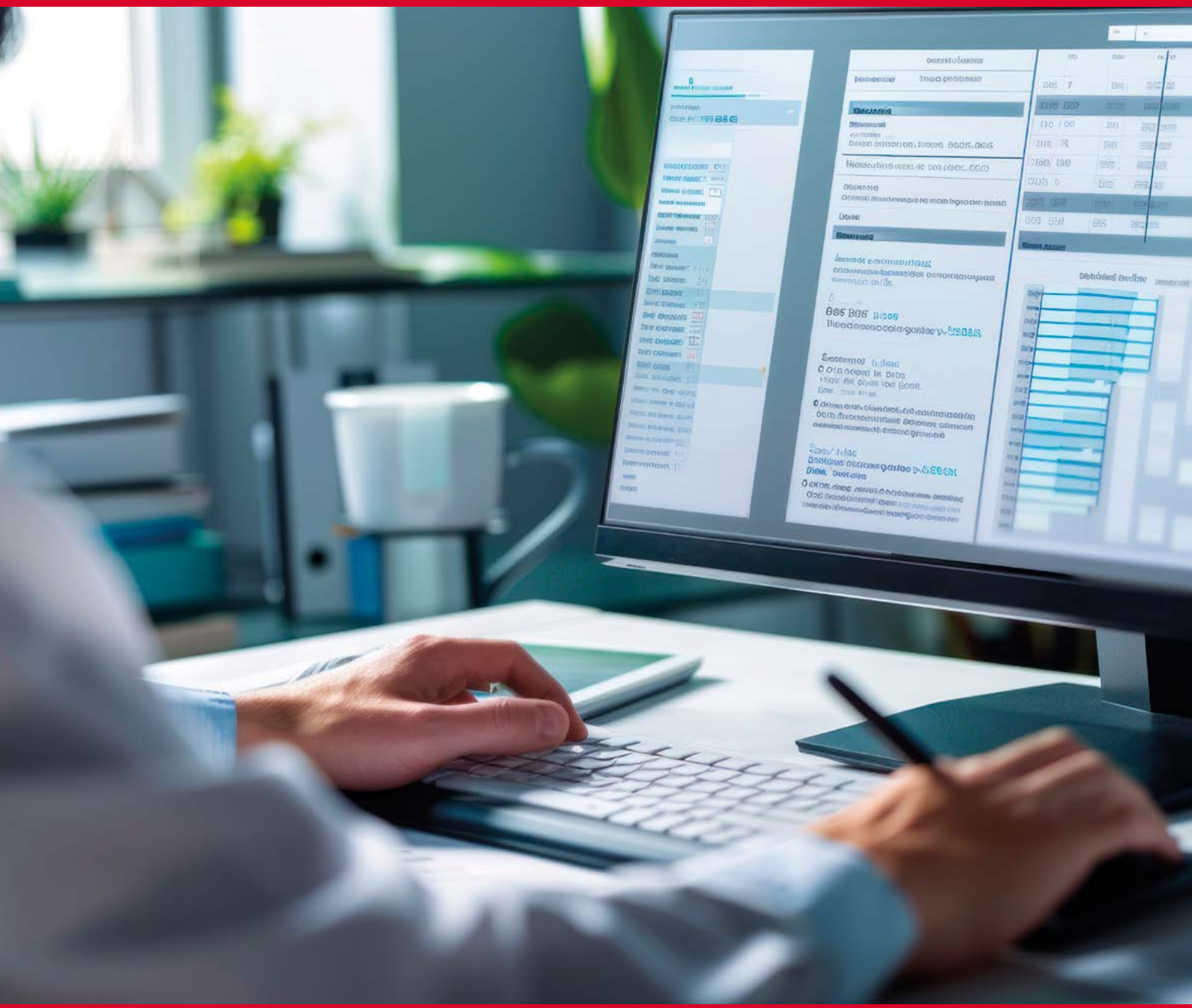

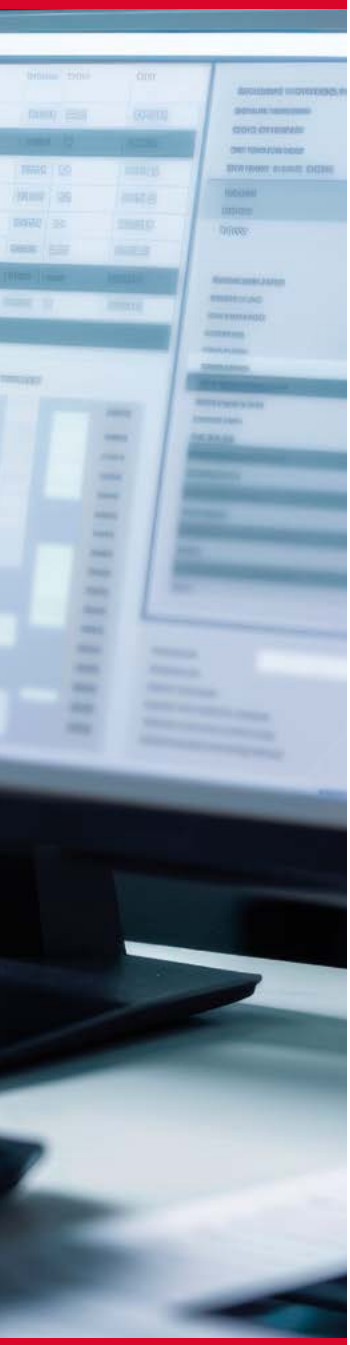

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MANAGEMENT REPORT

Business Activities

Estonian Railways (hereinafter also referred to as "the Company") operates simultaneously in multiple roles: as a network owner and railway infrastructure company, we manage, operate, maintain, modernize, and contribute to the development of public railway. The core tasks of managing railway infrastructure involve allocating the capacity of public railway owned by Estonian Railways, providing access to transport operators, and collecting infrastructure usage fees.

On February 24, 2022, the Russian Federation commenced aggression against the Republic of Ukraine. According to the owner's expectations issued to Estonian Railways (April 28, 2022), the Company was advised to evaluate the ethics of business relationships with Russian and Belarusian companies and to discontinue business relationships that are not essential for ensuring cross-border railway traffic and the continuity of public railway, as well as fulfilling obligations prescribed by law and international treaties.

The Company continues to fulfill the railway administration function as part of the 1520 mm railway network under the authorization of the controlling minister, in cross-border cooperation with the Baltic States and third countries. To implement a common foreign and security policy, the European Union has agreed upon several sanction packages for Russian and Belarusian goods, banks, companies, and individuals. The sanction list includes AS Russian Railways, which fulfills railroad administration functions in the Russian Federation. Investment services to Russian Railways are prohibited, and such services are not provided by Estonian Railways.

To implement restrictive measures, the Company has developed a procedure for the application of international sanctions and established an internal working body, the international sanctions committee. This committee addresses issues related to the application of international sanctions, oversees the implementation of international sanctions, assesses the risks related to the application of international sanctions within the Company, and approves a list of individuals from the Republic of Belarus and the Russian Federation with whom the Company has regular transactions.

Compliance with sanctions has led to a continued decline in transport volumes across all Baltic States in 2024, resulting in the transformation of railway infrastructure from primarily freight-oriented to a more European passenger-oriented railway. In 2024, 6.65 million passengers were transported on the Estonian Railways infrastructure using diesel and electric trains, with a total of 7.77 million passengers in Estonia (2023: 6.67 and 7.80 million passengers, respectively), which is close to the pre-COVID level of 2019. The transport and mobility development plan for 2021–2035 aims to reach 20 million railway passengers by 2035. To achieve this, there is an initiative to increase speeds on the 1520 mm gauge railway, to reduce time-space distances between major attraction centers in Estonia.

Operating Income

Estonian Railways generated 28.13 million euros in sales revenue in 2024 (28.58 million euros in 2023). Of this, 75.9% was derived from primary services ensuring access to infrastructure, or the minimum access package (2023: 73.1%). Usage fees from freight transport companies accounted for 25.1% of infrastructure usage revenues (2023: 33.6%).

Over the year, infrastructure usage fees received from freight transport companies for primary services decreased by 23.6%, while usage fees received from passenger transport companies increased by 15.3%.

The remaining portion of sales revenue came mainly from the use of service facilities (such as rolling stock stands, passenger information displays, waiting rooms at Tartu and Narva stations), provision of additional services ensuring access to infrastructure, and auxiliary access services, as well as from rental of real estate, optical fiber, and wagons, along with the sale of scrap metal and electricity.

Of other operating revenues (41.0 million euros in 2024, 35.7 million euros in 2023), 74.8% (72.4% in 2023) was comprised of the railway infrastructure company's claim against the Republic of Estonia for government grants in accordance with performance objectives via the state budget.

To ensure long-term sustainability and quality of railway infrastructure, a financing agreement with the Republic of Estonia was concluded at the end of 2015 for the allocation of state budgetary funds. The agreement ensures that the Company's revenues (comprising infrastructure usage fees, profits from other economic activities, and funds allocated by the state or other entities) and the costs of managing railway infrastructure are balanced.

As of December 31, 2024, the balance of revenues and expenses for the railway infrastructure company for the period from 2015 to 2023 was ensured. Starting from 2023, the funds necessary for maintaining the balance of Estonian Railways's revenues and expenses are included in both the state budget and the state budget strategy. This financing agreement also serves as a tool to mitigate liquidity risk for Estonian Railways in case of railway freight disruptions or trade embargoes.

Operating Expenses

Estonian Railways's business expenses amounted to 69.68 million euros in 2024 64.65 million euros in 2023), marking an increase of 7.8% over the year. Costs for goods, materials, and services decreased by 11.2% compared to 2023, primarily due to lower electricity prices and the initiation of an energy-saving program. Various operational expenses increased by 19.0%, and labor costs rose by 12.0%.

Due to the European Union's sanctions against Russia and Belarus, there are no direct relationships between Estonian Railways and suppliers from Russia and Belarus. The company also has sufficient reserves to mitigate supply risks in the medium term.

Results for the Year

Estonian Railways's earnings before interest, taxes, depreciation, and amortization (EBITDA) were 27.38 million euros in 2024 (23.84 million euros in 2023). Given the logic of revenue generation for a railway infrastructure company like Estonian Railways, its EBITDA equals the difference between depreciation and net financial income. Under such accounting methods, the Company does not earn a net profit.

The decision on dividend distribution is made by the company's general meeting, represented by the Minister of Infrastructure of the Republic of Estonia. Considering the continuous decline in freight volumes, the principle of setting railway infrastructure usage fees based on the various market segments' capacity to pay and significant investment needs, the sole shareholder expects that Estonian Railways will not earn a profit in the coming years. The owner's expectations specify that since the Company is not a free-market enterprise, the state does not anticipate stable dividends from Estonian Railways, and any decision will be made considering the company's long-term capabilities.

As of December 31, 2024, the Company had assets worth 596.54 million euros (December 31, 2023: 489.82 million euros), of which 498.88 million euros or 83.6% (December 31, 2023: 407.05 million euros and 83.1%, respectively) constituted fixed assets. Key financial ratios required by creditors were in line with agreements (see Note 2.6 of the annual financial statements).

In the fiscal year 2024, risks related to changes in currency exchange rates, interest rates, and stock market prices did not materialize. Detailed accounting principles for financial instruments are outlined in Note 1.6 of the financial statements, and financial risks are discussed in Note 2. The goal of financial risk management for financial instruments is to develop and implement preventive measures to ensure the Company's liquidity and creditworthiness.

Investments

As a strategy aligned with owner expectations, Estonian Railways aims to reduce technological lag and adopt modern solutions in traffic management and infrastructure management. To achieve this, approximately 409 million euros will be invested from 2025 to 2028, including 198 million euros for railway electrification, 119 million euros for upgrading signaling and traffic management systems, and 49 million euros for the reconstruction of railway and railway facilities to enable increased speeds. All investment projects also include components that improve railway safety.

In 2024, Estonian Railways invested 127.8 million euros (83.9 million euros in 2023). The major projects undertaken during 2024 were as follows:

- Electrification of Public Railway: 51.3 million euros
- Straightening Curves and Major Railway Overhaul on Tallinn–Tartu–Koidula, and Land Acquisition on Tartu–Valga Rail Lines: 33.6 million euros
- Modernization of Safety Systems (CCS) and Upgrade of Traffic Control System (TTCMS): 15.8 million euros
- Renovation of Railway Crossings: 4.9 million euros
- Reconstruction of the Tapa–Tartu Railway Section to Increase Passenger Train Speeds up to 160 km/h: 4.4 million euros
- Railway Track Lifting Repair and Mass Replacement of Sleepers: 3.0 million euros
- Major Railway Overhaul on the Tartu–Valga Line for Dual Usage: 2.7 million euros
- Achieving Interoperability of the Baltic Railway System (TAF-TAP TSI): 2.0 million euros
- Straightening Curves and Major Railway Overhaul on Tapa–Narva Rail Lines: 1.1 million euros

Estonian Railways has voluntarily prepared a sustainability report compliant with the European Union's Corporate Sustainability Reporting Directive (CSRD) and standards (ESRS), which has not been audited. This report covers the company's activities and key performance indicators in risk management, human resource management, adherence to human rights, anti-corruption efforts, and environmental impacts. The report indicates that in 2024, there were no corruption incidents associated with the company or its suppliers.

Considering the size of the company, the environmental impact of Estonian Railways's activities is moderate. For instance, the company uses electricity sourced from renewable sources, and its consumption decreased by 7.0% in 2024 compared to 2023.

ANNUAL FINANCIAL STATEMENT

Statement of Financial Position

in thousands o euros	Note	31.12.2024	31.12.2023
ASSETS			
Non-current assets			
Property, Plant and Equipment	3	471 633	386 594
Intangible Assets	4	11 703	8 296
Prepayments for property, plant and equipment	3	15 541	12 148
Long-term receivables		5	7
Total non-current assets		**498 882**	**407 045**
Current assets			
Inventories	5	11 651	9 737
Receivables and Prepayments	6	52 885	29 038
Cash and cash equivalents	2.3	33 122	44 004
Total current assets		**97 658**	**82 779**
TOTAL ASSETS		**596 540**	**489 824**
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	86 951	70 161
Government grants	17	280 919	211 636
Other non-current liabilities		128	256
Provisions		313	270
Total non-current assets		**368 311**	**282 323**
Current liabilities			
Loan liabilities and borrowings	8	15 949	4 234
Loan liabilities and borrowings	9	35 312	26 151
Payables and prepayments	17	136	284
Provisions		715	715
Total current liabilities		**52 112**	**31 384**
Total liabilities		**420 423**	**313 707**
TOTAL EQUITY AND LIABILITIES		**596 540**	**489 824**

Notes to the financial statements on pages 110-135 are an integral part of the financial statements.

Statement of comprehensive income

in thousands o euros	Note	2024	2023
OPERATING INCOME			
Revenue		28 125	28 581
Other operating income		41 001	35 730
TOTAL OPERATING INCOME	11	**69 126**	**64 311**
OPERATING EXPENSE			
Goods, materials and services	12.1	10 714	12 062
Other operating expense	12.2	5 775	4 852
Personnel expenses	12.3	24 773	22 110
Depreciation and impairment	3,4	27 934	24 180
Other operating expense		487	1 444
TOTAL OPERATING EXPENSE		**69 683**	**64 648**
OPERATING PROFIT/LOSS		**-557**	**-337**
Financial income and expense	13	557	337
PROFIT BEFORE INCOME TAX		**0**	**0**
PROFIT FOR THE YEAR		**0**	**0**
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**0**	**0**

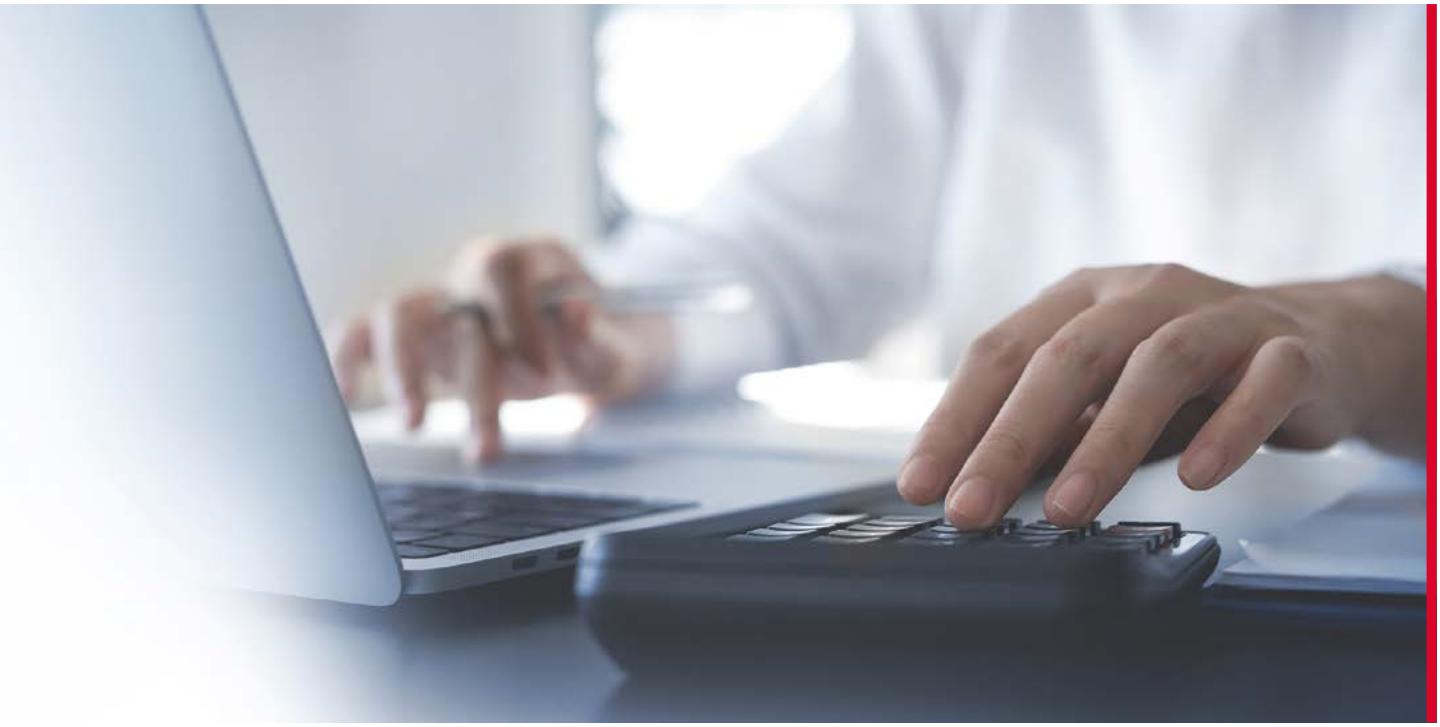
Notes to the financial statements on pages 110-135 are an integral part of the financial statements.

Statement of changes in equity

in thousands o euros	Share capital	Statutory reserve capital	Retained earnings	TOTAL
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**
Total comprehensive profit for 2024	0	0	0	**0**
BALANCE AS AT 31.12.2024	**80 303**	**4 473**	**91 341**	**176 117**

For more information on share capital and other items of equity please refer to pages 110-135.

Notes to the financial statements on pages 110-135 are an integral part of the financial statements.



Statement of cash flows

in thousands o euros	Note	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		0	0
Depreciation and impairment of property, plant and equipment	3,4	27 934	24 180
Depreciation of property, plant and equipment of the government grant	17	-9 639	-7 885
Profit/loss from the sale and liquidation of property, plant and equipment	3,4	448	-5
Adjustment/revaluation of provisions		23	713
Right of superficies fee		-128	-128
State budget operating support		-30 685	-25 855
Loss from financial income/expense	13	-557	-337
Other adjustments		75	75
Change in receivables and prepayments	6	-2 982	-2 238
Change in inventories	5	-1 914	-2 388
Inventory used in the construction of fixed assets	3	-1 526	-2 504
Change in payables and prepayments	9	2 534	-488
Grants received for operating expenses	17	14 903	19 668
Interest income received	13	1 617	1 142
Interest paid	13	-1 058	-822
TOTAL CASH FLOW FROM OPERATING ACTIVITIES		**-955**	**3 128**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3,4	-110 249	-71 939
Proceeds from sale of property, plant and equipment	3	281	5
Government grants for property, plant and equipment received from the state budget	17	18 021	1 600
Government grants received for property, plant and equipment	17	55 864	57 805
TOTAL CASH FLOW FROM INVESTING ACTIVITIES		**-36 083**	**-12 529**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans received	8	30 000	25 000
Repayments of loans received	8	-2 291	-2 050
Finance lease payments	8	-1 553	-1 598
TOTAL CASH FLOW FROM FINANCING ACTIVITIES		**26 156**	**21 352**
TOTAL CASH FLOW		**-10 882**	**11 951**
Cash and cash equivalents at the beginning of the financial year		44 004	32 053
Cash and cash equivalents at the end of the financial year		33 122	44 004
CHANGE IN CASH AND CASH EQUIVALENTS		**-10 882**	**11 951**

Notes to the financial statements on pages 110-135 are an integral part of the financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

General information

Estonian Railways 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 approved the annual financial statements of Estonian Railways on March 17, 2025. The owner of the company does not have the right to modify the annual report after it has been approved.

Note 1 Accounting Policies

1.1 Basis of preparation and measurement and changes in them

The Entity's financial statements for 2024 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The annual financial statements have been prepared using the cost method. The annual financial statements are presented in thousands of euros.

Changes in the accounting policies

The following new or revised standards and interpretations became effective for the Company from 1 January 2024

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 ('FRS) 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 2023.

- 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. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer is available only if the company meets the relevant conditions at the end of the reporting period.

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

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.

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.

- IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027, applied retrospectively to the comparative data for the year 2026).

IFRS 18 will replace IAS 1. Specifically, it updates the format of the income statement to include mandatory subtotals. Many existing principles of IAS 1 remain unchanged or are subject to limited modifications. Changes in IFRS 18 have been introduced primarily at the request of investors and other report users. The changes do not impact recognition principles but affect the presentation of the report.

Other new or amended standards or interpretations that are not yet effective are not expected to have significant 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 2024. 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 3,85% of the acquisition cost of fixed assets. A change of one percentage point in depreciation rates would change the depreciation charge by 6.5 million per year.

b) Determination of the impairment of property, plant and equipment

An asset is considered impaired if its carrying value in the accounting records exceeds its actual recoverable value from future revenues. In such cases, an impairment loss must be recognized.

Due to the decrease in transports directed towards Russia, the utilization and revenue generated by Koidula station have significantly declined. Consequently, the management has proportionally impaired the value of the assets located at Koidula station in line with the decrease in commercial activity.

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

As at 31 December 2024, 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 4,079% (2023: 5,36%), and a long-term growth rate projected by the European Central Bank 2.218%, 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 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 inventory	3 - 15 years

1.4 Intangible assets

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

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

The costs related to ongoing software maintenance are recognized 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 recognized on trade-date, the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognized 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 now 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 amortized 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 recognized directly in profit or loss and present 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 amortized 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 recognized at cost, including any directly attributable transaction costs. After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

The amortized 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 amortized cost using the effective interest rate method. Interest expense on financial liabilities are recognized 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 recognized 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 recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. An impairment loss is recognized as an expense in the period in which it is identified. 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 recognized for other assets of the company are reversed when there is any indication that an impairment loss recognized 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 recognizes revenue when it transfers control of a good or service to a customer..

Infrastructure fees

Estonian Railways 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 recognized 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 recognized in the period in which the service is provided.

Sale of inventories

The Company primarily recognizes 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 recognized when control over the asset has been transferred to the customer.

Other service

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 recognized 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 recognized as liabilities on an accrual basis as the related service is provided. Salary, wage and vacation pay liabilities are recognized 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 recognizes 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 recognized 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 recognized as an expense in the statement of comprehensive income and as a short-term liability in the statement of financial position.

The Company recognizes 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 recognized 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 recognized as income in the period in which it arises.

The company as a lessee

Initial measurement

At the commencement date, a lessee shall recognize 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 recognized 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 recognized 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 recognized 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 recognized under the gross method. Assets acquired with government grants are initially recognized at cost in the statement of financial position; the amount received as a government grant is recognized 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 recognized 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 recognized 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 authorized 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. 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.

1.16 Related party transactions

Members of the Supervisory Board and Management Board of Estonian Railways, 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 Estonian Railways 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.

Note 2 Financial risks

2.1 Financial risks

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

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

The company's established financial risk management procedures set rules for mitigating financial risks internally. The greatest risk for Estonian Railways is liquidity risk, which involves ensuring the ability to meet all obligations and maintain a sustainable level of investment.

2.2 Market risk

Currency risk is the risk that the fair value or cash flows of financial instruments will fluctuate in the futuure 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 2023 and 31 December 2024 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.

In thousands of euros	**31.12.2024**		**31.12.2023**	
	CHF	**RUB**	**CHF**	**RUB**
Cash and cash equivalents	184	0	116	0
Receivables	24	0	83	0
Payables	-40	-19	0	-22
Net exposure	**168**	**-19**	**199**	**-22**

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 both fixed and floating interest rate to limit its exposure to changes of EURIBOR. The interest rates are shown in Note 8.

Sensitivity to Changes in Interest Rates

The company has two loans with floating interest rates. The impact of these floating interest rates is illustrated in the following table:

In thousands of euros	**Interest rate**	**Balance 31.12.2024**	**Average interest rate 2024**	**Impact on 2024 Interest Expense if EURIBOR Changes by +/-1 PP**	**Balance 31.12.2023**	**Average interest rate 2023**	**Impact on 2023 Interest Expense if EURIBOR Changes by +/-1 PP**
Swedbank loan	6 month EURIBOR + 0,95%	12 844	4,84%	128	14 913	4,16%	149
EIB loan V	6 month EURIBOR + 0,319%	30 000	3,96%	300	0	0%	0

The sensitivity test does not account for the likelihood of changes in interest rates.

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 2024:

In thousands of euros	**31.12.2024**	**31.12.2023**
Discount balance at the beginning of the reporting period	**0**	**81**
Discounts for the reporting period (Note 12.2)	0	-81
Discount at the end of the period	**0**	**0**

Receivables related to the government grants are recognized 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 2023 and 31 December 2024.

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	**31.12.2024**	**31.12.2023**	**Rating according to Moody**
Swedbank	12 754	18 688	Aa2
SEB Pank	10 330	15 175	Aa2
Luminor Estonia	10 038	10 141	A2
	33 122	**44 004**	

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 31.12.2024 and 31.12.2023:

31.12.2024

In thousands of euros	**Carrying amount**	**Contractual cash flow**	**Less then 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**	**Note**
Bank Loans	92 622	116 762	14 785	3 904	16 007	82 066	8
Swedbank	*12 844*	*13 468*	*13 468*	*0*	*0*	*0*	
EIB	*79 778*	*103 294*	*1 317*	*3 904*	*16 007*	*82 066*	
Lease payables	10 278	12 607	2 510	2 553	4 553	2 991	8
Trade payables	29 436	29 436	29 436	0	0	0	9
Other payables	96	96	96	0	0	0	
Total	**132 432**	**158 901**	**46 827**	**6 457**	**20 560**	**85 057**	

31.12.2023

In thousands of euros	**Carrying amount**	**Contractual cash flow**	**Less then 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
Swedbank	*14 913*	*16 262*	*2 794*	*13 468*	*0*	*0*	
EIB	*50 000*	*55 913*	*1 257*	*2 145*	*9 395*	*43 116*	
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**	

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

For the purpose of capital management, the company's capital consists of statutory capital (as of 31.12.2024, 80,303 thousand euros), mandatory reserve capital (4,473 thousand euros), and retained earnings (91,341 thousand euros). The Company's shares are fully-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.

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 program designed for the next 12 months. If the Company's net debt liability, being a legal entity of central government as defined by the state budget law, exceeds 40% of the core operational revenues planned for the same fiscal year, its approval is decided by the Government of Estonia. Higher net debt burden limits for Estonian Railways were established by the Government of Estonia on 19.12.2024.

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 2024, the share of equity in the balance sheet was 42% (31.12.2023:36%). For more information on equity refer to Note 7.

In thousands of euros	**31.12.2024**	**31.12.2023**
Debt liabilities (Note 8)	102 900	74 395
Cash and cash equivalents (Notes 2.3 and 8)	33 122	44 004
Net debt (debt liabilities-cash and cash equivalents) (Note 8)	69 778	30 391
Equity	176 117	176 117
Total capital (net debt + equity)	**245 895**	**206 508**
Debt to equity ratio	**42%**	**36%**
Ratio of net debt to total equity	**28%**	**15%**

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 of 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 amortized 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 31.12.2024 and 31.12.2023.

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

Note 3 Property, Plant and Equipment

In thousands of euros	Land and buildings	Right of use buildings	Machinery and equipment	Right of use vehicles	Other equipment	Construction in progress	Total	Note
Balance as at 31.12.2022								
Cost	495 777	6 666	82 136	364	1 071	37 901	623 915	
incl. EU and Domestic government grants	*188 873*	*0*	*13 820*	*0*	*0*	*0*	*202 693*	
Accumulated depreciation	-233 649	-2 034	-49 871	-309	-903	0	-286 766	
incl. EU and Domestic government grants	*-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	
incl. leased assets	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	
incl. EU and Domestic government grants	*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 impairement of fixed assets	-17 587	-567	-5 064	-53	-67	0	-23 338	
incl. EU and Domestic government grants	*-7 068*	*0*	*-817*	*0*	*0*	*0*	*-7 885*	17
Balance as at 31.12.2023								
Cost	529 267	10 337	93 111	0	929	55 624	689 268	
incl. EU and Domestic government grants	*215 445*	*0*	*22 525*	*0*	*0*	*0*	*237 970*	
Accumulated depreciation	-246 940	-2 601	-52 310	0	-823	0	-302 674	
incl. EU and Domestic government grants	*-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**	
Changes in 2024								
Acquisitions and improvements	135	-777	1 834	2 132	6	107 227	110 557	
incl. leased assets	0	0	732	0	0	0	732	
Change in right-of-use assets	0	228	0	0	0	0	228	
Reclassifications	49 031	0	7 466	0	0	-56 761	-264	
incl. EU and Domestic government grants	*38 324*	*0*	*2 811*	*0*	*0*	*-41 135*	*0*	
Reclassifications from inventories	0	0	0	0	0	1 526	1 526	
Carrying amount of assets sold and written off	-85	0	-77	-34	0	0	-196	
Depreciation and impairement of fixed assets	-20 276	-784	-5 473	-190	-50	-39	-26 812	
incl. EU and Domestic government grants	*-8 463*	*0*	*-1 176*		*0*	*0*	*-9 639*	17
Balance as at 31.12.2024								
Cost	569 798	9 788	96 270	2 097	408	107 577	785 938	
incl. EU and Domestic government grants	*253 663*	*0*	*25 293*	*0*	*0*	*0*	*278 956*	
Accumulated depreciation	-258 666	-3 385	-51 719	-189	-346	0	-314 305	
incl. EU and Domestic government grants	*-65 572*	*0*	*-4 849*	*0*	*0*	*0*	*-70 421*	
Carrying amount 31.12.2024	**311 132**	**6 403**	**44 551**	**1 908**	**62**	**107 577**	**471 633**	

In 2024, fixed assets were sold at a sale price of 281 thousand euros (2023 sales price: 5 thousand euros). Profit on the sale of assets are recognised in the statement of comprehensive income under ohter operating income in the amount of 231 thousand euros (2023: 0 thousand euros), see also Note 11.3.

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

In thousands of euros	**31.12.2024**	**31.12.2023**
Buildings (buildings and facilities)	43 410	52 150
Machines and devices	18 826	19 129
Other equipment	278	573
Kokku	**62 514**	**71 852**

As at 31 December 2024 and 31 December 2023, no assets of the Company were pledged as loan collateral.

Note 4 Intangible Assets

In thousands of euros	**Intangible assets**	**Software project in progress**	**Total intangible assets**
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 impairement 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**
Changes in 2024			
Acquisitions and improvements	596	3 690	4 286
incl. EU and Domestic government grants			0
Reclassifications	2 204	-1 940	264
incl. EU and Domestic government grants	*432*	*-432*	0
Carrying amount of assets written off	-21	0	-21
Depreciation and impairement of assets	-1 122	0	-1 122
Balance as at 31.12.2024			
Cost	6 814	8 338	15 152
incl. EU and Domestic government grants	*432*	*0*	*432*
Accumulated depreciation	-3 449	0	-3 449
Carrying amount 31.12.2024	**3 365**	**8 338**	**11 703**

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

Note 5 Inventories

In thousands of euros	**31.12.2024**	**31.12.2023**
Road administration spare parts	5 051	5 026
Spare parts for Telecom and Security Systems	5 677	4 202
Electricity agency spare parts	818	371
Other inventories	105	138
Total inventories	**11 651**	**9 737**

The Company did not write down obsolete or unusable inventories during 2024 and 2023.In 2024, the material used from inventory in the construction of fixed assets amounts to 1,526 thousand euros (2023: 2,504 thousand euros).

Note 6 Receivables and Prepayments

In thousands of euros	**31.12.2024**	**31.12.2023**
Trade receivables	1 668	2 017
Government grants not received from the state budget for operating expenses (Note 17)	30 685	14 905
Government Grants Receivables (Note 17)	11 204	6 119
Tax prepayments (Note 10)	8 618	5 525
Prepaid expenses	639	200
Other short-term receivables	71	272
Total receivables and prepayments	**52 885**	**29 038**

Movements of allowance for doubtful accounts

In thousands of euros	**31.12.2024**	**31.12.2023**
Impairment balance at the beginning of the reporting period	0	81
Write-offs for the reporting period (Note 12.2)	0	-81
Impairment balance at the end of the reporting	**0**	**0**

Note 7 Changes in Equity

7.1 Share Capital

All shares of Estonian Railways 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 2024, the Company's share capital amounted to EUR 80,303 thousand euros (2023: 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 decision making. 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 authorized number of ordinary shares is 127,823,296 and the maximum authorized share capital amounts to 127,823 thousand euros.

7.2 Statutory Reserve Capital

No statutory reserve capital contributions were made in 2024 and 2023.

Note 8 Loans and Lease Liabilities

Loan and lease liabilities as at 31.12.2024

In thousands of euros	**Balance**	**incl non-current portion**	**incl current portion**	**Maturity date**	**Interest rate**
Swedbank loan agreement	12 844	0	12 844	15.12.2025	6 months EURIBOR + 0,95%
EIB loan agreement I	9 777	9 333	444	31.12.2047	0,32%
EIB loan agreement II	15 000	14 333	667	31.12.2047	1,16%
EIB loan agreement III	15 000	15 000	0	31.12.2048	3,37%
EIB loan agreement IV	10 000	10 000	0	31.12.2048	3,23%
EIB loan agreement V	30 000	30 000	0	31.12.2049	6 months EURIBOR + 0,319%
Lease liabilities	10 279	8 285	1 994		Avegare 3,69%
Total loan and lease liabilities	**102 900**	**86 951**	**15 949**		

Loan and lease liabilities as at 31.12.2023

In thousands of euros	Balance	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 I	10 000	9 778	222	31.12.2047	0,32%
EIB loan agreement II	15 000	15 000	0	31.12.2047	1,16%
EIB loan agreement III	15 000	15 000	0	31.12.2048	3,37%
EIB loan agreement IV	10 000	10 000	0	31.12.2048	3,23%
Lease liabilities	9 483	7 540	1 943		Average 2,44%
Total loan and lease liabilities	**74 396**	**70 162**	**4 234**		

In 2024, interest expense on bank loans and bonds amounted to EUR 698 thousand (2023: EUR 664 thousand) (Note 13).

The company entered into an amendment with Swedbank on 10.01.2025 to increase the loan limit to 19,827 thousand euros, with a maturity date of 15.12.2029.

Net debt

In thousands of euros	Cash and cash equivalents	Loan liabilities with repayment up to 1 year	Loan liabilities with repayment over 1 year	Total
Net debt 31.12.2022	**32 053**	**-3 402**	**-45 754**	**-17 103**
Loans received	0	0	-28 887	-28 887
Loans repaid	0	3 648	0	3 648
Reclassification from long-term to short-term	0	-4 480	4 480	0
Net debt 31.12.2023	**44 004**	**-4 234**	**-70 161**	**-30 391**
Loans received	0	0	-33 126	-33 126
Loan revaluation	0	651	126	777
Loans repaid	0	3 844	0	3 844
Reclassification from long-term to short-term	0	-16 210	16 210	0
Net debt 31.12.2024	**33 122**	**-15 949**	**-86 951**	**-69 778**

The Company has entered into a loan agreement with the European Investment Bank (EIB) for a loan amounting to 113.5 million over a period of 25 years. As at 31 December 2024 a loan amount of EUR 80 million has been disbursed.

The purpose of the loan is to finance the company's investment plan for the modernization of the Estonian railway network.

As at 31 December 2024 and 31 December 2023, the Company's assets have not been pledged as collateral for loans.

Note 9 Trade Payables and Other Liabilities

In thousands of euros	**31.12.2024**	**31.12.2023**
Liabilities on goods and services	29 436	20 738
incl liabilities for property, plant and equipment	*23 733*	*17 254*
Other liabilities	96	63
Accrued liabilities to employees	3 748	3 450
Tax liabilities (Note 10)	998	876
Deferred income	1 034	1 024
Total	**35 312**	**26 151**

Note 10 Prepaid Taxes and Tax Liabilities

tuhandetes eurodes	**31.12.2024**		**31.12.2023**	
	Tax pre-payment	**Tax liabilities**	**Tax prepay-ment**	**Tax liabilities**
Value added tax	4 776	0	2 785	0
Income tax	0	340	0	294
Income tax on fringe benefits	0	9	0	8
Social security tax	0	597	0	528
Funded pension tax	0	14	0	12
Unemployment insurance tax	0	38	0	34
Balance of prepaid taxes	3 842	0	2 740	0
Total	**8 618**	**998**	**5 525**	**876**

Note 11 Revenue and Other Income

11.1 Revenue by activities

In thousands of euros	**2024**	**2023**
Infrastructure services	23 299	23 556
Rental income	496	505
Sale of inventory	2 390	2 483
Other services*	1 940	2 037
Total sales revenue	**28 125**	**28 581**

*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

In thousands of euros		
Total sale to the EU countries	**2024**	**2023**
Estonia	27 916	26 644
Latvia	95	1 789
Lithuania	13	12
Other countries	19	46
Total sales to countries outside the EU		
Russia	81	90
Other countries	1	0
Total sales revenue	**28 125**	**28 581**

11.3 Other operating revenue

In thousands of euros	**2024**	**2023**
Financing from the Government grants for operating expenses (Note 17)	30 685	25 856
Financing from the Government grants for fixed assets (Note 17)	9 639	7 885
Fines, penalties and rewards	138	1 584
Gain on sale of property, plant and equipment	231	5
Other operating income	308	400
Total other operating income	**41 001**	**35 730**

Note 12 Operating Expenses

12.1 Goods, materials and services

In thousands of euros	**2024**	**2023**
Railway repair and maintenance	2 420	3 074
Energy carriers	2 082	2 351
Materials, spare parts and tools	1 094	1 721
Freight security services	1 104	1 104
Real estate maintenance	912	899
Goods purchased for resale	683	750
Maintenance of machines and equipment	778	627
Maintenance of communication, electrical and security systems	485	284
Other rail transport services	1 156	1 252
Total goods, materials and services	**10 714**	**12 062**

12.2 Other operating expenses

In thousands of euros	**2024**	**2023**
IT expenses	1 609	1 197
Utilities	1 229	1 035
Expenses related to employees	641	512
Lease and rental charges, right of superficies	34	377
Miscellaneous business services	414	320
Office expense	353	311
National and local taxes	343	304
Transportation expenses	341	262
Insurance services	222	218
Training expense	180	149
Business travel expense	146	122
Environmental costs	174	54
Bad debt (Note 6)	0	-81
Other expenes	89	72
Kokku Total other operating expenses	**5 775**	**4 852**

12.3 Personnel expenses

In thousands of euros	**2024**	**2023**
Remuneration, performance fees, holiday pay and bonuses	21 097	18 671
Taxes on personnel expenses	6 660	5 865
Capitalization of Personnel Expenses	-2 229	-1 813
Capitalization of Taxes on Personnel Expenses	-755	-613
Total personnel expenses	**24 773**	**22 110**

Number of employees		
Number of employees in the beginning of period	700	676
Number of employees at the end of period	719	700
Average number of employees adjusted to full-time	707	688

Note 13 Financial Income and Expenses

In thousands of euros	**2024**	**2023**
Interest income	1 617	1 142
Interest expense	-1 058	-822
incl. interest expense on loans	-2 356	-1 123
interest expense on finance lease	-359	-158
interest expense on capitalization	1 657	459
Profit/loss from foreign currency translation differences	-2	17
Total financial Income and Expenses kokku	**557**	**337**

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 recognized in the statement of financial position. The income tax payable on the distribution of dividends is recognized as an expense in the period in which the dividends are declared.

As at 31 December 2024, 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 2024 in amount up to EUR 91 341 thousand (2023: 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 2024, amounts to EUR 18 268 thousand (2023: EUR 18 268 thousand), net dividends amount to EUR 73 073 thousand (2023: EUR 73 073 thousand).

According to the profit allocation proposal made by the Management Board, in 2024 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 01.01.2024-31.12.2024. 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 2024, the company has entered into agreements for the years 2025 to 2045, of which the liabilities arising until the end of the agreement period total to EUR 350.2 milion (2023: EUR 328.0 million).

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

- Upgrading security systems across infrastructure;
- Modernization of level crossings;
- Modernization of the traffic management system;
- Railway electrification.

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 aquired with government grants, within five years from the end of the project's eligibility period. As at 31 December 2024, 313.6 million euros had been received from such government grants (31 December 2023: 228.0 million euros), of which 218.3 million euros 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 Estonian Railways and the second is commercial land belonging to Estonian Railways, Estonian Railways 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. On 07.06.2023 Estonian Railways submitted the property tax information for both properties, including additional explanations for Toompuiestee 37, explaining why it is not possible to establish a servitude through this property, to the court. For Toompuiestee 35, a property expert assessment was provided, which indicated that the one-time access servitude fee would be 100,500 euors and the annual servitude fee would be 6,030 euros. The other affected parties have also submitted their calculations and positions, and the date of the decision is not yet known to the parties to the proceedings.

2) Estonian Railways contested Jõelähtme Municipal Government's order no. 745 of 31.08.2023, with which, in the opinion of Estonian Railways, the municipal government improperly designated the properties Nuudi tee 19, Maardu railway station and Keldrimäe's new purpose as-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. On 05.07.2024, the Tallinn Administrative Court upheld Estonian Railways's complaint. On 05.08.2024, Jõelähtme Municipality filed an appeal against the decision to the Tallinn Circuit Court. Estonian Railways has submitted its positions, and the proceedings are ongoing. The possible financial impact and the results of the procedure cannot be predicted at this time.

3) On 23.10.2024 Mipro Oy filed a lawsuit with Harju County Court, seeking to recover a principal amount of 144,633.89 euros in contractor fees and interest from Estonian Railways in favor of Mipro Oy. Mipro claims this amount from Estonian Railways on the grounds that the penalties demanded by Estonian Railways exceed the maximum amount agreed upon in the procurement contract. The core dispute is whether the penalties should be calculated based on the original contract amount or the increased contract amount during the execution of the contract. Estonian Railways maintains that the penalties have been calculated and claimed according to the contract terms. A preliminary hearing is scheduled for 26.03.2025.

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.

Balances with related parties

In thousands of euros	31.12.2024	31.12.2023
Receivables		
Entities related with members of the Management and Supervisory Boards	4	0
Government related railway entities	1 079	1 756
Liabilities		
Entities related with members of the Management and Supervisory Boards	1	0
Government related railway entities	720	771

Transactions with related parties

In thousands of euros	2024	2023
Services Sold		
Entities related with members of the Management and Supervisory Boards	90	0
Government related railway entities	22 230	22 423
Services Purchased		
Entities related with members of the Management and Supervisory Boards	33	41
Government related railway entities	28	62

In thousands of euros	2024	2023
Remuneration and benefits to management	523	499

No allowances for receivables from related parties have been recognized.

Note 17 Government Grants

Government grants receivable (Note 6)

In thousands of euros	**31.12.2024**	**31.12.2023**
Government grant receivable for the purchase of property, plant and equipment	11 204	6 033
Government grant receivable from the state budget for operating expenses	30 685	14 903
Other government grant receivables	0	86

Government grants for operating expenses

In thousands of euros	**2024**	**2023**
Government grant received from the state budget for operating expenses to ensure the balance of income and expenditures of the company (Note 11.3)	30 685	25 856
Other government grants received	10	17

Government grants for assets

In thousands of euros	**2024**	**2023**
Liabilities related to government grants at the beginning 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
Movements during the accounting period		
Increase in government grants for acquired fixed	**78 923**	**47 813**
EU funds	59 281	42 213
Domestic government grants	19 642	5 600
Recognition of liabilities acquired through government grants in income	**-9 639**	**-7 885**
EU funds	-8 145	-6 528
Domestic government grants	-1 494	-1 357
Long-term liabilities related to government grants at the end of the period	**281 055**	**211 771**
EU funds (purchased fixed assets)	174 860	148 282
EU funds (prepayments)	49 136	24 578
Domestic government grants	49 539	37 706
Prepaid domestic government grants for fixed assets	7 520	1 205

On 28 December 2015, the Company and the Ministry of Economic Affairs and Communications entered into a financing agreement to enusre the balance of income and expenditures for the periood of 5 years. The contract has been prolonged til 31 December 2030. 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.

In January 2023, financing decisions were signed for investment projects of the EU program period 2021-2027 in the amount of 319 million euros, 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 curve straightening and railway overhaul 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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Estonian Railways

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Estonian Railways (the "Company") as at 31 December 2024, 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 2024;
- 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, comprising material accounting policy information 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 the Annual Report, Sustainability Report and its appendixes and Management Report.

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.

If, based on the work we have performed on the Management report and other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement in the Management report or in this other information, we are required to report that fact. 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
AS PricewaterhouseCoopers
Tegevusluba nr 6
Tatari 1, 10116 Tallinn

17 March 2025
Tallinn, Estonia

PROFIT DISTRIBUTION PROPOSAL

Net profit of Estonian Railways for the year 2024 was 0 euros.

The Management Board of Estonian Railways 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 Estonian Railways for the year ended 31 December 2024 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 2025

LIST OF BUSINESS ACTIVITIES

In thousands of euros

Business activity	EMTAK code	2024	2023
Infrastructure services	52219	22 759	23 084
Lease and rental services	77391	326	454
Purchased and resold energy	35141	864	905
Telecommunications services	61901	540	472
Real estate services, rental of building and premises	68201	497	505
Sale of inventory	45311	2 390	2 483
Other services	82991	749	678
		28 125	**28 581**