

Always on the move



1/17

By rail to the ski jump

Over the three-day event, ÖBB provided convenient and stress-free rail transport for thousands of the 60,000 or so visitors to the World Ski Jumping Championship in Kulm. ÖBB demonstrated its presence with eye-catching advertising on both the jump and at the finishing line.

3/9

**Project launch
Training Center**

ÖBB plans to bundle all its rail-way-specific training programs in St. Pölten in future. A learning campus with seminar rooms, signaling system for training purposes, model systems, and simulators are being built here, together with a new apprentice hostel. Innovative training opportunities will then be available – for employees of both ÖBB and other railway operators.



4/11

**New ideas
platform launched**

ÖBB's Open Innovation Lab has opened its doors at head office. The intra-Group platform bundles all the 1,500 or so valuable ideas and initiatives that emerge within the Group each year. A creative work approach goes without saying here.

4/22

**Still on track
to success**

2015 marked the fifth consecutive year of profit growth at ÖBB. Its earnings (EBT) of 192.8 million euros in 2015 constituted the best result ever achieved in the history of the company. Rail passengers increased by 3 million.



5/07

**ÖBB's CEO be-
comes Chancellor
of Austria**

Despite the checkered 180-year history of ÖBB, this is the first time ever that its leading train driver has taken over the wheel at the federal chancellery: On this day, ÖBB's CEO Christian Kern was sworn in as Federal Chancellor of the Republic of Austria.



5/24

Andreas Matthä appointed new CEO

ÖBB's Supervisory Board was very quick to decide who will steer ÖBB in the future: Andreas Matthä, formerly member of the Board of Management responsible for Infrastructure for many years, was initially appointed interim CEO of ÖBB and subsequently confirmed by the Supervisory Board meeting on July 4.

A look back at 2016

YEAR IN REVIEW. A new training center, a new CEO, the biggest expansion of our products and services in 30 years, and a new central freight station.



5/31

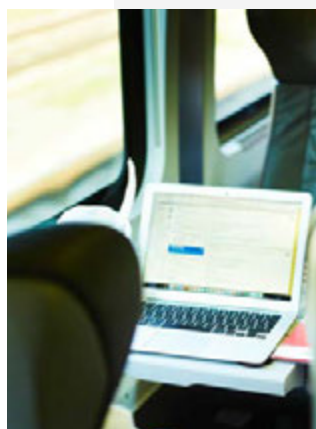
Gratifyingly good levels of customer satisfaction

The most recent customer satisfaction survey confirms that customers are appreciative of ÖBB's quality and service. Good scores were again awarded for punctuality, cleanliness and safety, and the staff scored top marks yet again for their competence and friendliness.

6/8

Surf the internet at 230 km/h!

Thanks to the biggest digitalization campaign in the history of the company, uninterrupted WiFi is now possible while traveling at 230 km/h on a Railjet, complete with onboard entertainment via the portal containing information and ORF-TVthek.



6/10

International Safety Day

BMVIT, ÖBB, KfV and ÖAMTC joined forces to present a video explaining the correct behavior at railway crossings. The new Infra safety campaign for youngsters aims to raise their awareness for hazardous situations.



6/14

450 million euros for Vienna's metro

Between now and 2025, BMVIT and the city of Vienna plan to invest around 450 million euros, mainly to expand the metro, with focus on the connections between Meidling and Hütteldorf and the Marchegg branch.



6/18

Vienna's central marshalling yard celebrates its 30th anniversary

Open Day at "ZVB Kledering." This is where freight trains are split up and regrouped, while the freight itself is turned over in the new South Vienna Freight Terminal.

In future, ÖBB plans to bundle all its railway-specific training programs in St. Pölten at a learning campus with seminar rooms, signaling system for training purposes, model systems, and simulators ...



7/6

The "ÖBB" brand ranks 5th

The "ÖBB" brand has been continuously increasing in value over the past five years and is currently worth 1.88 billion euros, according to the European Brand Institute. As such ÖBB ranks fifth among a total of 500 Austrian companies.



8/24

VCÖ railway test reveals trend toward taking the train

There are already a lot of people who prefer to take the train rather than drive, although frequently the car could also be an option. For many passengers, an improved portfolio of rail products and services (68%) and shorter travel times (71%) are the key deciding factors.

7/11

ÖBB wants to become a top employer

According to the Employer Brand Study, ÖBB currently ranks a good 14th out of 37 surveyed companies in Austria. Our aim is to rank among the top ten employers by 2020.



9/10

ÖBB at "Open House Vienna"

800 (!) people took advantage of the opportunity to have a look at the Service Design Center, a model open-plan office, and the Skylobby on the 23rd floor of head office.



7/14

Hallo Hellö

On this day, ÖBB commenced its long-distance bus service under the "Hellö" brand with eleven international connections. On the first weekend of operation, some of the services on the Vienna to Venice route were virtually booked out.



9/23

Construction of the last Koralm-bahn tunnels

Following the festive start of tunnel construction, building work on the Stein and Lind tunnels commenced on this day and is scheduled for completion in 2022. All ten tunnels of the Koralm-bahn, which extends for some 130 kilometers in length, are therefore now either under construction or in partial operation.

10/20

InfoRail goes on tour

The InfoRail exhibition touring throughout Austria offers fascinating insight into the numerous projects along the Southern line, together with stories about the people working on it.



12/11

Upper Austria gets a metro as well

Five new metro lines commenced operation in Upper Austria, four of which are operated by ÖBB. The 500,000 or so people living in Austria's second-largest conurbation in and around Linz now have a viable alternative to automobile transportation.



10/17

40,000 questionnaires to employees

"Tell us what you think" was again the topic of the day as we launched what was now our third Austria-wide ÖBB employee survey, which ran until November 4. More than half the workforce took part in the survey (see page 42).



11/23

PR State Prize for Humanity

ÖBB has won the Austrian PR State Prize yet again, this time for its "Humanity takes the train" project as part of its crisis communication during the refugee crisis.



12/11

Night train becomes ÖBB Nightjet

Additional night train connections coupled with first-rate service: Over the coming three years, ÖBB hopes to welcome around 1.8 million more passengers on board its new Nightjet service.

12/11

New timetable: 2.2 million more passenger kilometers

The new timetable constituted the biggest expansion of our services in 30 years. Better connections for passengers are now available, especially in and around the conurbations in Tyrol, Carinthia and Styria, and thanks to the new metro lines in Upper Austria.

12/13

Opening of the South Vienna Freight Terminal

ÖBB-Infrastruktur has built a state-of-the-art freight terminal on a site measuring 55 hectares. The terminal for combined freight transport will vastly simplify road/rail turnover and, in doing so, hopefully result in even more goods being transported by eco-friendly rail.

According to VCÖ, ever more people already prefer trains to cars. For many passengers, an improved portfolio of rail products and services is one of the key deciding factors.

Key Performance Indicators

Earnings ratios (IFRS) (million euros, rounded)

	2016	2015	2014	2013	2012
Revenue	5,247	5,221	5,270	5,239	5,221
Total income	6,416	6,345	6,355	6,248	6,216
Cost of materials and purchased services	-1,730	-1,751	-1,764	-1,793	-1,929
Personnel expenses	-2,478	-2,337	-2,407	-2,341	-2,358
Other operating expenses	-428	-451	-460	-530	-478
EBITDA	1,779	1,806	1,723	1,584	1,451
Depreciation & amortization (incl. impairment)	-968	-949	-859	-829	-750
EBIT	811	857	864	755	701
Financial result	-645	-664	-692	-652	-626
EBT	166	193	172	103	75
ROCE (%)	3.4	3.7	3.9	3.6	3.5

Balance sheet ratios (IFRS) (million euros, rounded)

Balance sheet total	27,344	26,475	25,746	24,631	24,084
Non-current assets	25,877	25,140	24,334	23,322	22,446
<i>of which property, plant and equipment</i>	24,386	23,416	22,724	21,765	20,749
Current assets	1,467	1,335	1,411	1,310	1,638
Equity	2,093	1,922	1,692	1,589	1,431
Equity ratio (%)	7.7	7.3	6.6	6.5	5.9
Financial liabilities	22,799	22,317	21,811	20,778	20,177
Net debt	22,108	21,306	20,839	20,024	18,369
Gross capital expenditure	2,400	2,032	2,057	2,170	2,248
Net debt/EBITDA (ratio)	12.4	11.8	12.1	12.6	12.7
Net gearing (ratio)	10.6	11.1	12.3	12.6	12.8

Contents

STATEMENT OF THE BOARD OF MANAGEMENT 3

STATEMENT OF THE CHAIRWOMAN OF THE SUPERVISORY BOARD 6

ALWAYS ON THE MOVE 10

CORPORATE GOVERNANCE REPORT 52

CONSOLIDATED MANAGEMENT REPORT 60

- A. Group Structure and Investments 60
- B. General Conditions and Market Environment 62
- C. Economic Report and Outlook 70
- D. Non-Financial Performance Indicators 92
- E. Opportunities / Risk Report 100
- F. Notes on the Management Report 105

CONSOLIDATED FINANCIAL STATEMENTS 108

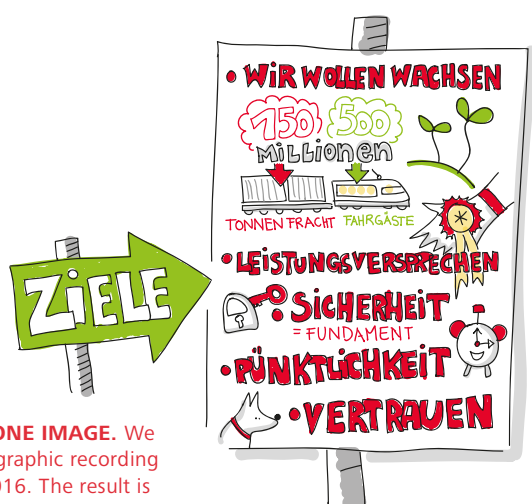
- Consolidated Income Statement 2016 108
- Consolidated Statement of Cash Flow 2016 109
- Consolidated Statement of Financial Position
as of December 31, 2016 110
- Consolidated Statement of Cash Flow 2016 111
- Consolidated Statement of Changes
in Shareholders' Equity 2016 112

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2016 113

- A. Basis and Methods 113
- B. Notes on the Consolidated Statement of Financial
Position and the Consolidated Income Statement 131
- C. Other Notes to the Consolidated Financial Statements 156

AUDITORS' REPORT 194

GLOSSARY OF TERMS 198



ONE YEAR, ONE IMAGE. We have made a graphic recording of our year 2016. The result is a kind of mindmap of our last year and at the same time a look into the future – all in one illustration. The entire image can be found on the back of the cover. Excerpts from this follow in the image part and in the pages separating the chapters

DIGITAL. German and english PDF versions of the Annual Report for 2016 and two related videos can be found at: konzern.oebb.at/gb2016

ANNUAL REPORT 2016. STATEMENT OF THE BOARD OF MANAGEMENT



BOARD OF MANAGEMENT OF ÖBB-HOLDING AG. Mag. Josef Halbmayr MBA (CFO), Ing. Mag. (FH) Andreas Matthä (CEO)

Moving Austria. Last year was difficult for us, but it was also ultimately another successful financial year. The still weakening economy – in addition to the enormous pressure on margins – put pressure on our freight transport division in particular. The bus business and passenger rail transport faced tough competition and a major increase in spending on safety. Despite these conditions, the ÖBB Group achieved the third-best result in its history with an EBT of EUR 166.2 million in 2016 and looks with pride on its new passenger record in passenger rail transport.

With stable total group sales of almost EUR 5.3 billion, all sub-groups again made a positive contribution in 2016 and thus made their necessary contribution to comprehensive income. The performance of the Rail Cargo Group was particularly gratifying; while the results lagged behind those of 2015, they were again clearly positive with an EBT of EUR 44.3 million, despite the difficult market environment. And this was achieved in spite of low diesel prices and low road tolls, while rail freight companies pay more and more for energy and the use of routes.

More passengers than ever

More than 244 million customers – more passengers than ever before – used ÖBB's trains in the past year. The most significant increase was once again recorded in local passenger transport, with an increase of more than five million passengers compared to the previous year. Long-distance transport increased by 0.9 million passengers. Overall, passenger rail transport thus grew by three percent in a year – in the past ten years, the number of passengers in ÖBB's local and long-distance trains has risen by almost 60 million.

In 2016 – as in the previous years – there was a slight decline in passengers in the ÖBB bus transport division. Postbus lost nearly 4.3 million passengers; this was due in part to demographic developments and the resulting drop in the number of school children and apprentices and in part to the difficult competition. However, thanks to a success ratio of 91 percent in last year's transport tenders, Postbus again transported more than 216 million passengers.

We are maintaining the targets of our strategy: 500 million passengers and 150 million tonnes of freight. Safe and punctual.

Vienna Central Station and Graz Central Station

In the past financial year, two central transport hubs were put to the test, with the central stations in Vienna and Graz entering into full operation. Since then, all ÖBB long-distance trains have passed through these hubs. The Vienna central station handles more than 1,100 trains in local and long-distance transport every day, making it the most important regional, national and international transfer hub in Austria. In addition, the two hub railway stations serve to connect seven provincial capitals directly to Vienna International Airport. The good utilization of this service – the train to the airport – shows that ÖBB has perfectly met the needs of its customers.

Rail Cargo Group – a reliable business partner

The Rail Cargo Group (RCG) consolidated its position at the top of the European rail freight carriers in 2016. In a year in which almost no major rail freight companies in Europe were able to make a profit, RCG achieved an EBT of over EUR 40 million thanks to a strong fourth quarter.

Both Rail Cargo Austria (74.5%) and Rail Cargo Hungaria (60%) remained clear market leaders in their domestic markets, and, as in 2015, the Rail Cargo Group achieved increases in volumes on the international markets. The Rail Cargo Group, which has operations in a total of 18 European countries, has long taken the view: "Our (domestic) market is Europe."



MAG. JOSEF HALBMAYER MBA.
Board of Management of ÖBB-Holding AG (CFO)

Investing in the future

The hundreds of construction projects implemented by ÖBB-Infrastruktur AG have had a long-term positive impact on the reputation of ÖBB in a way that little else has. Our railway stations – as we know from several customer surveys – have been regarded as clean and safe since then, and our customers assess time spent in our railway stations as "comfortable". This assessment is very motivating for the entire company, but at the same time it is particularly important for all taxpayers that we implement our construction projects on time and, above all, at planned costs. This is something we accomplished again in 2016.

In addition to the major projects Koralm railway, Semmering base tunnel and Brenner base tunnel, a large number of smaller and medium-sized railway stations across Austria were modernized

in the past year. Added to this were key projects for freight transport, such as the completion of the Vienna-South terminal, a state-of-the-art freight center for combined freight transport.

Adoption by the Austrian Government and Parliament of the new ÖBB master plan for 2017 through 2022 has ensured that the modernization program will continue at the same rapid pace over the coming years.

At the top

ÖBB has set ambitious goals for itself: We want to bring 500 million passengers and 150 million tonnes of goods safely to their destinations – both in Austria and abroad. The prerequisite for achieving this is growth in the domestic market and on the international markets, and in both freight and passenger transport.

Apart from these growth targets, the Group is focused on taking full advantage of opportunities for digitalization. This will improve internal production processes and ensure optimal management of the infrastructure life cycle. In addition, it will allow us to better meet the needs of our customers. Because on constant at ÖBB is that our customers are the focus of all our actions.

Finally, we would like to thank the employees of ÖBB as well as the employees' representatives. Without your daily work, we would not have achieved the success we experienced in the last financial year, nor would we achieve our future goals.

If, as in the past few years, we maintain this unity and further improve the way we work together, we can look toward the future optimistically.



ING. MAG. (FH) ANDREAS MATTHÄ.
Board of Management of ÖBB-Holding AG (CEO)

Ing. Mag. (FH) Andreas Matthä
Chairman of the Board of Management
ÖBB-Holding AG

Mag. Josef Halbmayr MBA
Member of the Board of Management
ÖBB-Holding AG

STATEMENT OF THE CHAIRWOMAN OF THE SUPERVISORY BOARD

Valued player. Companies which are majority owned by the public sector are by their nature subject to tensions between economically necessary efficiency and social as well as economic policy concerns.



MAG. BRIGITTE EDERER.
Chairwoman of the Supervisory Board of ÖBB-Holding

For ÖBB, there is the additional factor that it is expected to transport many millions of passengers to their desired destination safely and on time. In addition, in the area of freight transport, ÖBB's customers are companies that focus sharply on costs and expect the railway to be increasingly international. It can be said with some pride that ÖBB fulfilled these requirements in 2016. As this report shows, the company is on a sound financial footing. And it has achieved this in times of increasing competition and cost pressure.

The economic situation for freight transport is particularly challenging now, with competition having become especially difficult. There are no longer just the well-known national competitors; the freight transport market has become thoroughly international. Spurred on by Europe-wide liberalization, we are experiencing an unprecedented level of pressure. We have to defend

ourselves with all our strength and our many years of expertise in order to maintain our position in the market. And, of course, when looking at developments in 2016, we should not forget that the oil price was very low at the beginning of the year. This resulted in additional competitive pressure from road transport – and robbed us of our favorable pricing.

In addition to the necessary focus on economic efficiency, ÖBB also has social and economic responsibilities. This report shows that the company, as well as every individual employee, fulfills this responsibility. Regardless of the company's strategic orientation or what we invest in the infrastructure, or the innovations we support: In everything that we do, the focus is not just on the company, but on the common good and on the economic impact. Because we are working to move everyone ahead. This should not only be understood in the figurative sense.

Looking at investments in infrastructure, one could argue that they do not always make economic sense in the short term. In the long term, however, well-developed infrastructure is the most important prerequisite for economic success in a country. In the history of mankind, there has been economic progress wherever roads have crossed, that is to say where the infrastructure was good. This economic impact is, in my opinion, also an important reason why infrastructure should be publicly owned – private owners would understandably want returns in a much shorter time frame. In addition, investments in infrastructure make an important contribution

In addition to the necessary focus on economic efficiency, ÖBB also has social and economic responsibilities.

to the gross domestic product in times of weak economic activity. This sort of expenditures is an economic motor – including for many small and medium-sized business in the country. Furthermore, our capital expenditures are sustainable, something that is not always the case for others.

Integrated mobility

It is a credit to the political leaders in charge over the past few years that railway infrastructure has not been starved of funding, as in many other developed countries.

The mobility requirements of our customers are growing and becoming more demanding. In the future, it will no longer be enough to travel by train from A to B; customers want information about the fastest, most cost-effective and most convenient overall route with the whatever modes of transport are necessary. ÖBB wants to expand integrated mobility; to do so, it needs innovations and new ideas. We must intensify our efforts in the coming years.

Of course, the company can not simply stand still. While the focus in the second half of 2015 was on managing the flow of refugees, there was a surprising change in the position of the Chairman of the Board in 2016. Christian Kern changed the company significantly in his six years leading the Board of Management. ÖBB has become more modern and innovative and has developed a public image as a sympathetic and valuable player in the nation's economy. He is succeeded by Andreas Matthä, an experienced and prudent manager who will continue along the path that has been set out for the company with great commitment and dedication

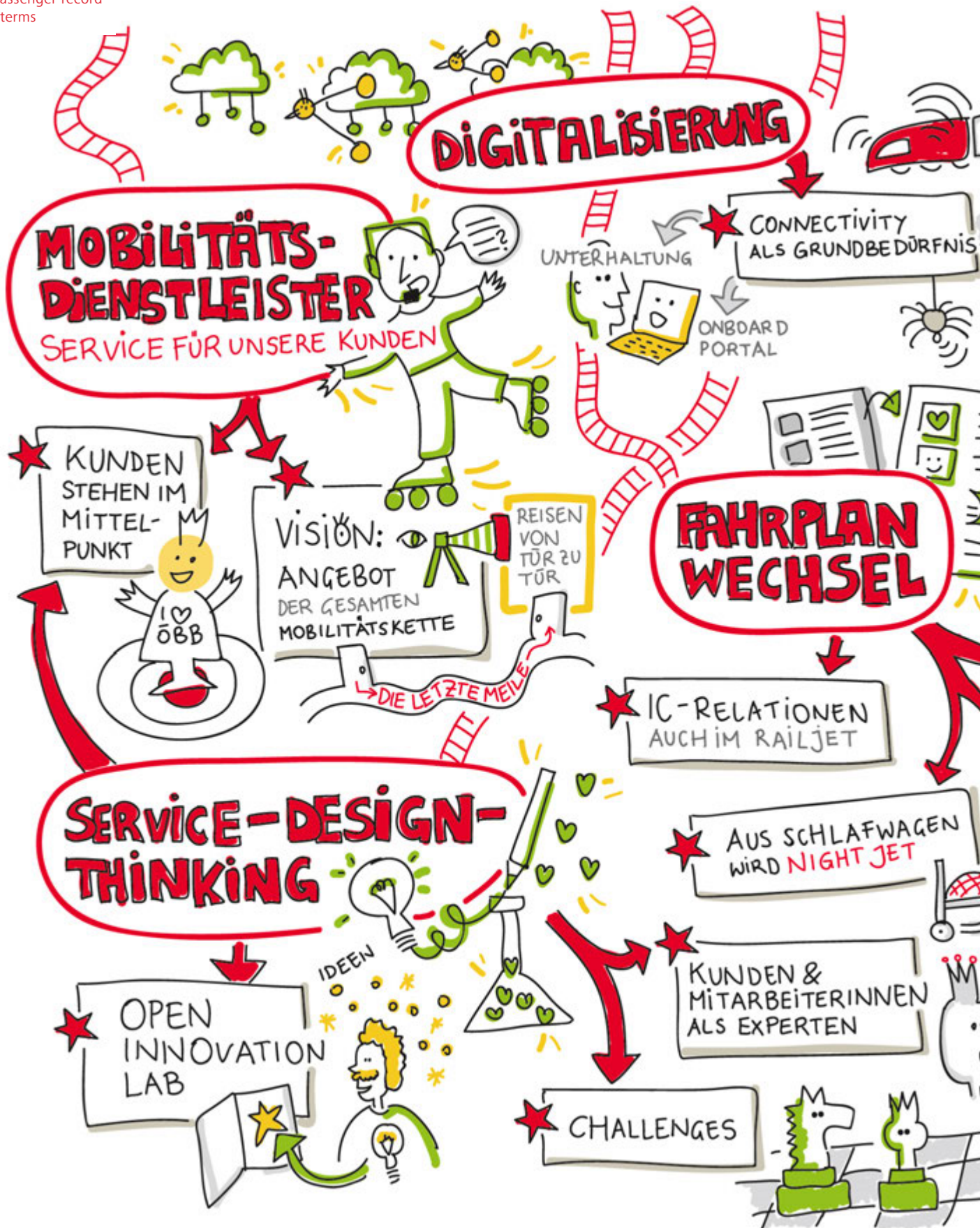


Mag. Brigitte Ederer

Chairwoman of the Supervisory Board of ÖBB-Holding AG

SATISFIED CUSTOMERS.

The customer is at the center of our efforts – to make our services even easier, faster, more comfortable, and safer. A variety of measures has been well received. In 2016, ÖBB set a passenger record in absolute terms



Always on the move

MODERN MOBILITY. With trains and busses, ÖBB offers comprehensive mobility services for all of Austria. But the company's responsibility extends far beyond this.



Takin



RAILWAYS - FOR LIFE.

Like a mantra, ÖBB's focus in recent years has been on making things even easier, faster, more comfortable, and safer - making train travel part of the Austrian lifestyle



g care of the details for our customers

MOVING AUSTRIA. How ÖBB is attracting even more people with fast trains, attractive connections, a new ticket shop as well as WiFi and an onboard portal.

Nothing is so good that it couldn't be improved. This is especially true for a mobility service provider such as ÖBB. Whatever is achieved, it must be evaluated, critically analyzed, and continuously improved. This is more true today than ever before. Like a mantra, ÖBB's focus in recent years has been on making things even easier, faster, more comfortable, and safer - making train travel part of the Austrian lifestyle. With the impressive result that Austrians are now, for the third consecutive year, the most dedicated travelers by rail in the EU at 1,426 kilometers per year. We are getting closer to achieving our goal: For many, rail travel is already part of their lifestyle. And yet the last meters are still more challenging. As the quality of the service increases, passenger

demands are also on the rise – as they should be!

This must serve as an incentive to continue working on our most important goal with all our strength: every year winning over more customers for our trains and buses.

ÖBB is the largest and only Austria-wide transport service provider to offer affordable and attractive mobility services for the whole of Austria. The groundwork has been laid. The challenge is different.

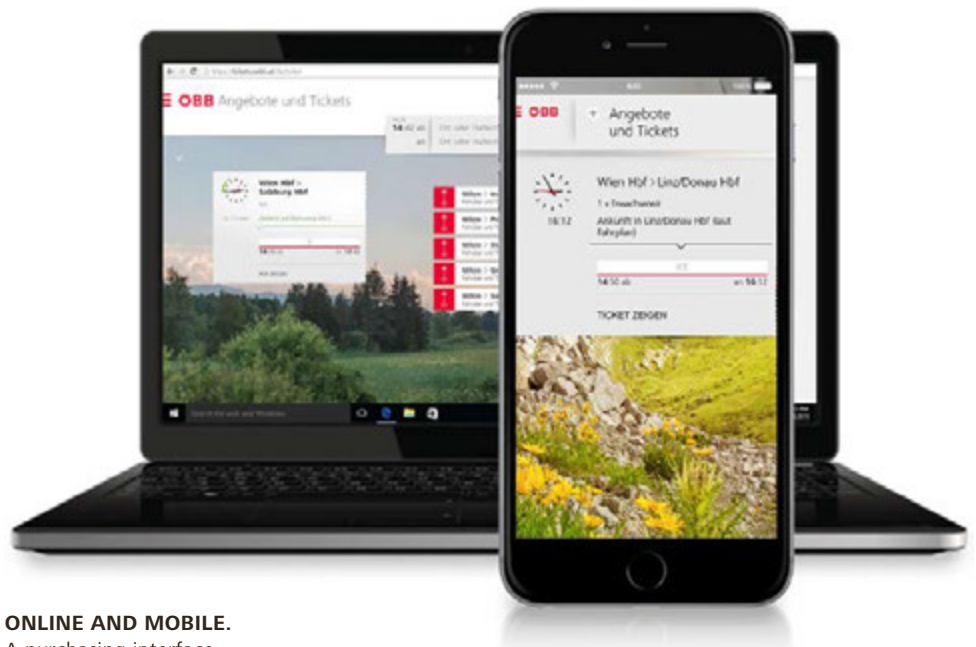
It is about traveling as a positive experience. An experience that encompasses far more than punctuality, speed, and optimal connections. It is also about the environment. Specifically, it is about the before, in-between and after. About making it as easy as possible for our customers to use our services. Allowing them to relax on the train with entertainment, information, and good food. And then arrive at their destination simply and quickly after the train journey. These are the prerequisites for winning over customers, both among commuters who travel between home and work every day, and among long-distance passengers. Their needs are different. But ultimately they are also very similar: easier, faster, more comfortable and, of course, as punctual as ever. We need to refine and improve services offered in the large trains and to take care of the many small

For many, rail travel is already part of their lifestyle. And yet achieving the targets remains challenging.

details. This starts with the simple purchase of tickets, options for leaving a car or the bike safely and reliably at the station, and includes modern stations with welcoming designs, with gastronomy and shopping facilities, and ensuring that passengers feel comfortable on trains. <



The information included with the ticket is clearly and individually arranged, including real-time timetable information ...



ONLINE AND MOBILE.

A purchasing interface that is device-independent

The new ticket shop

TICKETS. Buying tickets should be simple, quick, and easy. The figures show that the new online and mobile ticketing has been very well received by our customers.

Let's start at the beginning. In this case, with the ticket. Because every journey begins with buying one. First of all: direct and personal contact from person to person is important to ÖBB. That is why there are ticket desks and travel agencies at the train station. Since the beginning of 2016, the new ÖBB Ticket-shop has been available online and as an app as an alternative for those who are in more of a hurry or prefer to buy online. During 2017, the ticket machines and the ticket windows will be redesigned to resemble user interfaces online and on the app. With this action, ÖBB is creating an intelligent, future-oriented and uniform distribution solution, which considerably simplifies ticket purchases for all users.

Buy a ticket with two clicks

This is particularly noteworthy on the mobile phone, as in the near future this will be the "key" to a wide range of applications and services, from ticketing to banking. A customer's "ÖBB account" includes customer data, and users who save their favorite routes can buy a ticket with just two clicks.

And that is only the tip of the iceberg. The information included with the ticket is clearly and individually arranged. Including real-time timetables, information on platforms, and when and where to change trains. This is an obligation. The highlight is the additional offers available via the digital distribution channels. For passengers traveling to cities within Austria, city transport tickets are also offered, as well as suggestions for day trips. For those traveling to points outside Austria, there are also offers for other attractive destinations within Europe. All this is available via a website and an app with uniform look and feel.

This is the entry point into the "on



TICKET MACHINE. The user interface of the machines will be adapted to the website and the app during 2017

the move” experience. These are the services that customers expect from ÖBB. Because: You helped! The website and the ÖBB app were developed together with customers, who were able to actively contribute to the development process through their own feedback portal. Participation is the key word.

The new online and mobile ticketing has been very well received by our customers. The numbers speak for themselves. Since the launch of the new ÖBB app in early 2016, sales of mobile phone ticketing have more than doubled. From January to December 2016, ÖBB sold 1.5 million tickets via mobile services – an

increase of 112 percent compared to 2015. In 2016, a total of seven million tickets were sold through digital channels. At present, ÖBB is achieving around a quarter of its total turnover in sales from online and

mobile tickets, and the trend is on the rise. We are on the right path

Greater frequency since December 11

The consistent interval timetable (ITF) provides fixed and predictable connections with short transfer times between local and long-distance trains as well as bus lines. A great step has been taken in the

direction of ITF with the timetable change on the first Sunday in December 2016.

Let's start in western Austria. 15 trains a day now run between Tyrol and Vorarlberg with the new hourly schedule. On the Vienna - Salzburg route, all ÖBB

Intercitys have been replaced by new, modern railjets. Railjets travel between Vienna and Salzburg twice an hour.

But the south also benefits from the new timetable. There are now six

railjet direct connections daily from Graz to the Vienna airport.

And there's much more. By the end of 2017, ÖBB will triple the Cityjet fleet in local and regional transport from 34 to 94 coaches. Together with the 187 Talent coaches and the 60 Desiros, around 350 ultra-modern public transport trains are now in use. The old coaches that are still on the rails will be gradually replaced by up to 300 additional new coaches. The first 21 cars of a new generation of electric cars will be deployed in Vorarlberg from 2019 onwards.

A milestone has been achieved in night transport: The takeover of 40 percent of Deutsche Bahn's routes has made ÖBB the market leader for night and car trains in Europe. Six new night train lines have been added to ÖBB's existing nine, all of which have been under the ÖBB Nightjet brand since December 11. The service has been well received, as the strong demand seen from the very beginning shows.

2.2 mil.

additional train kilometers – the **largest expansion of ÖBB's service offering** in recent decades. **Five new S-Bahn lines in Upper Austria**, for example, or a new hourly schedule with daily 15 trains in each direction between Tyrol and Vorarlberg.

In addition, with the timetable change every federal province has its own S-Bahn – ÖBB operates a total of 34 S-Bahn lines throughout Austria.

The newest S-Bahn network connects the provincial capital of Linz with the surrounding regions in Upper Austria. And naturally the trains run every half hour or hour. All in all, this makes 2.2 million train kilometers available to train travelers. Or in other words, ÖBB's largest service offering campaign for decades. And this service offering is having an effect, as can be seen in the figures: 35.2 million passengers in long-distance transport and 209 million passengers in local transport in 2016. This, too, is a new record. <

In addition, with the timetable change every federal province has its own S-Bahn – ÖBB operates a total of 34 S-Bahn lines throughout Austria.



ÖBB CITYJET. The new local train coaches are designed to offer commuters railjet comfort in local transport. In

Boarding, exiting, and changing trains

WITH THE BEST CONNECTIONS. Connectivity has become one of the basic tasks of a railway operator, along with fast connections and attractive options for changing trains.

Today's travelers are generally multimodal, meaning that both cars and bikes also play a role. Individual means of transport. At the station, it must be ensured that your own four (or two) wheels can be parked safely in the immediate vicinity. These public transport connections are indispensable, especially in rural regions. To make it easier to change modes of transportation and to ease car traffic pressure in metropolitan areas, ÖBB continues to expand its park & ride facilities. That's not all. In 2016, 18 stations were modernized. By 2025, 270 medium-sized stations all over Austria

will have been updated in terms of safety and accessibility. Coupled with new, comfortable waiting areas and a variety of shopping options at the larger train stations. After all, the station is not only a place where people go to travel by train. For many, it is also a place for taking care of everyday needs – for example, quickly going shopping before heading home.

This makes train stations places that play a central role. It is a place where you should feel comfortable and safe. Austria's train stations are safe. Nevertheless, the subjective feeling of safety can be strengthened even further. Here, too, it pays to look at the details.

At the lighting, for example. By making walls and ceilings brighter and better illuminating darker corners. The effect is noticeable. And video cameras are being installed here and there. To be very sure. This is important, but the presence of people



2017, 94 of these coaches will be in use on the ÖBB network

is even more noticeable. Specifically, ÖBB employees. So that someone is there if you have a question, a concern or a suggestion. Or if you need help on the way to the platform or when boarding a train. This easier to do face to face, person to person. This is the sort of contact that no one wants to miss out on in the digital age. By 2017, more than 200 employees, by 2021 a total of 500 employees, will be present at the stations as contact persons for our customers.

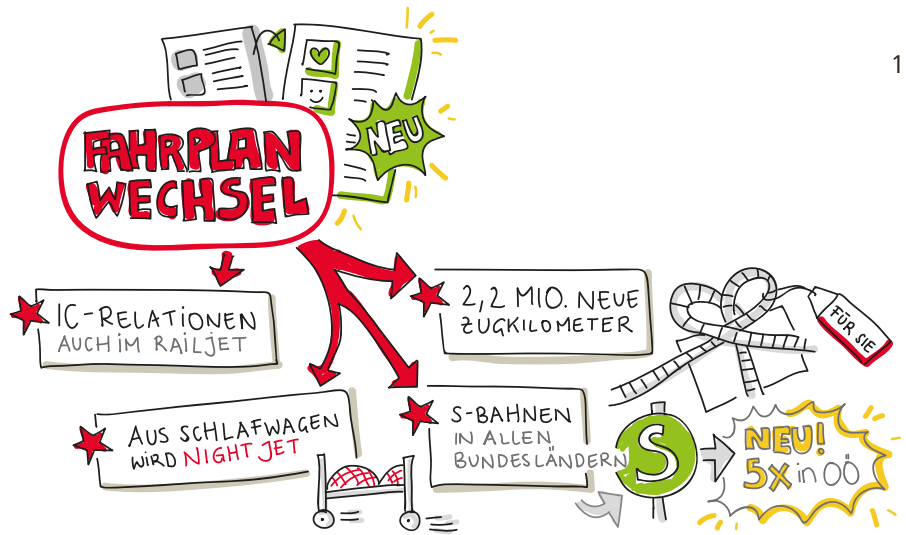
Best connections

ÖBB connects cities, regions and countries. This, too, is an task, one that is more comprehensive than one would believe at first. Because it is also about internet connections. Connectivity has become a basic necessity.

Meaning free WiFi, everywhere. At the train stations and in trains. As a service the customers want, that they need and enjoy. With online services that offer everything from entertainment to information. More and more train stations are being equipped with powerful WiFi

461 mil.

passengers, of which 217 million were bus passengers and 244 million were train passengers, used ÖBB services in 2016. In **local transport**, there were 209 million passengers – an **increase of 5.3 million**. In long-distance transport, 35.2 million passengers chose ÖBB – an increase of 0.9 million, despite the intense competition on rail and road.



hotspots; at the end of 2016, this included a total of 30 stations in Austria. Including an attractive landing page, which shows all essential information about our train stations: current arrival and departure times and a map.

WiFi is also available at 230 km/h – with the new “railnet” in the Railjet. The onboard portal provides service, entertainment and infotainment, with the ORF TVthek - without jerks, without interruptions. Comfortable in the truest sense of the word.

A given? This is a good example of how much work and investment in high-tech is behind the things that appear to be a given on the railway.

Linking road and rail

Continuous door-to-door mobility, from a single source, even if the desired destination cannot be reached by

train. That is the vision. The next step in this is rail & drive. More than 400 vehicles from the ÖBB's own car pool will be made available to passengers for car sharing from Fall 2017 – making it possible to change simply, cheaply and flexibly, and continue straight from the station to the destination. The pilot operation began in 2016 and provides the basis for offering optimal connection mobility after a rail journey.

The services ÖBB offers in the mobility chain are part of the vision. Another piece of the puzzle to ensure that the company can continue to

win customers in the future, something that we succeeded in doing in 2016, with 461 million passengers, of which 217 million passengers were bus passengers and 244 million were train passengers. ÖBB is a reliable partner with an attractive service offering for the 209 million passengers (up 5.3 million) in local transport. There is also good news in long-distance transport. Despite intense competition on rail and road, 35.2 million long-distance passengers chose ÖBB, an increase of 0.9 million over the previous year. But nothing is so good that it couldn't be improved. <

Open innovation on the rails

CREATIVITY AND EXPERTISE

ÖBB wishes to promote its culture of innovation and values the exchange of ideas on an equal footing. The new Open Innovation Lab combines space, people and methods and provides a unique location for the customer-centric development of the company.

August 2016 in Alpbach. Every summer, this small Tyrolean village in the mountains is a meeting place for people who are interested in new perspectives, great ideas, and profound thoughts. Nowhere else do business and science, politics, and society and culture meet so directly and so fruitfully as here. Well, not quite “nowhere”. In an ÖBB Railjet on the way from Vienna to Innsbruck, 26 participants in the Alpbach Forum from various companies have come together to have a “jam session” and jointly develop

creative ideas and ways to unconventional solutions. For example, how to get participants in the Forum to travel by train to Alpbach. The focus is on two specific topics: “How can the Alpbach experience be choreographed so that everyone involved is excited about it?” And “What services and offers can make the train the most popular form of travel to Alpbach?”

An app expands the Forum

64 ideas arise during the journey. One is aimed at an app – the “AP-Pbach” allows participants, presenters, and students to network and exchange ideas before the event and then meet reality, i.e. in the mountains. This would represent the spatial and temporal extension of Alpbach. The app and other results will be presented to other guests during the Forum. There will be further discussions with all parties involved on realizing various initiatives.

When people from different areas with different backgrounds meet and develop something jointly and share this knowledge one speaks of “open innovation”. Open innovation

and open access, a related concept, have been popular topics for some time.

Open Innovation – An approach from the sciences

More and more initiatives are working to oppose this. Peter Kraker from the Graz University of Technology, for example, has formulated the “Vienna Principles - a Vision for Scholarly Communication”, principles of scientific communication in an era of citizen science. Scientific institutions are not alone the pursuit of sustainability and concrete implementation.

In April 2016, ÖBB also launched a broad open innovation initiative which addresses all the existing and

new innovation channels of the Group in order to create customer-winning solutions faster. Customer-centricity cannot be an advertising slogan; it has to result in tangible solutions that impress the market.

The basic idea is as simple as it is convincing. Whether in science or business, all too often, good ideas remain stuck in processes and structures and ultimately fall by the wayside. Ideas, suggestions for improvements and initiatives are generated throughout the company, and customers, partners and external parties can also be valuable creative advisors.

179

ideas, more than 1,000 comments and ratings from **580 users** - that is the purely numerical result **of the first ÖBB Open Innovation Challenge** question “How do customers find a free seat on a train?” More on page 25.

Customer-centricity cannot be an advertising slogan; it has to result in tangible solutions that impress the market.

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SEAT AVAILABILITY DISPLAY. Finding free seats was the task of the first Challenge. The prototype for this is being tested on the platform of the Vienna Central Station

Always on the move



CREATIVE WORK. A look at the work on the prototype of the seat availability display

An explanation

Open Innovation Lab

ÖBB's new Open Innovation Lab acts as a Group-wide ideas platform. Its forward-looking and market-oriented ideas provide fuel to our business and management culture, it screens ongoing initiatives for their impact on customers and it promotes and develops new ideas.

The expertise and experience of employees are enhanced by creative methods. The aim is to make market innovations available to customers more quickly.

Service Design Center

The creative atmosphere of the 220-square meter Service Design Center on the 2nd floor of the company headquarters in Vienna's Central Station provides room for new ideas and services.

The innovation projects of ÖBB's employees and managers are supported by customized solutions and excellent workshop facilities.

The Service Design Center can be booked as a mobile workspace, workshop space, innovation lab, or event location.

Service Design

The focus of Service Design is on radically rethinking all business processes radically from the customer's perspective to allow us to bring particularly innovative products to the market.



ÖBB'S OPEN INNOVATION LAB. 220 square meters, centrally located, a place for workshops, events, as a laboratory for innovations, as a mobile workplace.

Seek, promote and develop ideas

The results can be fatal if targeted use is not made of this potential. Nobody knows the company as well as its own employees and those who regularly make use of its services. That's why we've established the Open Innovation Lab.

This is where new ideas are promoted and developed and initiatives tested as quickly as possible for their customer impact. This is where internal and external knowledge is bundled in a Group-wide platform. This process also has an address, a place that offers an appealing, stimulating environment. The service design center at the central station in Vienna. 220 square meters, centrally located, a place for workshops, events, as a laboratory for innovations, as a mobile workplace. You could also say ideas need space. This is where they find it. And the hardware.

In addition (and indispensably), employees and external parties are offered options to support the creative process. New idea techniques are taught in innovation workshops. Market and customer-oriented solutions are developed together with service designers.

Living creativity

This means that open innovation is lived very concretely. Combining those factors that accelerate innovation processes and make them successful. Working together creates space for new ideas, which can be used to develop products and services that can be tested for their market readiness, allowing them to reach the market quickly and directly.

This may all sound free and open, and possibly a little bit approximate, but this is the very framework that the processes of Open Innovation Lab are based on. In order to recognize the needs of the customer at an early stage, ÖBB uses service design thinking, a proven method for looking at products and services from the consumer's point of view. This makes it easier to make them useful, practical and desirable.

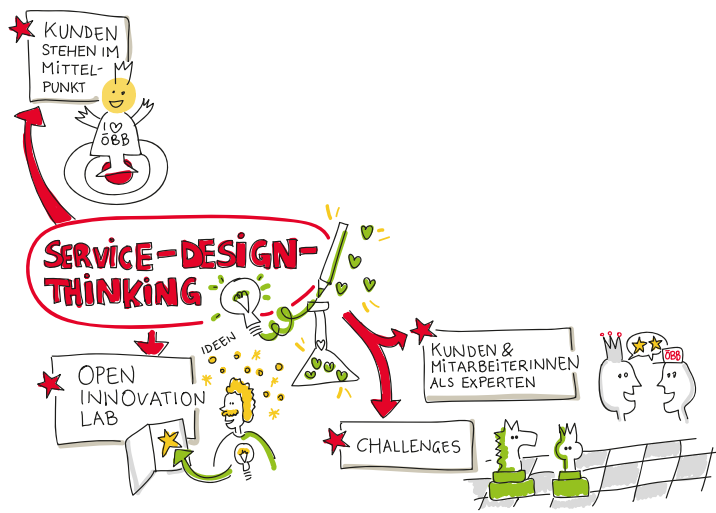
Ideas, suggestions for improvements and initiatives are generated throughout the company, and customers and partners are also valuable creative advisors.



ratory for innovations, as a mobile workplace

Implementing unconventional solutions

The Open Innovation Lab develops new, unconventional solutions across the Group. Internal knowledge from different departments and areas, disciplines and projects is made use of, as are external input from customers, partners and academia. Sixty trained internal service designers provide expert support. And yet, what would the best idea be if there were not the possibility of formulating ideas and brainstorming even faster and more directly? This is why the internet exists and why ÖBB has developed its own site, openinnovation.oebb.at, to call for the open competition of ideas, the Innovation Challenges. Employees, customers, partners, start-ups, universities, and technical colleges are forming a community that discusses and develops, that implements ideas, that creates space for entirely new approaches from the interaction of many factors. It doesn't always have to be a Tyrolean mountain village. <



New ways of thinking

Open innovation and service design – a concise explanation. The most important questions. The most important answers.

What's really new about open innovation and service design thinking?

We are seeing the digitization of all business models. This is not a fad or a passing trend whose challenges can be met with a "change program" with a theme such as "What do we do with the digitization?" Today, we have to ask the question: "What affect is digitization having on us, our customers, and our employees?" What is needed now is a radical change of perspective, to look at things from the market's point of view.

Where does digitization play a role in the railway business?

It starts with safety management in infrastructure, and ranges up to ticket sales. Above all, it has a profound impact on the organization and on the way we work and cooperate, how decisions are made, how connections with business, research, and development are being rethought.

What motivates ÖBB to be so aggressive in pushing innovation?

The simple analog necessity that the Group will have to add over 10,000 employees in the next five years to compensate for the departure of retiring baby boomers. So the challenge now is to keep the company fit for the future. Innovation helps to control this process because products and services must be made available to customers more quickly – the company urgently needs "accelerators" and people who understand this way of thinking in order to accomplish this. The combination of many years of knowledge and new ideas is exciting and, especially, necessary in order to ensure safe generation management.

What role does the Innovation Lab play?

The Innovation Lab works with methods that develop solutions quickly and free of cumbersome processes. This new type of collaboration includes Group-wide and cross-industrial collaboration, service design thinking, customer experience and prototyping. Above all, this process has a lasting effect on the company and its culture – since May 2016 have more than 2,000 employees have participated in the Lab, held workshops, come up with ideas, products, and services, some of which have already been implemented. This process is not only changed the culture of innovation, but also the nature of collaboration.

What does that mean specifically?

Each month 200 to 300 people, both internal and external, participate in seminars, workshops, and service design thinking methods. The goal is to think faster, to operationalize faster and implement faster. In short: The process of recognizing a need for improvement to the actual improvement should be shortened.

How are groups beyond ÖBB reached?

The Open Innovation Lab is an entry point. However, ÖBB is coming into contact with entirely new target groups through the online challenges (see pages 20 and 21). With start-up companies, universities, polytechnics, and the creative industries. These groups can now be addressed, invited, and involved, adding new people, new contributors and change drivers that can help the Group on the road to transformation.

Has the Open Innovation Lab already changed things?

Absolutely. On two levels. First, staff meetings are beginning to take on a different form; there is less discussion and there are efforts to make communication less hierarchical. Second, it is changing the innovation map of ÖBB itself. The network of knowledgeable and eager employees is expanding rapidly, generating new forms of collaboration.



PLATFORM. The ability to participate in the creative process

The challenge of participation

CREATIVE PROCESS. ÖBB asks questions. With its Challenges and customer forums, the Group is focused on receiving suggestions, ideas, and opinions from customers. In order to become even better.

179 ideas, more than 1,000 comments and ratings from 580 users - that is the purely numerical result of the first ÖBB Open Innovation Challenge question "How do customers find a free seat on a train?" Oh, and it also produced three winners. The digital platform openinnovation.oebb.at, which went online in May 2016, gives employees, customers, and partners of the Federal Railways the opportunity to participate in a creative process. In a challenge, in fact, that aims to improve the services and offers of the ÖBB. In a process that is freely accessible to everyone.

The winning projects

The results of this first round are impressive. The winning ideas combine customer benefits, degrees of innovation and feasibility. For example, the idea from the ÖBB passenger from Baden, who suggested displaying the available seats on the train on the electronic displays in the car. Or the idea of the ÖBB customer from the Mühlviertel who provided an international overview of seat reservations, and the idea of the entrepreneur from Seefeld-Kadolz for providing assistance without technology, which combines simple but useful solutions for everything from displaying the seat position on the ticket to optimizing the carriage position indicator. This was the

first step. The second step involves the implementation of the three successful proposals which will be converted into prototypes, tested and further developed in a service design thinking process. At the same time, the second Challenge has already been opened. This time on the quite emotionally charged topic of "well-being at the train station." This Challenge seeks solutions that will make time spent in train stations more pleasant and entertaining.

The customer forum

The "Challenges" are not the only thing going on. Participation is an ongoing process, so, in addition, the customer forum was established as an integral part of the ÖBB Open Innovation Lab: It provides the framework and the opportunity to improve and further develop the services and offerings of ÖBB in dialog with our customers. The first ÖBB customer forum focused on the theme of "fair play on the train" - treating people considerately. The subject of the second customer forum was "traveling on the night train". In both forums, customers had active discussions with each other and with ÖBB, and together many great ideas to improve our services were generated and implemented.

And there's something to be gained. The good feeling of being able to have influence, of being heard, of being part of an ongoing development. And the winner of the Challenge will receive as a thank you an ÖSTERREICHCARD Classic worth EUR 1,719. <

The aim of the Challenges is to improve the services and offerings of ÖBB, in processes that are freely accessible to everyone.



THERE IS ALWAYS SOMETHING TO DO. A hands-on approach for more customer comfort

1, 2, 3, go!

CHALLENGES. We ask questions of passengers on the platforms, we test in our offices, in trains and in the stations. Three current Challenges between collecting ideas and implementing projects.

Open innovation is much more than an office with the door open. If you've been there and seen the prototypes – whatever stage they're in – this will be clear to you.

Seat found

The first Challenge, "Find your seat", involved the creation of tools that indicate the availability of seats on the train and lead travelers to free seats. 179 diverse ideas from customers, employees, and suppliers were sorted and evaluated by our internal experts from the sub-groups together with the Open Innovation Team; this was followed by the design of test models of the best concepts. To capture all points of contact with customers and to create a consistent customer experience, we focused on the entire customer journey – from booking to arrival. As part of this effort, a seat availability display for the platform and for mobile phones, a cleaner ticket design, and signage for guidance in the train itself were developed and tested. In the creation of the prototypes, special attention was paid to creating an information column for train

platforms. The column, located right at the entry to the platform, shows the departure time, the order of the cars and a new feature, the expected number of seats available in each car of the train. When the invitation was sent out via Facebook to test the prototype in its real environment – the platform – users showed up at the spur of the moment. Their feedback provided encouragement for our past work and motivation for future work.

A feeling of well-being in train stations

Over 300 people submitted ideas and suggestions for improvements in this area. The result: The prototyping team is currently working with the internal project team to develop a new waiting room that provides an ideal environment in which passengers traveling for work, families and groups alike can wait for their trains, further improving the quality of travel time. In addition, new atmospheric waiting environments and power bench rental for mobile power supply are being prepared for a pilot project.

One more reason to look forward to your next train trip!

Rail freight digitized

The questions in the 3rd Challenge were the most specific thus far, as were the answers. The provision of information, price quotes and order processing as well as existing technical solutions remain major issues – and not just on the platform. We just beginning the first test phase, including the customer platform, tracking and tracing as well as a data pool. Five "prototyping sprints" are being produced that will be elements of new systems and will be tested with our customers. <

The many aspects of infrastructure

EXPANSION. The Republic of Austria has tasked ÖBB with the expansion and modernization of the railway network. This will involve the investment of EUR 15.2 billion through 2022. A program with a long-term, sustainable impact. Including an impact on the gross value added in Austria.

A successful economy is based to a significant degree on excellent infrastructure consisting of efficient transport links, secure energy supplies and, now, communications networks. Only by achieving the optimal interaction of these networks can companies, the economy, the people fulfill their potential.

This is true for both large and small countries. This is even more the case when a country is part of a union that relies on cooperation across borders, such as the European Union. Austria is practically at the center of this economic area. Key

links between southern Germany and northern Italy, between Western and Eastern Europe run through Austria. This makes it vital that conditions in the country be optimal. For example, in the area of railway infrastructure.

Austria has set a target in this case: Rail travel should be made even more attractive, with fixed and predictable connections, 365 days a year, with the shortest possible transfer times between local and long-distance transport as well as the bus services. This applies to passenger transport.

At the same time, freight transport should be shifted from road to rail. By expanding the major axes and terminals and by building up capacity to shift traffic in order to contribute to the reduction in CO₂ caused by transport required by climate policy.

Expansion of significance across Europe

There is a master plan which defines the expansion of rail infrastructure. It precisely defines projects for the next six years, and it is extended on a rolling basis every year. The current master plan provides for a total investment volume of EUR 15.2 billion for the 2017-2022 period. According to the Ministry of Transportation, the main criteria of the program are the profitability of the

projects, the elimination of capacity bottlenecks, and the impact on the overall transport system. This sounds technical, but it has concrete effects. More than half of the investment volume is accounted for by train station conversions, terminals, and new lines and line expansions, re-investments in train stations, park and ride systems, WiFi and mobile networks, noise protection, security, and management systems. Four billion euros have been budgeted for the expansion of the southern line, including the Koralm railway and the Semmering base tunnel.

Connecting economic areas

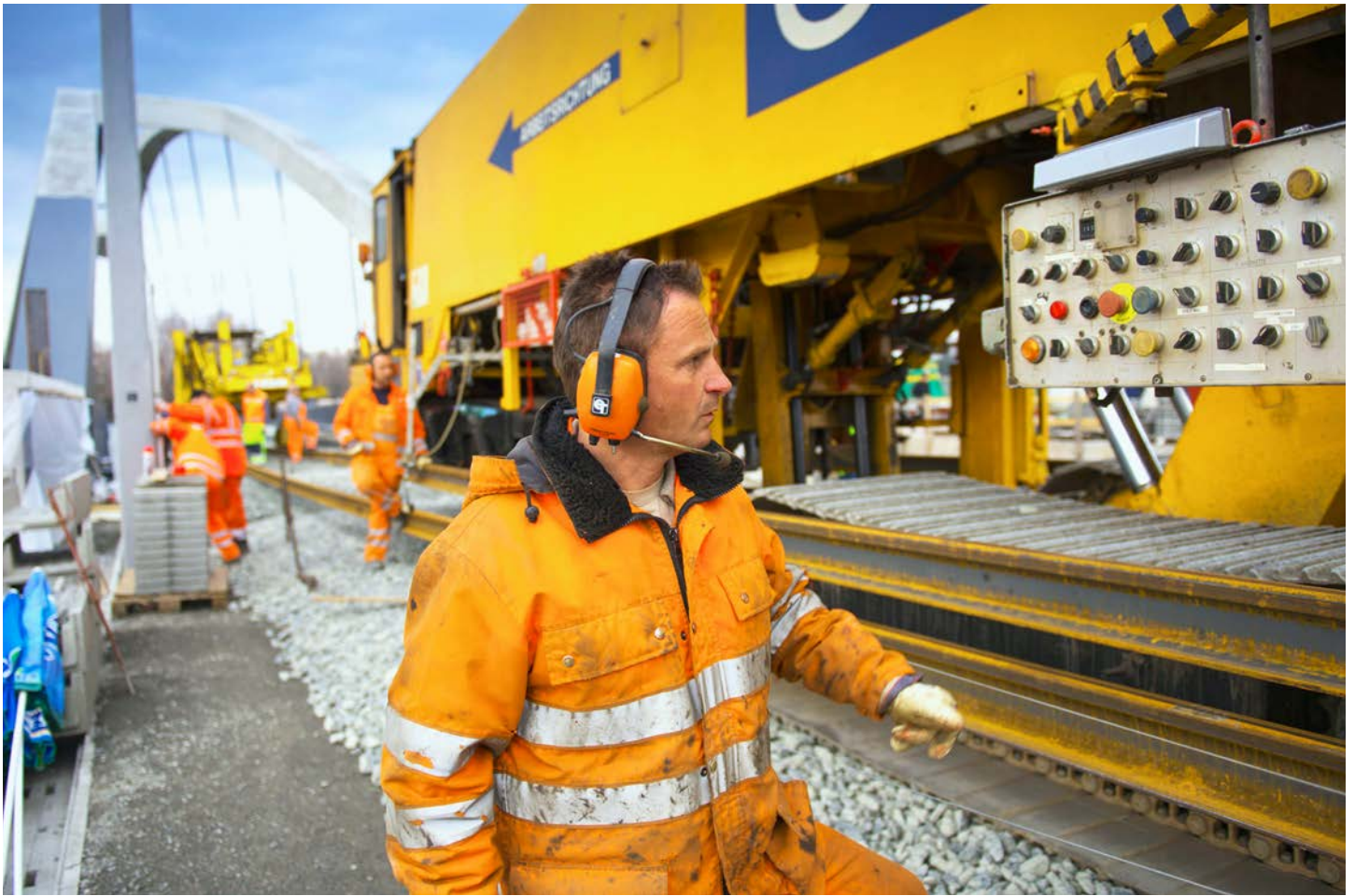
In conjunction with Vienna's central station, the expansion of Pottendorfer line, the conversion of the Graz central station and the expansion between Graz and Spielfeld results in a line with a long tradition becoming a centerpiece of modern transport infrastructure. After all, it was the southern line, which was considered a pioneering technological achievement in the 19th century; with the crossing of the Semmering it was the first highly efficient mountain railway in Europe. This, by the way, had a lasting impact on the economic areas along the route. And this will also be the case for the new southern line. An excellent and efficient rail infrastructure can revitalize entire regions.

Or it can support it and make it even more competitive, as with the western line, which has massively outperformed car traffic since the opening of the new line between Vienna and >

The current master plan provides for a total investment volume of EUR 15.2 billion for the 2017-2022 period.

VIENNA'S CENTRAL STATION is the show-piece of our station initiative. 270 stations will be renovated or newly built in Austria by 2025.





BRISK CONSTRUCTION ACTIVITY. The master plan precisely defines projects for the next six years, and it is extended on a rolling basis every year

St. Pölten: Vienna - Salzburg in 2 hours and 22 minutes. Or for a rapidly growing city like the capital. Vienna is one of the fastest growing cities in Europe. This has created a number of challenges. In matters of housing, as well as in areas of public transport. This is where ÖBB comes into play.

Efficiency for the capital

In addition to the services offered by Wiener Linien, the rapid transit service provided by ÖBB is indispensable for Vienna. As a result, a total of EUR 450 million will be invested in the expansion of the

S-Bahn between the city, ÖBB and the Transportation Ministry by 2025 – in the connecting railway between Meidling and Hütteldorf and the Marchegg branch. All in all, the expanded network will be able to transport up to 15,000 additional passengers per day. To this end, single track sections have been expanded to two tracks, railroad crossings have been closed, railway lines have been raised and underpasses have been built. The package is completed by the construction of three new stops: Stranzenbergbrücke, Speising, and Hietzinger Hauptstraße. According to forecasts, the Speising station alone is used by

more than 7,000 passengers daily. This expansion allows for attractive new S-Bahn service across the city from west to east, from Hütteldorf on the edge of the Vienna Woods to Stadlau in Donaustadt – at the same time, this provides a better link between the western part of the city to Vienna Central Station and the Vienna airport.

This is not the only undertaking. The expansion of the Marchegg branch, which connects Vienna with the Slovakian capital Bratislava, provides a link to the new urban development area Aspern. To achieve this, the single-track section Stadlau-Aspern is being expanded to two tracks and electrified and two new stops, Hirschstetten and Aspern Nord, are being added. This will make it possible to travel from Aspern to Hütteldorf in just 30 minutes and reduce the travel time from Aspern to St. Pölten (with one change at the central station) to 54 minutes. This is the sort of efficiency that a metropolis whose population will soon reach two million needs.



Other priorities of infrastructure development

Ebenfurth loop

The project enables implementation of the integrated consistent interval timetable in parts of Burgenland and Lower Austria. The loop creates a direct link from Vienna via the Pottendorf line to the new main hub at Eisenstadt, a journey of 45 minutes. In addition, freight trains from the Raaberbahn network can be driven directly to Vienna.

Total cost: 183 million euros
Commissioning: 2025

Feldkirch - to the border near Nendeln, expansion of local transport

The expansion of the Feldkirch - Buchs railway line allows local transport every half hour in line with Vienna - Zurich long-distance transport and is intended to encourage more people to switch to rail.

Total cost: 159 million euros
Commissioning: 2024

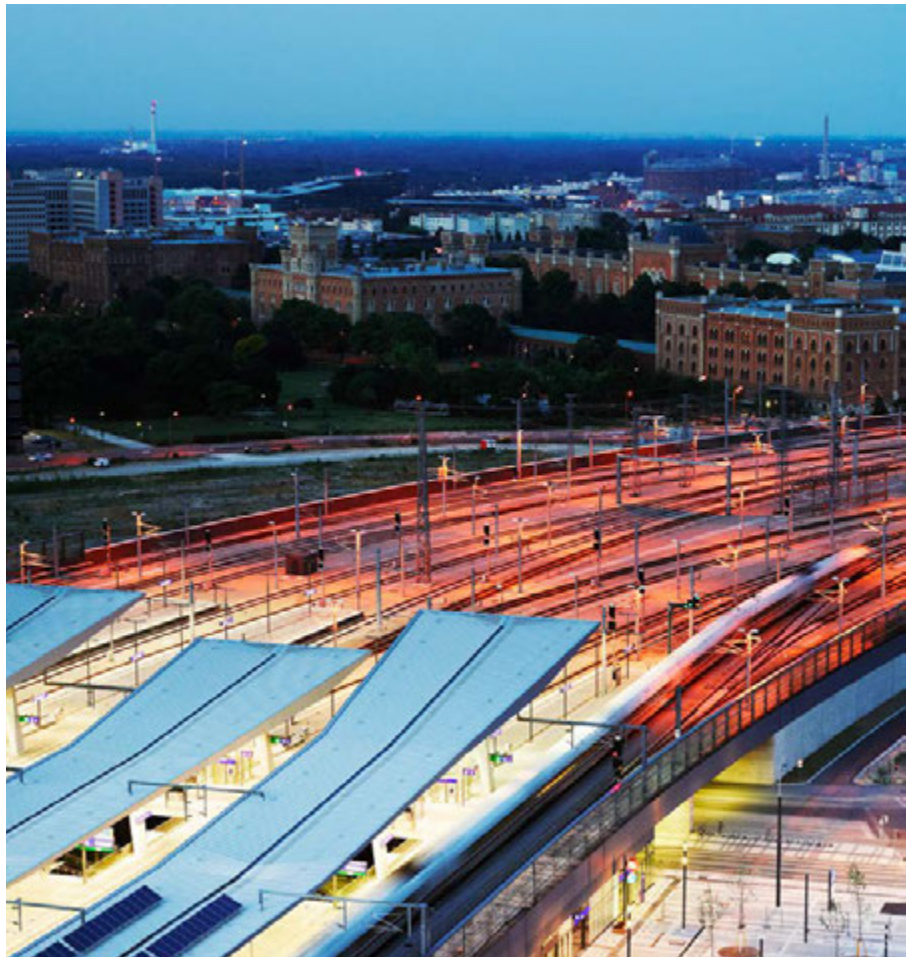
Bruck a. d. Mur-Graz, station conversions

The line is part of the Baltic-Adria axis of the core EU network. The project will eliminate capacity bottlenecks in the part connecting the Semmering base tunnel-Koralmbahn railway with the aim of encouraging more road and freight transport on the southern axis to opt for rail. The local transport service is also being expanded and improved, train stations along the route are being modernized. This also serves as the basis for the consistent interval timetable, reduced travel times and makes it possible to offer more customer-friendly train service.

Total cost: 205 million euros
Commissioning: 2023

The second central station

Just as it needs a new central station. Just one? No, two! Yes, two. A station for freight transport has been created in the southern part of Vienna, the Vienna-South freight center. 17 km of tracks and 60 switches, gantry cranes, an optimal interface to shift goods from road to rail, which is capable of making



TRANSPORTATION HUB. 1,100 trains use Vienna Central Station every day

600 such transfers a day. The station began trial operations in September, a meticulous task, in which all eventualities and all challenges had to be overcome – even while construction continued.

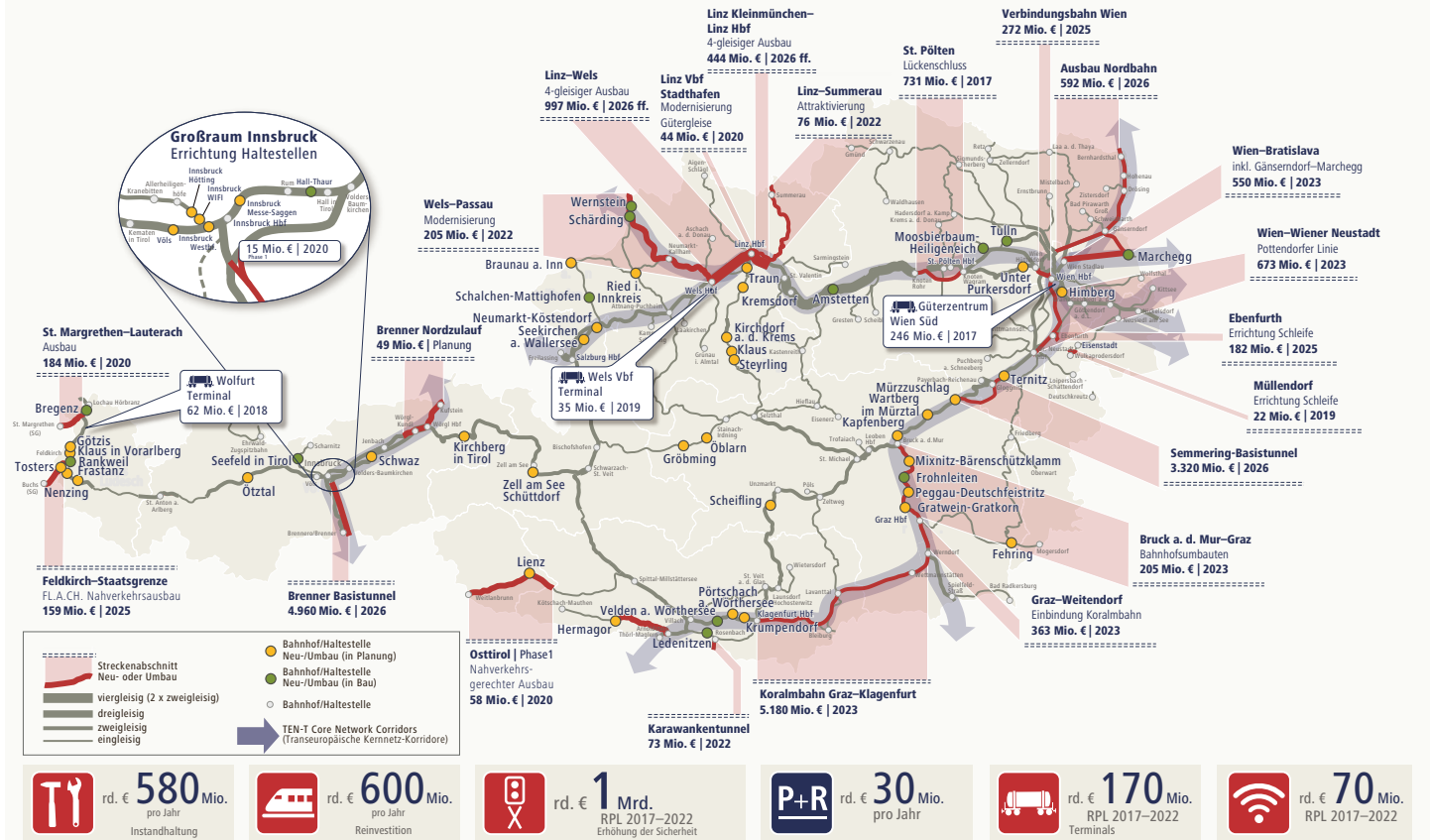
And they did it. The concrete had just been poured for the entrance for trucks and the operational buildings to the north were largely made of plywood. The aim was to use as little energy and resources as possible in the construction. 260 cubic meters of plywood boards were used. This has provided valuable experience, which will be incorporated into future construction projects. This is part of the strong push for sustainable building within the Group.

This is why the air conditioning of the buildings makes use of geothermal energy. While there is a district heating plant a stone's throw away, the cost of laying a separate supply line would have been enormous. Geothermal energy has the advantage that the energy supply is constant throughout the year. 36

heat exchangers were installed at a depth of 70 meters, which produce about two-thirds of the required heating/cooling power. The remaining third is sent from the heat exchangers into the piles on which the buildings are constructed. This is an innovative approach, which will also be included in the planning and implementation of further facilities in Austria.

These are the actions that point the way to the future. Another is the visibility of this second central station for Vienna. In a cooperative effort between ÖBB and ASFINAG, the noise barriers in the area of the bridge over the outer ring S1 highway, which is traveled by around 90,000 vehicles every day, were designed in colors so that they point to the freight terminal. A "landmark" eye-catcher that signals the combination of road and rail in a contemporary and artistic way. Coinciding with the time table change, the Vienna-South freight terminal has been in full operation since December 11.

Infrastructure projects ÖBB 2017-2022 master plan



MASTER PLAN PROJECTS. An excerpt of some of the important projects in the new master plan. Primary aim: to increase capacity and speed

The added value created by capital investment

This involved a substantial capital investment in infrastructure in the amount of EUR 15.2 billion. The Austrian government is liable for the debt taken out and Austrian Railways pays the Treasury a guarantee fee for this. From 2017, the bonds that finance infrastructure projects will be placed directly by the Republic of Austria. The expected interest savings amounts to EUR 540 million over the next 20 years. Neither the infrastructure nor the investments constitute a "subsidy" for the Federal Railways. They create assets in public ownership that are built, maintained and held in trust

by ÖBB. Assets that are built on an infrastructure that is designed to last 100 years. In the truest sense of the word, these are investments in the future, in generations to come. More than 200 projects for a modern railway infrastructure have been implemented successfully in the last five years alone. It should be mentioned here that a study by the Economica Institute reaches the conclusion that these capital investments made by ÖBB on behalf of the federal government will result in gross value added effects in the

Central station for freight

A station for freight transport has been created in the southern part of Vienna, the Vienna-South freight center. **17 km of tracks and 60 switches**, gantry cranes, an optimal interface to shift goods from road to rail, which is capable of making **600 such transfers a day**.

total amount of EUR 13.6 billion in Austria in the period from 2013 to 2020. This corresponds to a contribution to the gross domestic product in the amount of about 0.6 percent or an annual value added of around EUR 1.7 billion.

A good, long-term investment. For the benefit and profit of the public. <

Between the city of Vienna, ÖBB and the Transport Ministry, EUR 450 million will be invested in the expansion of the S-Bahn through 2025.



GOOD LUCK. Tunnel construction can never be planned down to the last detail

There is always something you can't predict

TUNNEL CONSTRUCTION. 80 kilometers of the new southern railway line go through underpasses or tunnels. The highest level of engineering skill is still required to build such structures. One that is recognized worldwide as the "New Austrian Tunneling Method".

Avoid building a tunnel whenever possible. This is not only because a tunnel is about ten times as expensive as an open route and up to five times more expensive than a bridge. Nor is it because the whole affair, from the planning to the building and supply of the construction site to the removal of material is far more difficult. On the contrary, at its best, tunneling is a true adventure, and at its worst, it is still an unpredictable danger.

Tunnel construction is an undertaking that can never be planned down to the last detail. In spite of studies and preliminary analyses carried

out before tunneling, when building actually begins, the geological conditions can suddenly change as a result of disturbances or unexpected water pressure. Or as an expert on the Koralm tunnel puts it: "There is always something you don't know when it comes to mountains. Once work gets underway, you are always confronted with something you didn't plan for."

This applies in particular to the southern railway line, where, on completion, trains will drive underground for 80 kilometers – a quarter of the entire route. 32.9 kilometers of this will be through the Koralm

tunnel, making it the sixth longest railway tunnel in the world. 27.3 kilometers will be through the Semmering base tunnel, which will ease pressure on the historic Semmering railway.

The latter is now a UNESCO World Heritage Site; the mountainous route was planned by Carl von Ghega and opened in 1854 as the world's first high mountain railway. It is a landmark of Austrian engineering and of tunnel construction. Around the world, tunnels in which especially difficult conditions are expected are now constructed using the "New Austrian Tunneling Method" (NATM), also called "Spritzbetonbautechnik" ("shotcrete construction") in German-speaking areas.

The New Austrian Tunneling Method

The NATM was developed in the 1940s by Ladislaus von Rabcewicz, at that time a professor for railways at the Technical University in Vienna and previously (as well as later) an engineer and consultant for tunnel projects around the world.

In contrast to traditional tunnel construction, where construction measures were used to handle rock pressure, the NATM uses the rock's ability to bear its own weight, and attempts to eliminate or greatly reduce rock pressure. To put it very simply but vividly: A somewhat larger cavity is allowed to go through a controlled collapse, thus reducing the rock pressure. This is because allowing deformations eases tension and the forces acting on the tunnel are reduced or are directed around



THERE IS ALWAYS SOMETHING YOU CAN'T PREDICT. Once work gets underway, you are always confronted with something you didn't plan for

the tunnel.

Nevertheless, after the rock has moved, it is secured, using sprayed concrete, as well as anchors, spikes, and piperoots, which have also been developed with the spread of the NATM. However, they can be much weaker than were used in earlier methods of tunnel construction because of the lower pressure. However, the NATM requires solid knowledge of the geological and geo-mechanical conditions. And the ongoing observation as to whether the rock actually does what was previously calculated. On the other hand, this approach results in lower construction costs and therefore higher profitability.

The NATM was put into practice for the first time in 1955 for tunneling works for the Prutz-Imst hydropower plant. The "breakthrough" for the

NATM came with the Massenberg tunnel near Leoben, where it was used as a restoration measure in 1963 after the collapse of the ceiling during construction (using the old method). From the 1960s, the NATM began to be used internationally and by the mid-1980s, two-thirds of all mined tunnels in the world were being built using the New Austrian Tunneling Method. In railway construction in Austria, the Arlberg tunnel and the Vienna subway, as well as the Koralm tunnel, one-quarter of which was built using the NATM, and the Semmering base tunnel, three-quarters of which was built using the NATM, which according to the New Austrian Tunneling Method, involve what is known as "cyclical tunneling" because the work is carried out in cycles.

Cyclical or continuous tunneling

While cyclically tunneling – depending on the rock – involves dredging or dynamiting and then securing the section, in continuous tunneling a large tunnel boring machine is used. The machine, which can be up to 200 meters long, loosens the rock, loads it and removes it and installs the prefabricated reinforced-concrete supporting elements (the tubbing) in a single procedure, i.e. continuously.

Continuous tunneling is used in particular if the rock is relatively homogeneous. And tunnels that go more than ten kilometers deep. Another factor in favor of continuous tunneling is the fact that it is faster than cyclical tunneling. Once the machine is there. Because tunnel boring machines are produced individually for each project. This is not only involves high costs of several million euros, but also lead times of up to one year.

So, one can say: Continuous tunneling is generally faster, but with cycli-

A somewhat larger cavity is allowed to go through a controlled collapse, thus reducing the rock pressure.



EVERYTHING AT A GLANCE. The work of the tunnel boring machine is continuously monitored

cal tunneling you can started more quickly. For this reason, regardless of the rock conditions, short tunnels are generally built using cyclical tunneling, while long tunnels are generally built using continuous tunneling.

For example, with the Koralm tunnel, in which three tunnel boring machines are in use in continuous tunneling two are working from the Styrian side of the Koralpe, and one from the Carinthian side.

Or is open cut tunnel construction better?

But there is also a third way to build a tunnel: open cut tunnel construction. In this approach, in contrast to the two "closed" ways of construction, cyclical and continuous, a correspondingly large hole is dug, the tunnel construction is placed into it and the hole is then refilled. On the southern railway line, the approximately six-kilometer tunnel chain Granitztal is being built using this method.

While it is technically the simplest solution, open cut construction is not necessarily the cheapest. A great deal of earth has to be excavated and stored, it may well be that closed construction is cheaper. Con-

versely, if there is a small "overlap" or if neighboring houses would be at risk when building a tunnel under the ground, may make open cut construction necessary. And in special cases, only the roof of the tunnel is built using open-cut construction, the rest using closed construction.

NATM

New Austrian Tunneling Method. In contrast to traditional tunnel construction, where **construction measures were used to handle rock pressure**, the NATM uses the **rock's ability** to bear its own weight, and attempts to eliminate or greatly reduce rock pressure. To put it very simply but vividly: A somewhat larger cavity is allowed to go through a **controlled collapse**, thus reducing the **rock pressure**.

Always a job for professionals

With all of these options, the preferred construction method is generally always the cheapest – among those that are technically feasible. Therefore, all options will always

be tested. And that finally leads to another key factor in the success of tunnel construction: professional project management. While this cannot be patented, ÖBB is certainly an international benchmark. ÖBB has had cost underruns of minus 1.8 percent on its total new construction project portfolio in more than ten years - and this includes a few hundred projects. <

The ballastless track

The **slab track system**, developed jointly by ÖBB and the Austrian construction firm PORR, is very closely connected with tunnel construction. In this system, the traditional ballast track is replaced by a resiliently supported track base plate consisting of reinforced concrete and integrated rail support points.

The individual slab tracks for the "ballastless track" can be prefabricated, allowing faster installation, regardless of the weather. For the contractor, this offers the advantage that the system can be installed more quickly. For the client, the advantage is that the slab track is safer, quieter and more durable. In addition, maintenance costs are reduced. The only disadvantage: Compared to the traditional ballast construction, the slab track is approximately 1.5 times more expensive, although it is true that the longer the distance, the lower the cost difference.

The slab track was developed in 1979 and used experimentally on two 200-meter long lines of the Vienna suburban line – in addition to serving as a test for the Semmering base tunnel. Since 1989, ÖBB, together with PORR, has held a patent on the system. The slab track control system has been in use in Austria since 1995 for track beds in tunnels, train stations and in newly constructed high-speed lines. But the slab track is not only in wide use in Austria, it is now **licensed worldwide as Slab Track Austria**. It is used mainly in Switzerland and Germany, where the Austrian invention has been used on bridges and in tunnels since 2001 and is ICE-certified.

On track

FREIGHT TRANSPORT. And it continues. “Trans4Cargo” follows “FIT 2015” as a logical development within the Rail Cargo Group of ÖBB. An ambitious program that goes into depth, focuses on – and is beginning to enjoy its first successes.

The market environment in freight transport can be described as very challenging. This is due in part to the change in European industry, which is moving away from heavy raw materials to consumer goods and lighter, small-scale products. The traditional coal and ore trains have become less frequent. Margins have stagnated in freight transport. The volume of freight has still not reached the level before the economic crisis of 2008. The low price of diesel, low taxes and a lack of truck toll systems work to the benefit of road transport. The rest is owing to increasing

competition on the rails and the high capital investments required to differentiate oneself from other market participants.

In Austria, ÖBB faces 32 competitors for pieces of a pie that is not getting any bigger. Expansion beyond the borders is the logical next step. There are many potential customers there, but also many other competitors, including 448 in Germany alone. This is not good news, yet at the same time there are many good reasons for Rail Cargo Group (RCG) to work on the future of freight transport. First and foremost is the question of what the customer wants. And the answer to a second question: “What else can you offer customers?”

In general, one can assume: Customers expect fast, reliable and customized transportation solutions. 24 hours a day, seven days a week, 52 weeks a year. Anywhere. More than ever, rail freight is characterized by a dynamic market environment.

Rail Cargo Group has responded. Following the successful implementation of the “FIT 2015” strategy, which laid the foundation for the positive develop-

32

In Austria, ÖBB faces 32 competitors for pieces of a pie that is not getting any bigger. Expansion beyond the borders is the logical next step. There are many potential customers there, but also many other competitors, including 448 in Germany alone.



TRANSPORT. Customers expect fast, reliable and customized

ment of the company, the transformation process “Trans4Cargo” was launched as part of the new strategy program. In 2016, the focus was on

quick wins. On taking fast, effective measures by optimizing the existing business, by implementing sales measures, by reducing costs and optimizing purchasing and on close and accurate monitoring. At the same time, work was also done in 2016 on setting the strategic

course for the coming years. The task now is to increase potential and take advantage of new business opportunities.

In the future, this program will deal with four main themes (see box on p. 33). The first deals with future trends and new business models, the second with the strategic positioning of the entire Rail Cargo Group, the third topic deals with the optimiza-

Surviving in a changing market environment means being ahead of the competition ahead, identifying trends...



transportation solutions. 24 hours a day, seven days a week, 52 weeks a year

tion of existing processes. Finally, the program bundled cross-cutting issues that are intended to support the other sub-projects and in particular strengthen simplifications in the organization and the further development of the corporate culture.

What does the future hold?

Being successful requires vision. This statement is as true today as it ever was. Surviving in a changing market environment means being ahead of the competition ahead, identifying trends and being on the lookout for something that not everyone has. When you think of the future, have to think digitally. Digitization is having an enormous influence on the product world of the Rail Cargo Group and how the rail freight system and the RCG will interact with customers and partners in the future.

As part of the "Cargo Vision" initiative, options are being discussed to

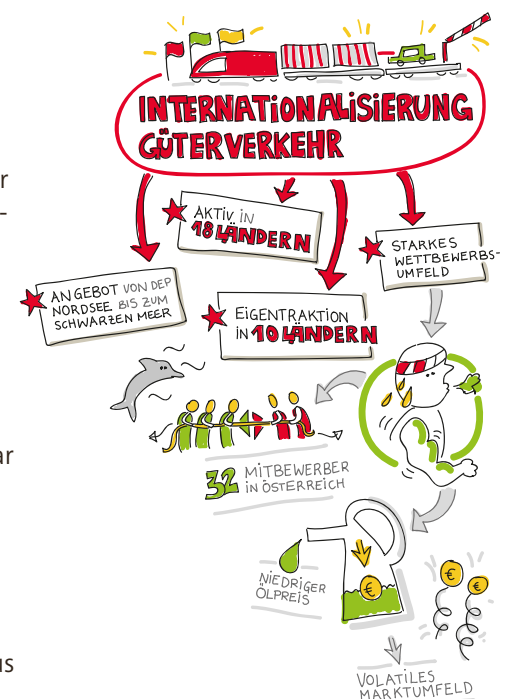
digitize RCG's business model, while simultaneously realizing significant innovations in the rail logistics market and identifying potential new profitable business models and solutions quickly.

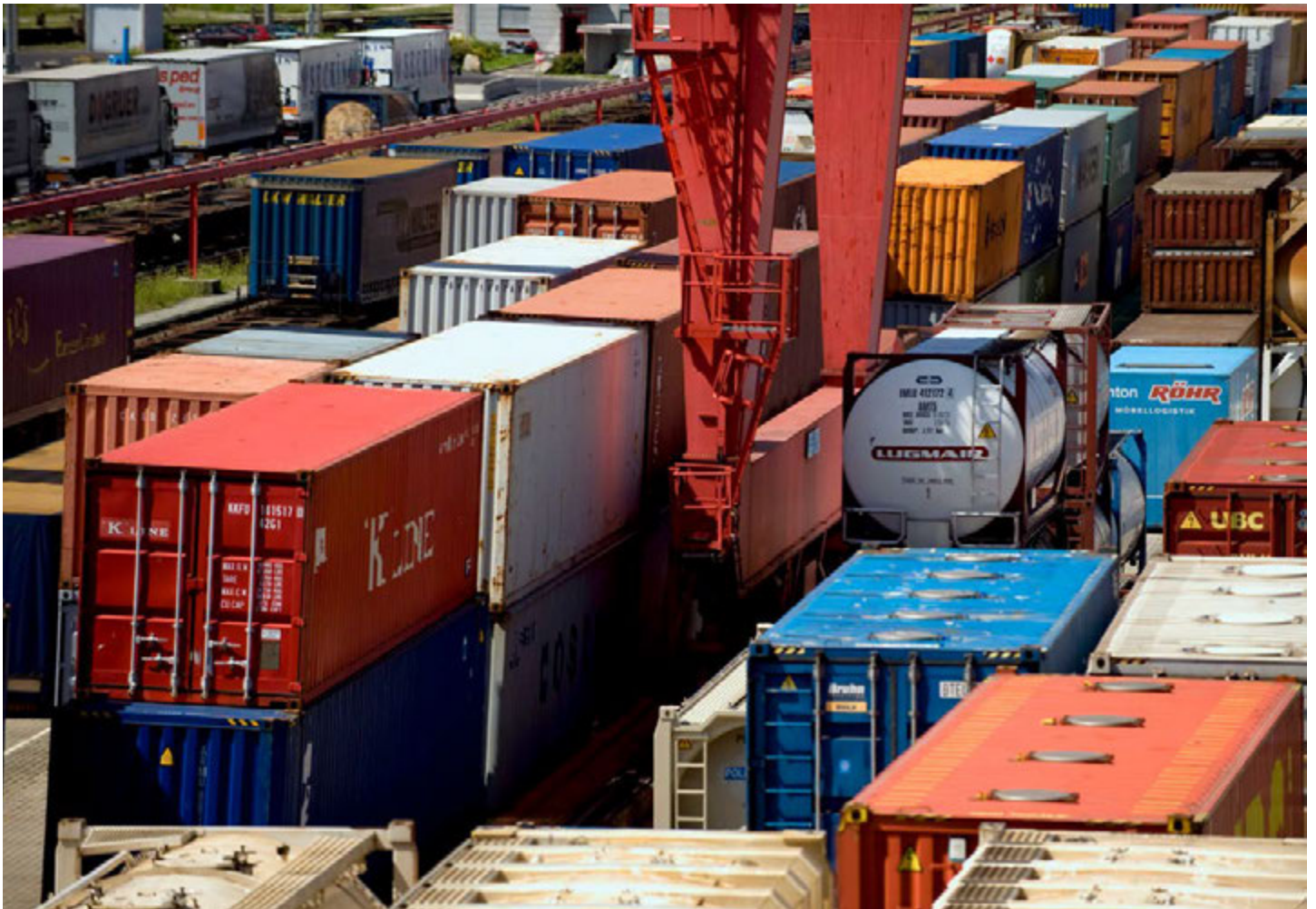
In addition, new ideas and approaches are being developed and formulated in the open innovation laboratory of the future. The first workshops in the laboratory of the future have produced very good results. We have now taken another step forward. A step towards implementation.

Managing the RCG has turned out to be a highly complex undertaking; the best comparison is with a fine-mesh net, a dense sequence of nodes. This makes transparent control structures coupled with clear responsibilities all the more important. The company and industries should be considered together and profitability measured as a whole. The analysis of current control processes is already complete, the focus

is now on the basic orientation and detailed design.

The goal is to eliminate outdated, traditional ways of working. The path to change is being designed together with the employees. So that they can express their ideas, can contribute their expertise. Taking part. Participating. Helping shape the future. This is why the workshops will continue to be held. At all levels. So that the Rail Cargo Group can send out strong signals in the future. <





ACTING GLOBALLY. We are committed to continuing down the path of internationalization in freight transport that we have set out on

Freight doesn't stop at the border

INTERNATIONAL. The Rail Cargo Group has operations in 18 countries and provides strategic logistics solutions extending far beyond that in Turkey and in China.

Globalization takes place daily in freight transport. On the tracks, across the seas, even on the road. Freight, markets, and products are subject to continual development. Those here at the top who want to help shape the future must be well prepared and well equipped. It is important to find answers to the question of how you want to handle

a domestic market where the share of the pie is getting smaller but it is still possible to achieve ambitious goals. The Rail Cargo Group (RCG) already serves the area between the North Sea and the Black Sea and has a presence in 18 countries, including ten with Group-owned traction stock. We are committed to continuing down the path of internationaliza-

tion that we have set out on. The aim is to support customers in new markets – as a reliable partner and strong logistics provider. On six axes throughout Europe and with strategic logistics solutions extending far beyond into Turkey and to China. The current domestic markets, Austria and Hungary, are only a part of the puzzle. The market presence across Europe is being strengthened through strategic partnerships and acquisitions, for example through the takeover of the German railway operator PCT Private Car Train GmbH by the ARS Altmann Group.

Step by step

“If you stop getting better, you stop being good.” A company that wants to succeed must live this idea.

A key element for sustainable and successful business development is the best possible utilization of assets. In freight transport, this means optimum availability of locomotives, maximum capacity utilization of the trains, better marketing of resource-

The customer base can be sustainably strengthened and new customers can be won only by combining internationality, efficiency, and customer orientation.



A PRODUCT PORTFOLIO in an environment of changing customer needs

es, increased productivity of train drivers and, of course, meeting customer expectations.

Transparent and participatory

Changes must be well prepared and supported if they are to be successful have a deep impact. For the RCG, this means involving employees in the entire process as intensively and as well as possible. They are, after all, the company's most important asset.

The message to employees is clear: RCG and its product portfolio face an environment of changing customer needs. The customer base can be sustainably strengthened and new customers can be won only by combining internationality, efficiency, and customer orientation. The "Trans4Cargo" process plays a central role here. A certain approach and corporate culture are necessary to persuade all employees to work towards a goal, namely, remaining successful.

Strong in general cargo transport

RCG is not the only component of ÖBB's freight transport. ÖBB also offers general cargo transport and it leads the way in this area.

It sends a strong signal when a large Austrian forwarding company enters into a partnership with ÖBB. Q Logistics GmbH started operations on January 1, 2017, a new company that emerged from the ÖBB subsidiary European Contract Logistics Austria GmbH and the Austrian general cargo and warehousing division of the Salzburg company Quehenberger Logistics. In total, this is the largest general cargo forwarding company in Austria, with 1,070 employees at 25

locations, sales volume of EUR 260 million, a fleet of 900 vehicles and 80 railway cars, which transport 3.7 million shipments annually.

A partnership with attractive services will also benefit from growing online trade. Because Q Logistics has the best network of locations, the densest transport supply and the strongest international connections, and, with 170,000 pallet spaces and 105,000 square meters, the largest storage and handling areas in Austria. <

18

The "map" of the Rail Cargo Group includes 18 countries. It has a presence in **18 countries between the North Sea and the Black Sea** – and Group-owned traction stock in ten of these countries. The aim is to support customers in new markets – as a reliable partner and strong logistics provider.

Trans4Cargo 2017

Focus on four main themes

Future

- Summary of the long-term future issues under the **Cargo Vision**
- Focus on **future trends** in digitization and innovations (including sensor systems, autonomous driving) and new business models

Strategy

- Development of **strategic measures to provide further details for medium-term planning** and close the gap to achieving objectives
- Creation of an **international corridor strategy for each business unit** and aggregation at sub-group level

Optimization

- **Improving existing processes** and developing new processes in all of RCG's **key value added stages** with a focus on medium-term optimization

Working across projects

- Cross-project topics to **support and safeguard the achievements in all T4C sub-projects**

"The focus of our work is the customer"

INTERVIEW. The future belongs to the railways. The Board of Management of ÖBB-Holding is convinced of this. Andreas Matthä has been a railwayman for 35 years and knows the company like the back of his hand. Together with Josef Halbmayer he has big plans.

Everybody is talking about digitization and, especially, about the self-driving car. What sort of future do the railways actually have?

Andreas Matthä. Many factors favor the railways! Both business and environmental factors. Not even self-driving, low-emissions vehicles will change that. The railway provides a unique service: it can bring a lot of people directly to the city center quickly and without traffic jams. Even if the cars of the future are self-driving – roads won't get any wider, and so the problem of traffic jams won't be solved. However, the self-driving car will be very useful within the travel chain for the first and last mile. The railways are taking on the challenges of the future. We are using digitization to make

travel easier and more comfortable – and to be economically efficient. Although technologies and work processes are changing, the railway remains the most reliable and convenient means of transportation.

What makes you so confident about this?

Andreas Matthä. That's easy. The railway system has distinct advantages: No other form of transportation can move as many people quickly and comfortably over medium distances. Austria is basically the railway land per se. Take the western route as an example. Our showpiece, the Railjet, now runs twice an hour across Austria on this line. These trains can accommodate up to 800 passengers, are almost always punctual, for example traveling from Vienna to Salzburg in two hours and 22 minutes or in just over four hours to Innsbruck. This is unrivaled in terms of time, comfort, safety and environmental compatibility. In a few years we will also be able to offer this comfort on the southern axis, which we are currently expanding with at a rapid pace.

The southern route is a focal point, but not the only one in your sites. What other topics is ÖBB focusing on in the short and medium term?

Andreas Matthä. At the end of 2015 – at the time, I was still the CEO of ÖBB-Infrastruktur – we established our strategy for the next



ANDREAS MATTHÄ. "Our customers need to know that they

few years, which aims at a significant increase in passenger numbers and freight volumes. Despite the weak economy, we continue to stick to these targets. The focus of all our work is on the customer, who ultimately evaluates our work on a daily basis. As satisfied customers by buying tickets, and as freight transport customers by deciding on environmentally-friendly and reliable rail transport.

But one of the biggest challenges in the coming years is personnel development. We will lose about a quarter of our workforce over the next five or six years due to the age pyramid. At the same time, we will add more than 10,000 new employees. This is a great opportunity! What other company can say these days: Please apply. We're hiring! Austria-wide, in many different sectors – and so many.

Will ÖBB also have to change to do this?



y can rely on us and receive top services from us in all areas"

Josef Halbmayer: Yes, of course! If we do not change ourselves, then we will be changed by the market. A new generation of employees will shape our company. Digitization and the progress of internationalization will contribute to the change. Last but not least, profitability is, of course, one of the most important issues: We have to earn more euros and check whether everything we do really benefits our customers. It sounds simple, but it requires a very clear focus at all times.

A key issue is the liberalization of rail transport. The EU is pushing for more rail competition. How does ÖBB prepare for intensified competition for customers?

Andreas Matthä: Simply put, as we keep our customer promises and continuously improve our offerings. Our customers need to know that they can rely on us and receive top services from us in all areas. Punctu-

ality, safety, and reliability form the basis for this. We are building on these ideas and steadily developing the product range. Competition does have positive effects. Our market has grown in recent years as a whole and it continues to develop. Today, more people than ever go by train, especially on the modern western route. On this route, our trains and also those of the competition are very well utilized. But, and I think it's important to qualify this: ÖBB is a company with a social mission, and we are very aware of this responsibility. Our mission, which the federal and state governments have defined, after all, is not simply to serve the profitable lines. ÖBB provides the whole of

Austria with environmentally friendly, affordable mobility.

Fair competition makes perfect sense, but it must not come at the expense of providing mobility to the people. If tenders meant that regions would have no public transport or that ticket prices would rise sharply, then that would clearly be a move in the wrong direction.

But in freight transport...

Andreas Matthä:we already have competition there. Correct. Freight transport is fully liberalized and we currently have 30 competitors in the network in Austria. And the number is rising, even as more and more other major railways – such as Deutsche Bahn – are moving into our market. And we do the same thing in rail freight transport. We also offer our freight transport services in Germany. And not just there: Our Rail Cargo Group is currently active in 18 European countries, and are achieving growth there that has made us the third-largest rail freight carrier in Europe in terms of volumes transported. If you look at the results, we are one of the most profitable rail freight carriers in the EU.

The requirements to supply services and to be profitable pull the company in two directions.

“The focus of all our work is on the customer, who ultimately evaluates our work on a daily basis.” **ANDREAS MATTHÄ**



JOSEF HALBMAYER. "If we do not change ourselves, then we will be changed by the market"

Andreas Matthä: I think it is important to define what countries, and what society expects from railway companies. Should that be an area in which individual companies earn money, or should as many people as possible have access to favorably priced mobility? Is the development and the state of infrastructure something you want to leave to the markets, or should it be the government's duty to provide it?

For me, the answers to these questions are clear. Modern rail infrastructure and strong rail services are the backbone to ensure that a country remains a sustainable, future-oriented location for business. Of course, independently of that, as ÖBB we have to act entrepreneurially. We have to! We are a public limited company subject to the same rules as all other companies.

Josef Halbmayer: And furthermore: Throughout Europe – and in fact the world – everyone agrees that individual modes of transportation cannot continue to grow and climate protection goals can only be achieved with sustainable public transport systems. The expansion of rail services is undoubtedly the right answer to these challenges. Just one example: With the last timetable change, the province of Upper Austria commissioned an S-Bahn because without it the Linz metropolitan area would be permanently "stuck in traffic".

We now provide strong, efficient S-Bahn systems in the major metropolitan areas in all nine federal states. This takes significant pressure off the roads and spares the environment an enormous amount of CO₂. At the same time of this, this

benefits commuters because they can make use of their time on the train and arrive relaxed without the stress of driving.

Looking at 2016: You took over ÖBB half-way through last year and hit the ground running. What is your initial assessment?

Andreas Matthä: The last few months have been very interesting and educational! Although I've been at ÖBB for 30 years, I learn new things about the company every day. To me, ÖBB is the most diverse and most exciting company in Austria. As for the Group, I am satisfied with 2016 overall. All the sub-groups had a positive year. In passenger transport we set another passenger record in 2016. We managed an increase of six million passengers to a total of 244 million rail passengers. Bus transport contributed another 217 million passengers. It is particularly gratifying that we were able to record significant growth not just in local transport but also in long-dis-

"ÖBB generated earnings of EUR 166.2 million in 2016 – the third-best result in recent history." **JOSEF HALBMAYER**



ANDREAS MATTHÄ. "... to me it is the most diverse and most exciting company in Austria"

tance transport. The competition is very intense there.

Putting it in concrete figures, this means ...

Josef Halbmayer: ÖBB achieved sales of EUR 5,247 million and earnings of EUR 166.2 million in 2016. This is the third-best result in the recent history of our company. And we achieved this despite a difficult market environment, in part because we recognized the trend early on and implemented a program to safeguard earnings early on. All three sub-groups also turned in positive performances this year.

You mentioned earlier that the Rail Cargo Group is one of the most profitable rail freight carriers in Europe. Nevertheless, the results in freight transport in 2016 are rather mixed.

Andreas Matthä: Quantitatively, at around 110 million tonnes we are back to last year's level, but sales declined, thus lowering our margins. There are a number of reasons for this: Overall, the freight transport sector is faced with eroding margins and rising costs for energy and track use. Likewise, the economy in Europe is changing massively – the traditional industries that process coal and heavy raw materials are increas-

ingly withdrawing from Europe. This is also changing the freight transport market. The container transport sector is growing as a result of the globalization of manufacturing. And this is an area where we intend to expand. Through the acquisition of companies or by co-operating with freight forwarders.

Overall, we are satisfied with last year's results. Despite the difficult market, the Rail Cargo Group achieved a positive EBIT in the double-digit millions.

Apart from the numbers, what worked well in 2016?

Andreas Matthä: We have a reputation among our customers and are increasingly viewed as a customer-oriented company. Our recipe for success is our employees – the people who are there for our customers at the station, in the train and on the bus, in customer service or at the sales counters. We are not an anonymous group. ÖBB is tangible and has many faces, we are nearby and we are trusted. And that's not some slogan, those are the results of a major customer survey in 2016. Our customers gave us a very good grade. In this regard, we did very well last year. And we are building on this. <

Our objective: the top ten

EMPLOYEES ÖBB want to be one of the best employers in Austria. This is associated with a variety of initiatives, measures and projects. It is a process that goes into depth. It is one of the most promising projects in the history of ÖBB.

ÖBB is evaluated each and every day. Every passenger, every customer evaluates our performance. Down to the minute. It's probably not assuming too much to say that ÖBB is the most closely observed company in Austria. This is one side of the Federal Railways, the side that people can see. The company needs its employees to be successful in its efforts to meet the needs of the public as far as possible. It particularly needs satisfied, motivated, self-starting, critical, and attentive employees. This means that the company of the Federal Railways is evaluated day after day and hour after hour in a very different way. In its capacity as an employer.

Meeting customer needs

ÖBB has set itself the goal of being one of Austria's top employers. To be an attractive employer that provides its employees opportunities, that is known for a respectful work environment, for diversity in all respects. One can also say that the employees of ÖBB should reflect the customers. Or even more, that they must do so – if the company wants to achieve long-term success as a service provider for society.

To put it differently: ÖBB works for the market and has to think like the market. People who travel by train are diverse – business travelers as well as people with disabilities, adults with small children, and school children or students. The better the railway understands their needs, the more successful it is, the happier travelers are, the more satisfied the employees, the better the railway. A circular situation, if you will.

One that, if it is to succeed, requires rigorous introspection. The questioning of old patterns, openness to new ways of doing things. The world is not just change overall and in general, the details are also changing. Details like the expectations that are placed on an employ-

er today. It was once common that people had a job for their entire work life. And people were satisfied with that.

Today, just as in society, flexibility is in demand. The opportunity to be able to change. To follow a path that is not specified in advance. That makes it one of the central tasks of a company to create structures in which potential is recognized, promoted, encouraged. To meet its obligations to its employees.

So what makes a top employer? There's satisfaction with the work itself, there's pride in the company, the security it provides, as well as its potential for further development. There is also a climate in which

employees feel comfortable, in which employees are appreciated and recognized. A climate that makes it possible, even makes it necessary, for employees to speak openly. This is an undertaking that never ends. One which must be

taken absolutely serious in all its aspects. It must be lived, it must be an absolutely integral part of the corporate DNA. Otherwise, the company's standards mean nothing, and failure results.

A company doesn't become a top employer overnight. Achieving this goal requires commitment and perseverance. It is worth every bit of labor and effort needed to achieve this goal. No wonder that this goal features prominently in the ÖBB strategic program. <

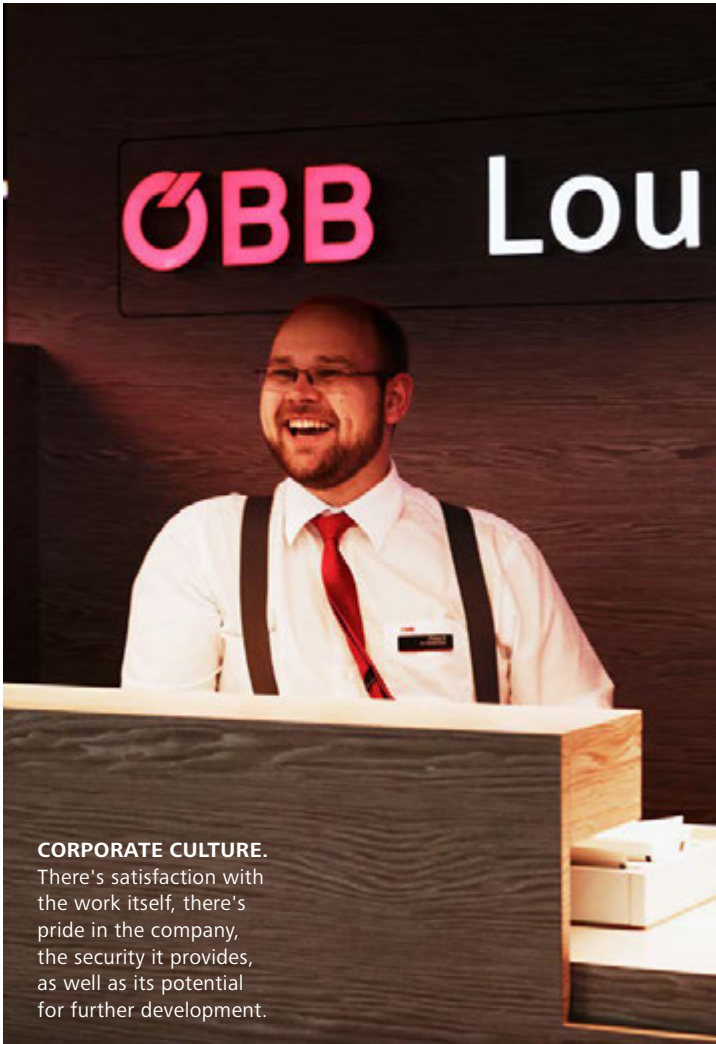
Top employer

ÖBB has set itself the goal of being one of Austria's top employers. To be an attractive employer that **provides its employees opportunities**, that is known for a **respectful work environment**, for diversity in all respects.

To succeed together, we need satisfied, motivated, self-starting, critical, and attentive employees.



Always on the move



CORPORATE CULTURE.
There's satisfaction with
the work itself, there's
pride in the company,
the security it provides,
as well as its potential
for further development.





TRAINING. Training for assignment on locomotive simulators at the new training campus

Only the best minds

TRAINING CAMPUS. In the competition for the best employees, you have to be an attractive employer. A study we conducted shows what it takes to do that.

Jobs of all types, in all areas, from A to Z, that's ÖBB. The range of activities spans from waste management and fire protection to railway construction technology and organizational development to systems management and train conductor. The Group brings together a total of 123 different job descriptions under its umbrella.

Far more than the public thinks. People still associate the railways mainly with train drivers. There's nothing wrong with that, but it's not the whole picture.

Increasing need for new employees

For ÖBB, the main thing is making potential employees aware of the entire breadth of possible professions. ÖBB plans to take on 10,000 new employees by 2021, and at the

same time, the company has the strategic goal of gaining a place among the ten best employers in Austria in the next few years. To be an attractive employer, even more attractive than before. But what makes an employer attractive? And how do its own employees think about the company? These questions have to be clarified, if you want access to the best minds in the country.

To this end, ÖBB has commissioned the Institute for Empirical Social Studies (IFES) to carry out an employer study. 2,000 people, including employees of ÖBB, were randomly selected and interviewed. The results of the survey will be used to consolidate the company's presence as an employer and for positioning it as a top employer.

The details

But first things first:

- Among 37 companies, ÖBB occupies 14th place.
- ÖBB employees and regular customers are very positive about ÖBB as an employer.
- Many relevant professions at ÖBB are not known or are little known. Including jobs in the areas of finance, IT, sales, communications, and real estate.
- Existing contacts and the personal environment are the main sources of information for choosing an employer.
- As an employer, ÖBB is in the lower middle range among university graduates, especially among technology and business graduates.
- There is a pronounced east-west divide.
- And: Men still consider ÖBB as much more attractive than women do.

The conclusions drawn from the study are clear:

- ÖBB's employer brand must be strengthened.
- Dialog with ÖBB employees and customers must be intensified.
- Collaboration with universities and technical colleges must be expanded and restructured.
- The diverse career opportunities within ÖBB must be presented through various media.
- Specific campaigns are necessary for business and technology students.

For ÖBB, the main thing is making potential employees aware of the entire breadth of possible professions.



DIVERSITY. Its variety of locations and wide range of jobs make ÖBB a unique employer in Austria

Diversity of professions

For ÖBB, this means that it can, to a large extent, build on existing structures, but, based on the study, they need to be more targeted. For example, the ÖBB career train was introduced in 2015. This train, appropriately enough a Talent, shows the diversity of professions and opportunities within the company and, at stations in Vienna and Lower Austria, makes customers aware of the company as an attractive employer. Since about 50 percent of the passengers are women, this means the company is addressing and informing the female target group – an important contribution to increasing the proportion of women within the Group. The company's own employees are essential to positioning the railway

123

The Group brings together a total of 123 different **job descriptions** under its umbrella. The range of activities spans **from waste management** and fire protection to railway construction technology and organizational development **to systems management and train conductor.**

as an interesting, diverse, and promising workplace. They are the most powerful communicators, because they are reporting from everyday life, their voices carry weight. Who can you trust more than someone who knows the company well from their own experience? Their satisfaction is the best testimonial.

Being an outstanding employer

And just is it that makes an employer good, or ideal? The IFES also asked this question in its study for ÖBB. Employee-friendly and safety-conscious employers receive the highest praise. Company's also receive good reports for having unbureaucratic, innovative, and customer-oriented values. Flexibility and a focus on performance round out the list of positive features.

When it comes to the image of the ideal employer, successful and sustainable and environmentally aware actions lead the way, followed by prestige and internationality. Fortunately, ÖBB employees connect precisely these values and standards with the Federal Railways. This is a good sign. <



EMPLOYEE SATISFACTION. Employees are the face of a company.

Where it suits – and where it doesn't

EMPLOYEE SURVEY. The third Group-wide employee survey was conducted in 2016. The results provide impressive testimony to the high level of job satisfaction.

Our employees are our most important asset – this is something we know. This is an idea we go back to again and again and repeat at every opportunity. It's a nice phrase, one that expresses appreciation. To that extent it is important.

But the phrase alone is not enough. Not for ÖBB. The company has 41,954 employees. In Austria and other European countries. They are the face of the company to the customers, they ensure that everything runs smoothly in all areas, we can say with complete justification that they are ÖBB.

If you want to know how the company operates in all its facets you have to know how the employees are doing. You have to ask them, in detail.

1,835,190 answers to 90 questions

ÖBB did exactly this for the third time in 2016. As part of the employee survey conducted from October 17 to November 4, 2016, all employees received a questionnaire prepared by the Institute for Empirical Social Studies (IFES) with a total of 90 questions and a private

comment field for personal notes. Analysis of the questionnaires was carried out strictly according to scientific criteria and with employee anonymity absolutely protected. For this reason, all the data remains at IFES after the survey.

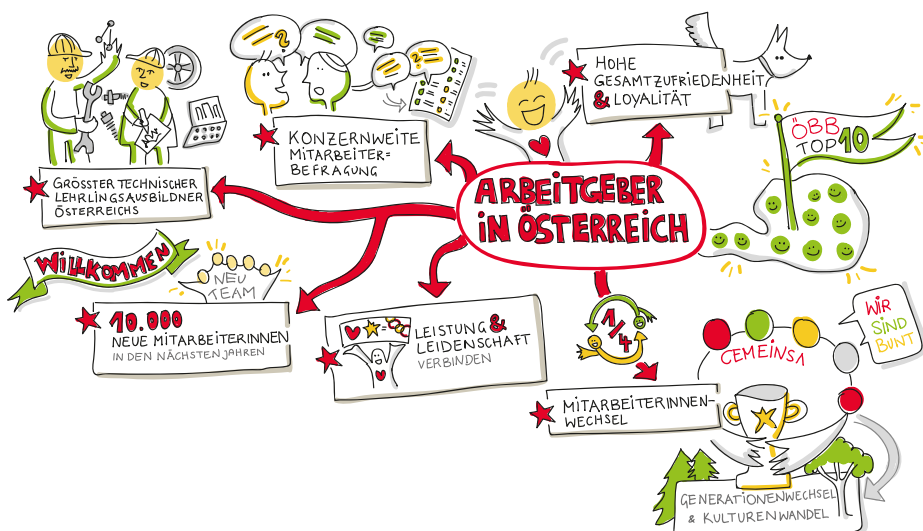
20,391 people, which corresponds to a participation rate of 48.3 per cent, took the opportunity to provide information and assessments.

First, the main message:

In overall workplace satisfaction, ÖBB remains stable and reached the good level of 64 out of a possible 100 points. The working atmosphere in particular stands out. With 71 out of 100 points, it gets the best rating.

The colleagues in the various departments get along well and support each other. One thing requested is that the company should continue to promote the constructive handling of errors and cooperation between departments and companies. The comment field at the end of the questionnaire was very well used:

34 percent of respondents used it to formulate personal concerns. Frequently, more than just a single issue was raised, with the result that IFES counted 17,565 comments in total. This shows that ÖBB's employees make active use of the opportunity to be heard, to evaluate the company and actively participate in its development. This is nothing less than a vote of confidence. <





PERSPECTIVES. ÖBB is one of Austria's largest trainers of technical apprentices.

Training catalog and other training options

ÖBB PROVIDES TRAINING. There's no such thing as too much learning. ÖBB offers 23 apprenticeship professions, the ÖBB training catalog and the ÖBB Academy to guarantee its employees the best training opportunities.

The offering for apprentices was expanded in fall 2016 to include the apprenticeship profession "Finance and accounting assistant". As a company offering vocational training, the Federal Railways build on decades of commitment and experience. The main challenges include keeping the quality of training high, providing good approaches to practice and integrating highly trained people into the company ranks at the end of their apprenticeships. Equally important is permanently aligning the supply of apprenticeship professions with the requirements in the company. The expansion of the trainings on offer is a reaction to the "internal customer needs".

Expanding knowledge

Completing an apprenticeship or a university degree, however, does not mean that someone has learned everything. This has never been true. And it's even less true in today's workplace. This is why ÖBB's training catalog, with its more than

170 seminars, provides comprehensive and goal-oriented continuing education for all employees. Offers include units on "Managers and team coordinators", "Professional education and training", "Personal skills", "IT skills", "Languages" and "Law". In addition, the ÖBB Academy offers strategically relevant training programs for different levels of management, experts, newcomers, and talents. For courses like "program for experts" and "senior management program" it is possible to be nominated to participate by managers – or to apply in person. Initiative is encouraged. <

ÖBB researches

RESEARCH AND DEVELOPMENT.

Innovation is based on research and development. In this area, ÖBB cooperates with research institutions and industry. ÖBB is positioning itself internationally as an idea and technology hub.

When vegetated mats that dampen sound and store water are installed between the tracks, when digital eyes monitor routes and optimize maintenance work and when robots take over shunting in the future, you know that researchers were at work. For and in close cooperation with ÖBB.

Meaningful cooperation

In recent years, ÖBB has become one of the most successful railway companies in Europe. Maintaining and expanding this position requires constant innovation. It requires solutions in the areas of environment and energy, rails and wheels,

superstructure, engineering and safety, fundamentals, and knowledge transfer. Solutions based on research and development. One can also say that ÖBB has to be seen as an engine of innovation beyond its own industry.

The conditions are optimal. In no other industry, do so many components – from the use of concrete, stone and steel to the effects of wind and weather, digitization and cognitive function – play a role as is the case with the railway.

The aim of ÖBB's research activities is to maintain the competitiveness of the railway sector and of ÖBB, to promote and develop the rail system sustainably. The focus is on reducing the life cycle costs of railway infrastructure and ensuring environmentally friendly, sustainable, and affordable mobility in the future.

This is of interest to the European Commission, too. In 2014, the EC initiated a EUR 920 million Joint Undertaking (PPP) as part of the EU's seven-year "Horizon2020" research funding program, with the aim of spurring innovation and development in the European rail industry and the European rail sector. At the same time, it aims to contribute to achieving the shift called for by the

Innovations

ÖBB is also a major driver of innovation in the Austrian railway industry. For example, an Economica study from early 2017 shows that Austria had the world's highest number of inventors per capita in railway-related patent publications between 2012 and 2016.



TUNNELS are subject to special stresses. Rocks move, water

Transport White Paper. The research initiative "Shift2Rail" should produce measurable results within six years.

It is expected to boost innovation in the railway industry, significantly reduce system costs, and increase the capacity of the rail system. But above all, new technologies will be developed and quickly integrated into innovative products for rail traffic.

ÖBB-Infrastruktur is participating in one of the 17 European consortia that have been selected as participating associate members. ÖBB-Infrastruktur's involvement focuses on innovation program 3 – infrastructure, with particular emphasis on increasing the availability of facilities, reducing life cycle costs, and developing innovative solutions for railway stations. At the start of development work, specifications for more customer ap-

ÖBB has to be seen as an engine of innovation beyond its own industry.



flows, ice forms. This means that tunnels need constant monitoring.

peal and greater cost efficiency play an important role. Towards the end, the innovations that are developed are tested in practice as demonstrators. A total of EUR 31 million in European funding will flow into Austria for research and development via "Shift2Rail".

This will further increase the domestic research and development ratio; among OECD countries, Austria's R&D ratio of 3.07 percent of gross domestic product (GDP) puts it in fifth place behind Israel, South Korea, Japan, and Sweden. But we mention this only in passing, to show the group of innovative national economies that Austria is now a part of. Thanks in part to research spending by corporations like ÖBB. ÖBB is also a major driver of innovation in the Austrian railway industry. For example, an Economica study from early 2017 shows that Austria had the world's highest number of inventors per capita in railway-related patent publications between

2012 and 2016.

But this is reflected not only in statistics, but in highly applicable and challenging projects and solutions. In close cooperation with partners from industry and science, research on applied solutions is carried out within the ÖBB Group at the highest technical level.

The digital eye

The challenge: The infrastructure along each rail line is constantly exposed to stress factors. By the weather and material fatigue as well as by the weight and speed of trains. The assessment of conditions and maintenance are time-intensive undertakings associated with increased risk for employees and annoying interruptions for travelers.

The idea: A system of cameras, sensors, and scanners travels with the locomotive and records all necessary information about the line. This information is linked to the existing system of the aerial images; the

combination of these two approaches results in a maintenance tool with broad application. Via GPS and inertial navigation, the sensors make it possible to determine the exact location of damages.

Results: The test operation has been going on since 2014 – through forests, mountains and tunnels – the demanding Semmering route and on the northern line towards the Czech Republic. With sophisticated calculations going on in the background, the system can now distinguish between brick walls and concrete walls.

Cooperation partner: Graz University of Technology

Tunnel check

The challenge: Tunnels are subject to particular stresses. Rocks move, water flows, ice forms. To keep a tunnel in optimum condition, the approach used in the past was to have specialists on a hoist knock on the interior with a hammer. A time-consuming endeavor, one that closes the tunnel to traffic when it is carried out.

The idea: Use laser scanners, as is done in quality control in medicine and the materials industry. These are placed on a test car that goes through the tunnels at a speed of 1.8 kilometers per hour and scans the walls. The scanner head rotates once every three millimeters and provides 10,000 pixels. The beam strikes the wall, which reflects the light. The frequency of the waves makes it possible to calculate the condition of the surface. The three-dimensional recordings can



PROJECTS AND IDEAS. Drones for monitoring facilities, solar panels in Wilfleinsdorf, challenge in shunting

identify and monitor cracks as small as 0.1 mm. If they change rapidly, action has to be taken. Other cracks remain the same for decades. The laser scans are supplemented by thermographic images that provide information about the inner workings behind the concrete lining. The data are merged with the data from the laser to create a model.

Results: After two years of testing, the system has been in use in Austria since the beginning of 2016.

Cooperation partner: SPACETEC

Robots for shunting

The challenge: More than 2,300 employees separate extremely heavy rail cars in Austria's shunting stations every day to form new trains. The separation of the cars, the decoupling, is still carried out manually. The reason is obvious: The screw couplings that connect Europe's freight trains are from the 19th century.

The idea: The "decoupling robot" (EntKuRo) is a highly specialized tool that combines sensors, optical cameras, special lighting, and a gripper arm for uncoupling, and takes up little space. This EntKuRo operates largely autonomously and takes over the time-consuming and somewhat dangerous work, at a cost savings of around EUR 2 million per year. Several European railway

operators are currently working on a digital solution of this type, so far without success. The key to the task is the interaction between man and machine, which must be designed so that no danger arises. An in-house research project within the overall project.

Results: After it worked in the laboratory, and after four years of research, a prototype of the EntKuRo will be used at the Linz shunting station starting in 2018.

Cooperation partner: FH Wels and Austrian Institute of Technology (AIT) Vienna

The Wiener Bogen 2.0

The challenge: Between straight stretches and curves, track geometry is subject to shock-type stresses along the track axis, that cause greater material wear and result in a less comfortable ride.

The idea: The Wiener Bogen eliminates these negative features. This transitional curve swivels slightly at the beginning and end of the curve, similar to a cyclist riding in a curve.

In close cooperation with partners, research on solutions is carried out within the ÖBB Group at the highest technical level.



HYBRID SHUNTING LOCOMOTIVE. Intended for use in areas without overhead cables

Thus, the vehicle is guided along its center of gravity, and the elevation is continuous. Using the Wiener Bogen is already standard practice when ÖBB (and Wiener Linien) lay new track. With its development completed, efforts are now underway to create software to study existing track on transitional curves automatically to see if it the Wiener Bogen can be used there. This will involve checking whether the new transition element meets the current track guidelines and does not prevent the replacement of fixed points in the area like tunnels, switches, bridges, or platforms. If the conditions are right, the Wiener Bogen can be used.

Results: There are more than 20,000 conventional transition curves on the main routes alone. Evaluation by special replacement software showed that around 35 percent or 8,000 of these curves could be replaced during routine maintenance work. The replacement results in a substantial time and cost savings – and maintenance has to be performed less frequently.

Cooperation partner: Wiener Linien

E-Hybrid locomotive

The challenge: Shunting often has to be carried out with diesel locomotives, although the predominant use is under the catenary.

The idea: A hybrid shunting locomotive should be developed that can be operated as an electrical shunting locomotive with its own

energy supply in shunting areas where there are no overhead wires.

The objective is to stop using diesel locomotives in shunting.

Results: A first prototype, energy storage on an electric shunting locomotive Rh 1063 for operation without overhead cables, was

created in the summer of 2016 by the company TecSol (TS). With the assistance of TS, the company HET will rebuild the 1063.038 as a prototype vehicle based on the H2 fuel cell in 2017. Upon completion of the tests, the two prototype locomotives will be restored to their original state and the operational experience gathered will be used in the tendering of a refurbishment of the 1063 series into e-hybrid locomotives.

Cooperation partner: Fa. TecSol, Fa. HET, Montan University, DLR <

10,000

The scanner head of the test car delivers 10,000 pixels when **performing tunnel checks**. Traveling at a speed of 1.8 km/h through the tunnel, the scanner head checks the walls. The **three-dimensional recordings** can identify and monitor **cracks as small as 0.1 mm**.

Mobility service provider with

EMBRACING RESPONSIBILITY. ÖBB creates value and makes a valuable contribution to the added value of our country.

ÖBB is Austria's largest and most important mobility service provider. In 2016, ÖBB moved 217 million bus passengers, 244 million rail passengers and 111 million tonnes of goods safely, punctually and in an environmentally friendly way. But there is more to the company than that: The railway is an essential part of the infrastructure in any country. It connects Austria. Its most basic task is to connect places, countries, regions and people. But ÖBB's responsibility extends far beyond this. ÖBB carries out many tasks that go beyond pure mobility.

The diagram shows an example of one of the many ways that ÖBB takes responsibility and creates sustainable value.

The company's annual investment in infrastructure of EUR 2.5 billion makes an essential contribution to economic growth in Austria. In addition, ÖBB create jobs and is one of the most important employers in the country and the largest trainer of technical apprentices. It furthers its employees' careers through extensive education and training. ÖBB earns the trust of society through sustainability and safety. For example, it has expanded the use of renewable energy and invested in safety and accessibility.

With all these different tasks, ÖBB creates sustainable value and makes an extremely valuable contribution to the quality of life and added value of our country. It takes responsibility with respect to the people, society, and the environment. <

ÖBB earns the trust of society through sustainability and safety.

Resources



EFFICIENCY

ÖBB is owned by the Republic of Austria. We focus on **efficiency and competitiveness**. This is how we ensure business success.



INFRASTRUCTURE

ÖBB operates a **rail network that is 4,865 km long**. Every year we invest **EUR 2.5 billion** in the expansion and maintenance of the **rail infrastructure**.



MOBILITY

We offer mobility for people and freight, with around **4,250 passenger trains** and **2,000 freight trains** a day as well as **900 bus lines** with 2,200 buses.



TRAINING

The **education and training opportunities** we offer encourage our employees to develop personally and professionally.



EMPLOYEES

ÖBB has 41,954 employees. Additionally, **1,689 apprentices** are being trained.



SOCIAL RESPONSIBILITY

We live our responsibility by **investing in safety, in the accessibility** of our trains and in a **variety of tasks** that go beyond mobility.



ENVIRONMENT

Expanding the use of **renewable energy** and economical use of **resources**.

responsibilities

Results

EFFICIENCY

We achieved earnings of **EUR 166.2 million** in 2016, thus creating the necessary conditions to invest in the future.



INFRASTRUCTURE

The investments in the amount of EUR 15.2 billion in the period from 2017 to 2022 will make a substantial **contribution to economic growth in Austria**.



MOBILITY

111 million net tonnes of freight, 217 million bus passengers, 244 million rail passengers. At 1,425 km per inhabitant, Austrians are the most dedicated travelers by rail in the EU.



TRAINING

In the internal **ÖBB Academy**, **15,250** participant days of **training** and **3,160** participant days of **education** were carried out.



EMPLOYEES

With 23 apprenticeship professions, we are Austria's **largest technical apprentice trainer** and one of the most **important employers** in the country.



SOCIAL RESPONSIBILITY

We earn the trust of society through **sustainability and safety**.



ENVIRONMENT

At only **14 g of CO₂** per passenger kilometer, ÖBB is a pioneer in climate-friendly mobility.



ÖBB

COMPETITION. The freight transport business of ÖBB is already facing severe competition, yet was able to defend its market standing in 2016 in spite of 32 competing providers. Rail Cargo Group now operates in 18 countries between the North Sea and the Black Sea – and runs Group-owned traction stock in ten of these countries



Corporate Governance

TRANSPARENCY. The legal and factual regulatory framework for managing and supervising ÖBB Group's business activities.



CORPORATE GOVERNANCE REPORT*

ÖBB Group wants to strengthen the trust of its customers, its employees, and the general public with its policy of transparent, quick and detailed information. As a company that operates on the capital markets and attracts a great deal of public interest, ÖBB Group aligns the organization and communication of its corporate governance to international standards and best practices, and, since April 11, 2014, to the Federal Public Corporate Governance Code (Public Corporate Governance Kodex des Bundes, B-PCGK) (prior to that, to the Austrian Corporate Governance Code). The last evaluation of compliance with and deviations from what was then the Austrian Corporate Governance Code dates back to 2012.

The Board of Management of ÖBB-Holding AG pursues a corporate strategy that is aligned to the interests of its owner, the Republic of Austria, and its customers and employees. It reports to the Supervisory Board on a regular basis, presenting the business development and submitting certain business transactions of ÖBB-Holding AG or the Group companies for approval, in accordance with the law, the Articles of Association, and the Rules of Procedure. The strategic orientation of the ÖBB Group is determined in close coordination with the Supervisory Board.

FEDERAL PUBLIC CORPORATE GOVERNANCE CODE (B-PCGK)

Points 12 and 13 of the B-PCGK stipulate that all companies subject to the Code will prepare a corporate governance report and publish it on the internet. ÖBB Group prepares its report in four sections to reflect the organizational structure of the Group.

1. ÖBB-Holding AG including the following subsidiaries
 - a. ÖBB-Finanzierungsservice GmbH
 - b. ÖBB-Werbung GmbH
 - c. ÖBB-Business Competence Center GmbH
 - d. European Contract Logistics – Austria GmbH (from 1/1/2017 Q Logistics GmbH)
2. ÖBB-Infrastruktur AG including the following subsidiaries
 - a. ÖBB-Immobilienmanagement GmbH
 - b. Rail Equipment GmbH and Rail Equipment GmbH & Co KG
 - c. Mungos Sicher & Sauber GmbH and Mungos Sicher & Sauber GmbH & Co KG
 - d. Güterterminal Werndorf Projekt GmbH
3. ÖBB-Personenverkehr AG including the following subsidiaries
 - a. Österreichische Postbus Aktiengesellschaft
 - b. ÖBB-Postbus GmbH
 - c. Rail Tours Touristik Gesellschaft m. b. H.
 - d. FZB Fahrzeugbetrieb GmbH
 - e. ÖBB-Fernbus GmbH
 - f. ČSAD AUTOBUSY České Budějovice a.s.
4. Rail Cargo Austria AG including the following subsidiaries
 - a. Rail Cargo Logistics – Austria GmbH
 - b. Rail Cargo Logistics – Environmental Services GmbH
 - c. Rail Cargo Logistics GmbH
 - d. Rail Cargo Wagon – Austria GmbH
 - e. Rail Cargo Operator – Austria GmbH
 - f. ÖBB-Technische Services-GmbH
 - g. ÖBB-Produktion GmbH
 - h. Rail Cargo Logistics – Czech Republic s.r.o.
 - i. Rail Cargo Logistics s.r.o.
 - j. Rail Cargo Operator – ČSKD s.r.o.
 - k. Rail Cargo Terminal – Praha s.r.o.
 - l. Rail Cargo Carrier – Czech Republic s.r.o.
 - m. Rail Cargo Carrier – Germany GmbH
 - n. Rail Cargo Hungaria Zrt.
 - o. Rail Cargo Logistics – Poland sp. z o.o.
 - p. Rail Cargo Logistics – Germany GmbH
 - q. Rail Cargo Logistics – Bulgaria EOOD
 - r. Rail Cargo Terminal – Sindos sa
 - s. Rail Cargo Logistics – Romania Solutions srl
 - t. Rail Cargo Logistics Uluslararası Taşımacılık Lojistik ve Ticaret Limited Şirketi
 - u. Rail Cargo Logistics – Croatia d.o.o.
 - v. Rail Cargo Logistics – Italy s.r.l.
 - w. Rail Cargo Terminal – S. Stino s.r.l.
 - x. Rail Cargo Terminal – Desio s.r.l.
 - y. Rail Cargo Operator – Port/Rail Services GmbH
 - z. Rail Cargo Operator – Hungaria Kft.
 - aa. Rail Cargo Carrier d.o.o.
 - bb. Rail Cargo Carrier – Croatia d.o.o.
 - cc. Rail Cargo Carrier – Italy s.r.l.
 - dd. Rail Cargo Carrier – Bulgaria e.o.o.d.
 - ee. Rail Cargo Carrier – Slovakia s.r.o.
 - ff. Rail Cargo Carrier – Romania s.r.l.
 - gg. Rail Cargo Carrier – PCT GmbH
 - hh. Technical Services Hungaria Járőjavító Kft.
 - ii. Rail Cargo Logistics – Hungaria Kft.

These companies are all included in the Consolidated Financial Statements of ÖBB-Holding AG as affiliated companies. The respective Consolidated Financial Statements are published on the websites of ÖBB-Holding AG and ÖBB-Infrastruktur AG.

DECLARATION OF COMPLIANCE / DEVIATIONS

ÖBB Group has adopted the B-PCGK and complies with it in accordance with the information provided in this report. In previous years, ÖBB complied voluntarily with the regulations set down in the Austrian Corporate Governance Code.

Elisabethstrasse 9 Projektentwicklung GmbH & Co KG, Gauermannstrasse 2-4 Projektentwicklung GmbH & Co KG and WS Service GmbH, all of which are part of ÖBB-Infrastruktur AG, have not implemented the B-PCGK. The reason for the two project companies in particular is that they have been established only for the purpose of property development, executing leasing and project development accordingly. This is not performed by a separate staff, but rather by ÖBB-Immobilienmanagement GmbH as commissioned. In the case of WS Service GmbH, analogous application of the minority shareholder's governance structure was agreed.

ČSAD AUTOBUSY České Budějovice a.s. and other in-

dividual foreign companies that are part of Rail Cargo Austria AG have not yet implemented the B-PCGK at this time. Implementation is planned for 2016 and the following years insofar as it does not conflict with national law.

Any deviations from the regulations of the Code are primarily due to the organizational structure of ÖBB Group, and are explained accordingly.

ÖBB Group applies the B-PCGK as a key element for strengthening the trust placed in the company by its owner, business partners, customers and employees, and the general public.

Board of Management and Supervisory Board of
ÖBB-Holding AG / m.p.

* The following pages contain an extract from the Corporate Governance Report. The full report is available on our website at www.oebb.at/cg2016.

Regulation	Description	L / C*	Group company	Deviation / Remarks
8.3.3.2	Exclusion of liability insurance for gross negligence and willful intent	L	All	ÖBB Group has purchased liability insurance cover for all Board members and senior staff. The policy covers both minor negligence and gross negligence (willful intent is not insurable). Deductibles were not agreed. There are currently no plans to alter the existing scope of insurance cover. This decision was based on expert analysis and a critical assessment of the regulation that also took account of relevant professional publications.
	Deductible of at least 10% of the damage amount up to one and a half times the annual remuneration of the responsible member of management	C		
	Reasonable deductible for members of the supervisory body	C		
11.2.1.2	Equal representation among male and female members of the supervisory body	C	ČSAD AUTOBUSY České Budějovice a.s., Q Logistics GmbH and some foreign subsidiaries of Rail Cargo Austria sub-group	Not the case at ČSAD AUTOBUSY České Budějovice a.s., Q Logistics GmbH (from 1/1/2017) and some foreign subsidiaries of Rail Cargo Austria sub-group.
11.2.1.3	Members of the supervisory body should not sit on more than 6 supervisory boards at the same time	C	ÖBB-Holding AG, ÖBB-Personenverkehr AG, Rail Cargo Austria AG, ÖBB-Infrastruktur AG	Two members of the Supervisory Boards of the companies indicated hold more than 6 mandates, which is partly due to the members sitting on several boards within the Group to enable proper performance of the Group supervisory remit (permitted under Section 86 (3) Stock Corporation Act (AktG) as an exemption clause).

Regulation	Description	L/C*	Group company	Deviation / Remarks
11.6.7	Ban on members of the Supervisory Board belonging to the shareholders' meeting at the same time	L	All except ÖBB-Holding AG	Exercising two offices at the same time is permissible under stock corporation law, and is an accepted and common management tool for corporate groups. In this respect, the members of the Board of Management of ÖBB-Holding AG also sit on the Supervisory Boards of subsidiaries, while the members of their Boards of Management in turn sit on the Supervisory Boards of their own subsidiaries. As such, members of the Supervisory Boards are, at the same time, also members of the relevant shareholders' meetings. The other two members of the respective Board of Management/management and/or authorized agents ratify the actions of their colleagues to prevent any self-ratification.
12.3.1	As stipulated in Regulation 13.2, the total remuneration paid to members of the Management Board must be listed individually and broken down into non-performance-related and performance-related components.	L	All	Individual remuneration paid to each member of the Board of Management/management is only disclosed if the relevant member has consented to such disclosure.

* The Code contains compulsory rules (L), and recommendations (C). The report must include a declaration by the Management Board as to whether it has complied with the Code, together with explanation of the reasons why it has deviated from any compulsory rules or recommendations.

CONSIDERATION OF GENDER IN THE COMPOSITION OF MANAGEMENT AND SUPERVISORY BODIES WITHIN ÖBB GROUP

ÖBB actively promotes equal opportunities for men and women, including an Equal Opportunities Policy introduced in 2011 and a Diversity Officer, who was also appointed in 2011. The Group strives to ensure equal treatment irrespective of gender, age, ethnic origin, sexual orientation or disability, to promote equal opportunities and to better reconcile work and care responsibilities through special programs. Ten regional Equal Opportunities Officers advise and support colleagues who feel they are being discriminated against or treated unfairly due, for example, to their gender, ethnicity, sexual orientation, or age. An Equal Opportunities Board supports the work of the regional Equal Opportunities Officers and ensures their continuous ongoing training.

Numerous measures have been put in place to increase diversity and, for example, to increase the number of new hires who are women to 20 percent by 2020: targeted recruiting of female apprentices in particular, female quotas for ÖBB Academy training programs, career workshops, coaching programs for women, seminars on the Equal Treatment Act, Gender/Diversity Management workshops, structured generation management, measures to reconcile work and private life such as the Work&Family Audit, childcare in Timi's Mini MINT preschools near the company focusing on mathematics, IT, science and technology, and hourly childcare through Flying Nannies. Women meanwhile account for more than 25 percent of participants in the training programs run by ÖBB akademie, while the share of women among the shareholder representatives on the Supervisory Boards of ÖBB-Holding AG, ÖBB-Personenverkehr AG, Rail Cargo Austria AG, and ÖBB-Infrastruktur AG was around 33 percent as of December 31, 2016.

ÖBB-HOLDING AG

BOARD OF MANAGEMENT

Name	Year of birth	Initial appointment	End of current term
Ing. Mag. (FH) Andreas Matthä	1962	5/24/2016	6/30/2021
Mag. Josef Halbmayer MBA	1955	11/1/2008	12/31/2020
Mag. Christian Kern	1966	6/7/2010	5/17/2016

CURRICULUM VITAE

Ing. Mag. (FH) Andreas Matthä	HTL Wien 1, Schellinggasse, Civil Engineering department; Vienna University of Applied Sciences, Corporate Governance Member of the Board of Management of ÖBB-Infrastruktur AG from August 2008 to May 2016
Mag. Josef Halbmayer MBA	Degree in Business Administration from Johannes Kepler University Linz; Master of Business Administration from the University of Toronto (Canada) Member of the Board of Management of ÖBB-Holding AG (CFO) since 2008; before that, member of the Board of Management of ÖBB-Personenverkehr AG, and member of the Board of Management of Wiener Privatbank Immobilien- invest AG, and Österreichische Post AG
Mag. Christian Kern	Degree in Communication Technologies from Vienna University; Postgraduate studies et al, Management Center St. Gallen (Switzerland) CEO of ÖBB-Holding AG from 2010 to 05/17/2016; before that, member of the Board of Management of Österreichische Elektrizitätswirtschaft AG (Verbund AG)

WORK PRINCIPLES AND ALLOCATION OF RESPONSIBILITIES

The Rules of Procedure govern the allocation of responsibilities and collaboration of Board of Management members. Additionally, the Rules of Procedure specify the information and reporting obligations of the Board of Management, as well as all actions that require the approval of the Supervisory Board. The latter include the material transactions of key subsidiaries.

Notwithstanding the overall joint responsibility of the Board of Management, the Supervisory Board has allocated responsibilities to the individual members of the Board of Management as follows:

Ing. Mag. (FH) Andreas Matthä	Mag. Josef Halbmayer MBA
Group strategy and corporate development, strategic Group HR management, Group communications and public affairs, Group law and the Board of Management Secretariat, strategic Group purchasing, system technology and Group production, European and international affairs	Group accounting, financial statements and taxes, Group controlling, Group finance, strategic Group IT management
Compliance, Group auditing	

Ing. Mag. (FH) Andreas Matthä is CEO of the Board of Management.

MANAGEMENT REMUNERATION (kEUR)

The remuneration system is comprised of fixed and variable salary components. Variable remuneration is paid out in the following year as target achievement can only be ascertained once the financial statements for the year have been finalized. Accordingly, the figures represent the variable remuneration for the financial year 2015 that was paid to management in 2016.

Fixed remuneration	Variable remuneration	Total remuneration
787	681	1,468

SUPERVISORY BOARD

Supervisory Board activities are governed primarily by the Aktiengesetz [Stock Corporation Act], the Articles of Association of ÖBB-Holding AG, the Rules of Procedure of the Supervisory Board, and the B-PCGK.

MEMBERS OF THE SUPERVISORY BOARD

Name	Year of birth	Initial appointment	End of current term
Mag. Brigitte Ederer Chair since September 11, 2014	1956	2/28/2014	Annual General Meeting 2020
Dr. Kurt Weinberger First Vice Chair	1961	6/29/2015	Annual General Meeting 2020
DI Herbert Kasser Second Vice Chair	1964	4/27/2007	Annual General Meeting 2020
Herbert Willerth	1950	6/29/2015	Annual General Meeting 2020
Dr. Gertrude Tumpel-Gugerell	1952	8/18/2011	Annual General Meeting 2020
Dr. Leopold Specht	1956	4/27/2007	Annual General Meeting 2020
Lic. rer. pol. Paul Blumenthal	1955	1/18/2010	Annual General Meeting 2020
Roman Hebenstreit Employee representative Third Vice Chair	1971		Indefinite
Gottfried Winkler Employee representative	1956		12/31/2016
Mag. Andreas Martinsich Employee representative	1964		Indefinite
Günter Blumthaler Employee representative	1968		Indefinite

Audit Committee:

Dr. Gertrude Tumpel-Gugerell (Chair)
DI Herbert Kasser (Vice Chair)
Mag. Brigitte Ederer
Dr. Kurt Weinberger
Roman Hebenstreit
Mag. Andreas Martinsich

SUPERVISORY BOARD REMUNERATION

By resolution of the Ordinary Annual General Meetings in 2016, the shareholder representatives on Supervisory Boards of ÖBB Group companies in Austria are entitled to the following amounts and elements of remuneration. Members of management and employees are excluded from this remuneration. The remuneration owed to civil servants who are members of the Supervisory Board is paid into the account of the Federal Ministry of Finance. Employee representatives do not receive Supervisory Board remuneration.

Remuneration	Attendance fee
• EUR 9,000 annual base fee per member of the Supervisory Board • Chair: 100% additional fee • Vice Chairs: 50% additional fee • Membership on other Supervisory Boards within ÖBB Group: additional 50% of the base fee per company, maximum 100%	EUR 200 per Supervisory Board member for each meeting of the Supervisory Board, Executive Committee, or any other committee

Members of a Supervisory Board may also claim reimbursement of actual invoiced expenses incurred in connection with their office.

Number of meetings in 2016 (Supervisory Board, Executive Committee, other committees): 21

SUSTAINABLE MOTION.

ÖBB has set itself the goal of becoming one of Austria's top ten employers over the coming years. Equally, ÖBB already offers green mobility and sees itself as part of the solution for achieving the climate targets.



Consolidated Management Report

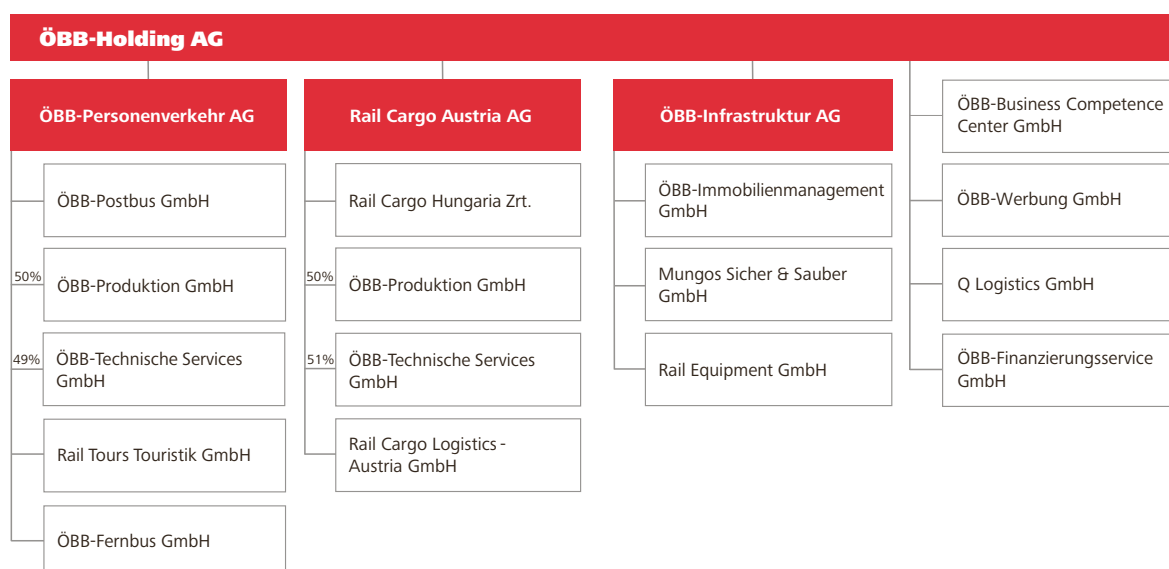
INSIGHTS & OUTLOOK. Business performance of ÖBB Group and its sub-groups in financial year 2016, outlook, and development opportunities.



Consolidated Management Report

This Management Report complements the Consolidated Financial Statements of Österreichische Bundesbahnen-Holding Aktiengesellschaft, Vienna, (hereinafter referred to as "ÖBB Group") whose preparation is mandatory pursuant to Article 244 UGB [Austrian Commercial Code] and which are submitted to the Commercial Court Vienna under Company Register number FN 247642 f. The Consolidated Financial Statements as of December 31, 2016 were prepared pursuant to Article 245a (2) UGB in accordance with the International Financial Reporting Standards ("IFRS/IAS") issued by the International Accounting Standards Board ("IASB"), the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and the interpretations of the Standards Interpretation Committee ("SIC"), which entered into force and were endorsed by the European Union as of December 31, 2016. In addition, a subsidiary of Österreichische Bundesbahnen-Holding Aktiengesellschaft (hereinafter referred to as "ÖBB-Holding AG"), the company ÖBB-Infrastruktur Aktiengesellschaft, is obligated to prepare sub-group Consolidated Financial Statements pursuant to Article 245 (3) UGB because it has issued bonds listed for trade in a regulated market. The sub-group financial statements of ÖBB-Infrastruktur Aktiengesellschaft are submitted to the Commercial Court Vienna under Company Register number FN 71396 w.

A. Group Structure and Investments



As of: December 31, 2016

This organizational chart includes a selection of major companies of the ÖBB Group.

The Austrian Federal Railways are structured in accordance with the Bundesbahnstrukturgesetz [Federal Railways Structure Act]. ÖBB-Holding Aktiengesellschaft has been at the top of the holding structure since 2005; as parent company it is responsible for the strategic orientation of the entire Group.

The Republic of Austria holds 100% of the shares in the Company, and the Bundesministerium für Verkehr, Innovation und Technologie [Federal Ministry of Transport, Innovation and Technology] (BMVIT) manages the shares.

ÖBB-Holding AG owns all shares in ÖBB-Personenverkehr AG, Rail Cargo Austria AG and ÖBB-Infrastruktur AG. These three joint stock corporations and their subsidiaries are referred to hereafter as ÖBB-Personenverkehr sub-group, Rail Cargo Austria sub-group and ÖBB-Infrastruktur sub-group. In financial year 2016, European Contract Logistics - Austria GmbH, a former wholly-owned subsidiary of ÖBB-Holding AG, was merged with the sub-unit "General Cargo" of Quehenberger Logistics GmbH and now does business as "Q Logistics GmbH" on the market. ÖBB-Holding AG now holds 60% of the shares in the joint venture, while 40% of the shares were assigned to Quehenberger Logistics GmbH. On January 1, 2017 Q Logistics GmbH started operations, offering general cargo, partial and full load transport as well as warehouse logistics solutions. ÖBB-Business Competence Center GmbH provides intra-group services (Shared Services), particularly in the areas of human resources, information and communication technology, purchasing and procurement, and accounting. ÖBB-Werbung GmbH is the in-house service provider for marketing activities and is externally responsible for the marketing of all ÖBB advertising space. ÖBB-Finanzierungsservice GmbH conducts liquidity control between ÖBB-Holding AG and the companies in which ÖBB Holding AG has an indirect or direct investment, and provides financing services in the group of ÖBB Holding AG.

The main tasks of **ÖBB-Holding AG** are

- exercising shareholder rights,
- the consistent strategic orientation of the ÖBB Group,
- the overall coordination of the establishment and implementation of the corporate strategies within the companies, and
- ensuring transparency regarding the public funds used.

The **ÖBB-Personenverkehr** sub-group is the leading mobility service provider in Austria. It is responsible for designing the portfolio of products and services, coordinating the service provision process, marketing and sales, and for financing passenger transport services. Together with its subsidiary ÖBB-Postbus GmbH, ÖBB-Personenverkehr AG provides a perfectly coordinated portfolio of train and bus services. In 2015, ÖBB-Fernbus GmbH was established in order to expand ÖBB's position as a comprehensive mobility services provider. This provides excellent connections between long-distance bus services and train services in order to address a new customer segment.

Rail Cargo Austria AG is the international freight subsidiary which, together with its subsidiaries and associated companies, operates under the umbrella brand of the Rail Cargo Group (RCG). Based on the domestic markets in Austria and Hungary, it aims to defend its market leadership in Austria while further developing its market position between the North Sea, Black Sea, and Mediterranean. As a specialist for railway-related transport services with additional forwarding services, the Rail Cargo Austria sub-group provides an environmentally friendly, sophisticated, reliable and cost-effective transport and logistics system, combined with professional services.

ÖBB-Produktion GmbH and ÖBB-Technische Services GmbH are subsidiaries jointly owned by ÖBB-Personenverkehr AG and Rail Cargo Austria AG that provide services in the fields of rail-bound vehicle traction and maintenance.

The **ÖBB-Infrastruktur** sub-group operates 1,087 railway stations (goods and passenger transport) and the railway infrastructure in Austria, which are primarily used by companies of the ÖBB-Personenverkehr and Rail Cargo Austria sub-groups and other railway operators not affiliated with ÖBB Group.

In order to increase the information content, the developments and aspects of the sub-groups are detailed separately in some sections of this Management Report.

Number of investments by sub-group

	ÖBB-Personenverkehr	Rail Cargo Austria	Sub-group ÖBB-Infrastruktur	ÖBB Group incl. others*
Investments >50%	7	42	24	83
<i>thereof abroad</i>	1	35	0	40
Investments 20-50%	3	14	3	21
<i>thereof abroad</i>	0	10	1	12
Investments <20%	2	3	4	9
<i>thereof abroad</i>	2	3	1	6
Total	12	59	31	113
<i>thereof abroad</i>	3	48	2	58

* only companies that can be influenced directly

The **Overview of Investments in the Notes to the Consolidated Financial Statements** lists all investments of ÖBB Group. The above table only gives a summary by sub-group and country.

Outside Austria, ÖBB Group holds investments in 58 companies in 18 countries whose registered offices are located in the following countries:



Report on branch offices

The branches of Rail Cargo Austria AG in the Czech Republic, Bulgaria, and Germany were closed in 2016. The branch in Slovenia is expected to be closed in 2017. After evaluating the market environment, a branch office was opened in Croatia (Zagreb) in 2016. At the end of the reporting period, the ongoing evaluation of the market potential is the basis for considering the continuation of the Zagreb branch.

B. General Conditions and Market Environment

B.1. General economic conditions

Global economic development

Global economic growth is expected to increase slightly again in 2017, while the steady drop in growth in the EU in the last two years is likely to continue.

After falling in 2015, Chinese exports declined again in 2016 in terms of value. At 2.3%, global trade remained below the long-term growth rate of 3% again in 2016. For 2017, global trade is expected to grow by 3.8%. Container handling in the world's largest container ports was up slightly in 2016, rising by 1.3%. Within Europe, the EU's sanctions against Russia again had a negative impact on trade.

Global economic situation (change in % (real) compared to the prior year)

Gross domestic product	2015	2016	2017
Eurozone	2.0	1.7	1.5
EU	2.2	1.8	1.6
USA	2.6	1.6	2.3
China	6.9	6.7	6.5
World trade	3.2	3.1	3.4

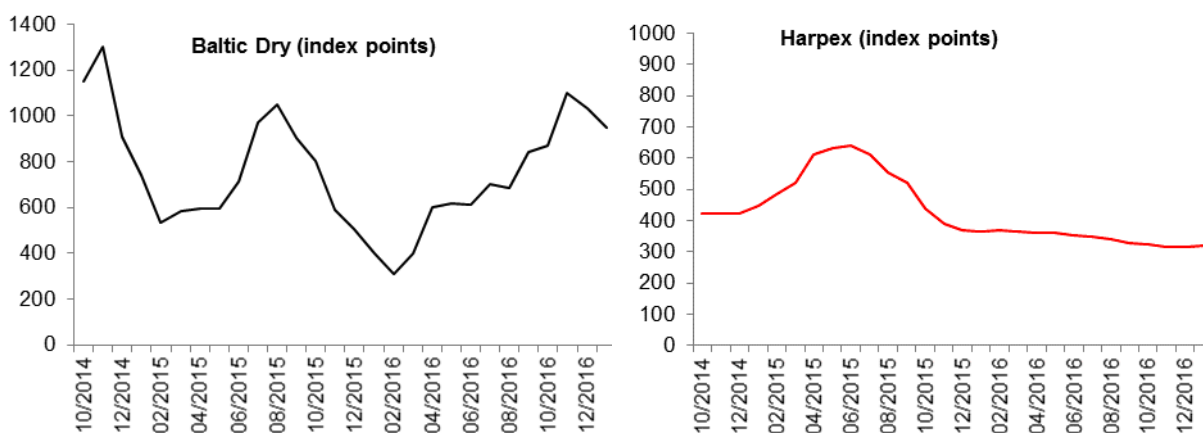
Source: Eurostat, EU Commission, autumn forecast 2016 / IMF, World Economic Outlook – Update 1/2017

By mid-2015, the confidence of the financial markets in the euro had been particularly negatively affected by the banking and debt crisis. In addition, there was general uncertainty about European institutions, which had great difficulties reaching a consensus in the context of the flow of refugees and migrants to Europe and the conclusion of international trade agreements. A temporary peak was reached with the uncertainty brought about by the popular vote in favor of the British exit from the EU. The euro had already depreciated by around 15% to about USD 1.10 in 2015. In December 2016, it briefly slipped below USD 1.05. The low euro exchange rate had a favorable effect on exports for European industry.

Forecasts for Europe and China indicated a slight decline in growth in 2017 compared to 2016. In contrast, the US is expected to record a more favorable economic performance. In anticipation of rising inflation, the key interest rate in the US is likely to continue to rise. In contrast, the central banks in the euro area and in Japan are likely to continue their expansionary monetary policies for the time being. However, interest rates on long-term government bonds also rose in Europe until the beginning of January 2017. In Germany, the increase was 35 basis points and in Italy it was 70 basis points.

The prices for some raw materials, especially copper and iron ore, bottomed out at the end of 2016. At the same time, the Organization of Petroleum Exporting Countries decided to cut oil production by 1.8 million barrels per day. As a result, the approximately 10% increase in fuel prices already expected for 2017 over 2016 could be exceeded.

Development of global shipping indices (index points)



Source: Baltic Exchange, 1/20/2017

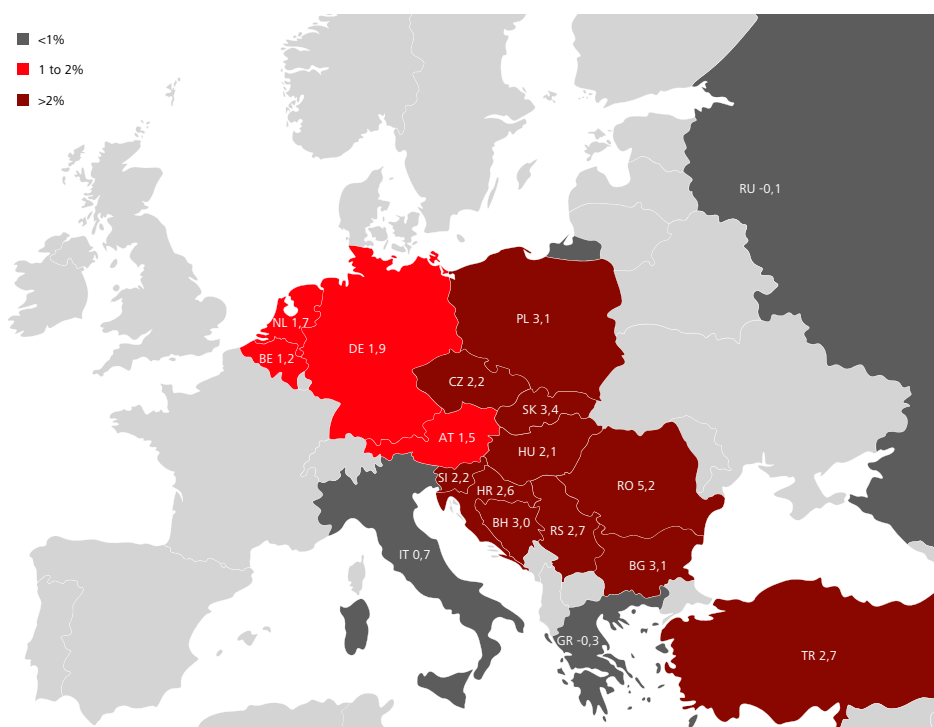
Harper-Pedersen, 1/20/2017

The shipping indicators for 2016 provide a reason for slight optimism about the development of global trade in 2017. The Baltic Dry Index, which indicates the price trend for commodity shipments, is considered a leading indicator. After a record low in February 2016, it rose relatively steadily. The HARPEX index, which uses the development of prices in container shipping to draw conclusions about the market situation for finished products, remains close to its record low in early 2017. Towards the end of 2017, however, transport demand for finished products, and thus the HARPEX, could also pick up. Restricting is the fact that the shipping market is characterized by a cyclical oversupply of cargo capacity, which led to the collapse of the seventh largest shipping company in the world - Hanjin - in August 2016. These circumstances are currently reducing the quality of HARPEX as a predictive tool.

European economic development

Together with Japan, Europe continued to lag behind other world regions in terms of economic growth in 2016. The forecasts for 2017 do not suggest any significant change in this position.

Economic development in 2016 for the ÖBB markets (GDP changes compared to the previous year in real %)



Source: EU Commission, fall forecast November 2016

Economic situation in RCG markets (change in % (real) compared to the prior year)

Apart from Turkey (consumer prices: 9.8%) inflation was low in the market of the Rail Cargo Group in 2016. The increase in consumer prices of 1.0% in Austria was offset by negative inflation rates in Bulgaria, Romania, Croatia, Poland and Slovakia. Inflation is expected to be between 1.0% and 2.0% in 2017 (exception: Turkey 8.8%).

Gross domestic product	2015	2016	2017
Austria	1.0	1.5	1.6
Hungary	2.9	2.1	2.6
Germany	1.7	1.9	1.5
Benelux	1.9	1.6	1.6
Poland	3.6	3.1	3.4
Slovakia	3.6	3.4	3.2
Czech Republic	4.5	2.2	2.6
Italy	0.8	0.7	0.9
Slovenia	2.3	2.2	2.6
Croatia	1.6	2.6	2.5
Turkey	4.0	2.7	3.0
Romania	3.8	5.2	3.9
Bulgaria	3.0	3.1	2.9
Greece	-0.2	-0.3	2.7
Serbia	0.7	2.7	3.0
Bosnia and Herzegovina	2.8	3.0	3.2
Russia	-3.7	-1.0	0.6

Source: Eurostat, EU Commission, autumn forecast 2016, IWF 2016

Austrian economic development

In Austria, the GDP is expected to grow by 1.5% (WIFO) or 1.6% (EU Commission) in 2017 compared to the previous year. The main factor for rail freight is the development of the production of goods and their export and import. The increase in imports and exports of goods was roughly in line with expectations in 2016, with imports (originally 3.5%) higher and exports (originally 4.0%) lower than expected. According to the forecast, growth of foreign trade of 3.0% in 2017 should be slightly below 2016. The production of goods in 2016 was somewhat below expectations at 2.0%. 2.3% is forecast for 2017. The generally stable growth of Austrian industrial production and a strong increase in the purchasing managers' index for manufacturing at the end of 2016 make it possible that this goal will be achieved.

Key data and forecasts for the economic situation in Austria

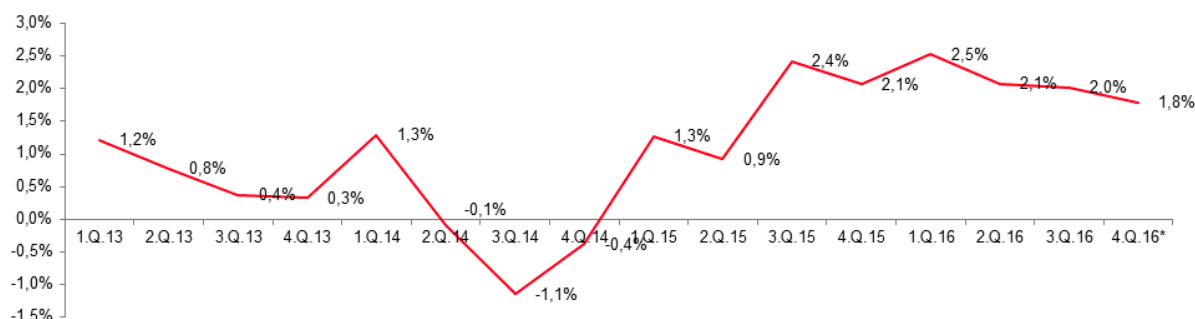
Parameter	Unit	2015	2016	2017
Gross domestic product	Change in % compared to the prior year (real)	1.0	1.5	1.6
Market growth Austria*	Change in % compared to the prior year (real)	3.0	2.7	3.0
Goods exports	Change in % compared to the prior year (real)	3.5	2.8	3.0
Goods imports	Change in % compared to the prior year (real)	4.2	4.5	3.0
Manufacture of goods	Change in % compared to the prior year (real)	1.8	2.0	2.3
Gross capital investment	Change in % compared to the prior year (real)	0.7	3.7	2.6
Crude oil price (Brent/Fateh/WTI in USD)	Change in % compared to the prior year	-47.0	-15.4	17.9
Maastricht deficit	% of the GDP	-1.0	-1.6	-1.5
Inflation rate	%	0.9	0.9	1.7
Unemployment rate	% of the labor force	5.7	6.1	6.2

Source: WIFO, forecast for 2016 and 2017, September 27, 2016 and forecast for 2017 and 2018, December 16, 2016 / Oil price according to the World Economic Outlook, IMF 2016

* GDP forecasts for 2016 and 2017 correspond with the 2016 fall forecast of the EU Commission.

** real rate of change of imports of goods from partner countries (according to Oxford Economics), weighted with the Austrian share of exports

Development of industrial production (excluding construction, change compared to the same quarter last year):



Source: Statistik Austria, production index ÖNACE 2008 (Ø 2010=100), EU harmonized working day adjusted

Capital markets and national budget

The interest rate level of government bonds is crucial for the borrowing terms and conditions for ÖBB-Infrastruktur AG. In the future, the company will receive financing mainly in the form of loans from the Republic of Austria. The interest rate on these loans depends directly on the bond issues of the Austrian Treasury. Government bond yields fell to about 0.0% during 2016 and rose to around 0.5% towards the end of the year. Whether these favorable long-term interest rates will be maintained in 2017 depends on the economic development in Europe and the maintenance of the European Central Bank's bond purchase program.

The financing costs of the other Group companies depend on money market and capital market interest rates, and on the credit spreads that can be achieved in the credit financing. These cost factors also reached historic lows in 2017, with a moderate correction since the end of 2016.

Austria has had the second best rating from each of the three major rating agencies since June 2016. Moody's recently withdrew its top rating for long-term Austrian debt, lowering the rating to Aa1. In January 2012, Standard & Poor's (S&P) lowered Austria from AAA to AA+ and Fitch followed in February 2015 by lowering its rating from AAA to AA+. Fitch and S&P have a stable outlook, Moody's is negative.

B.2. Political and regulatory framework on the European level

4th railway package – market pillar

In order to further liberalize and harmonize the European railway transport market, in January 2013 the European Commission submitted the following drafts for the 4th Railway Package, consisting of six Directives and Regulations. After almost four years of negotiations between the European institutions, in April 2016 the Member States agreed on a common position, which was confirmed by the European Parliament in December 2016. The content is now as follows:

- **Amendment to the Regulation on public passenger transport services on rail and road (1370/2007) (Public Service Obligation "PSO"):** The compromise continues to allow the direct awarding of rail services in keeping with current practice until the end of 2023 for contracts with a term of up to ten years. In addition to competitive awarding, the option of direct awarding is also available after the end of this transitional period if certain criteria are met. Where, for example, direct awarding is justified on the basis of the structural and geographical characteristics of the market and network concerned, and certain performance indicators (such as, for example, an increase in quality, cost-effectiveness, etc.) are fulfilled, institutions awarding contracts can continue to award them directly. In addition, direct awarding shall also be permitted in particular: (i) where exceptional circumstances justify direct awarding; (ii) if the amount is below certain contract-related thresholds; and (iii) as an emergency measure due to an imminent or interrupted interruption of the transport service.
- **Directive 2012/34/EU Unbundling of railway infrastructure companies and railway operators ("governance") and opening of national markets for rail passenger services:** The original Commission draft was based on the comprehensive institutional separation of the infrastructure operator from the railway operators. The present agreement now permits both separate models as well as integrated companies. As a result, it is still possible to maintain the structure of integrated companies (holding structure). As a compromise for maintaining this option, regulators are granted more control rights. The independence of the infrastructure manager is ensured by, inter alia, the prohibition on multiple mandates in the boards of management and supervisory boards of an infrastructure operator on the one hand and those of a railway operator and a controlling company on the other hand. Supplementary rules concern financial transparency and the outsourcing of the functions of the infrastructure operator to other companies. The Directive also opens access of railway operators to the national rail passenger markets from December 2020 onwards. The Directive entered into force at the end of 2016 and must be implemented by the Member States within 24 months.

4th railway package – technical pillar

Further development of the role of the European Railway Agency (ERA, now EUAR) with respect to the standardization of vehicle registrations and safety regulations as well as changes in the safety and interoperability directives:

- From 2019, the European Railway Agency will issue all permits for vehicles intended for cross-border operations as well as all safety certificates for railway operators providing cross-border services. However, operators or manufacturers are free to choose whether to apply to the ERA or to the national authorities when placing vehicles or offering services within a Member State. In addition, the ERA is given a mandate to assess the conformity of planned ERTMS (European Railway Traffic Management System) equipment in the EU. Furthermore, the ERA has been commissioned to evaluate existing national provisions and regulations.
- During the implementation of the 4th railway package through implementing legislation and national implementation it is important that railways ensure that the objectives set, such as increasing competitiveness, simplifying licensing procedures and improving quality, efficiency and performance are achieved.

European Accessibility Act – Barrier-free Directive

This new EU-wide directive aims to improve accessibility in order to facilitate the autonomy and mobility of people who need barrier-free access due to disability, health impairment or age. In railways, the TSI-PRM has been used as a harmonized set of rules for barrier-free access since 2008. In order to ensure the stability of rail infrastructure and vehicles, compatibility between the requirements of the TSI-PRM and those of the new European Accessibility Act is essential. Political decision-making, including possible exemptions in the area of transport, is still an ongoing process. An agreement is expected at the end of 2017 as the Member states still have different positions and there are uncertainties regarding the scope and numerous definitions.

Train noise

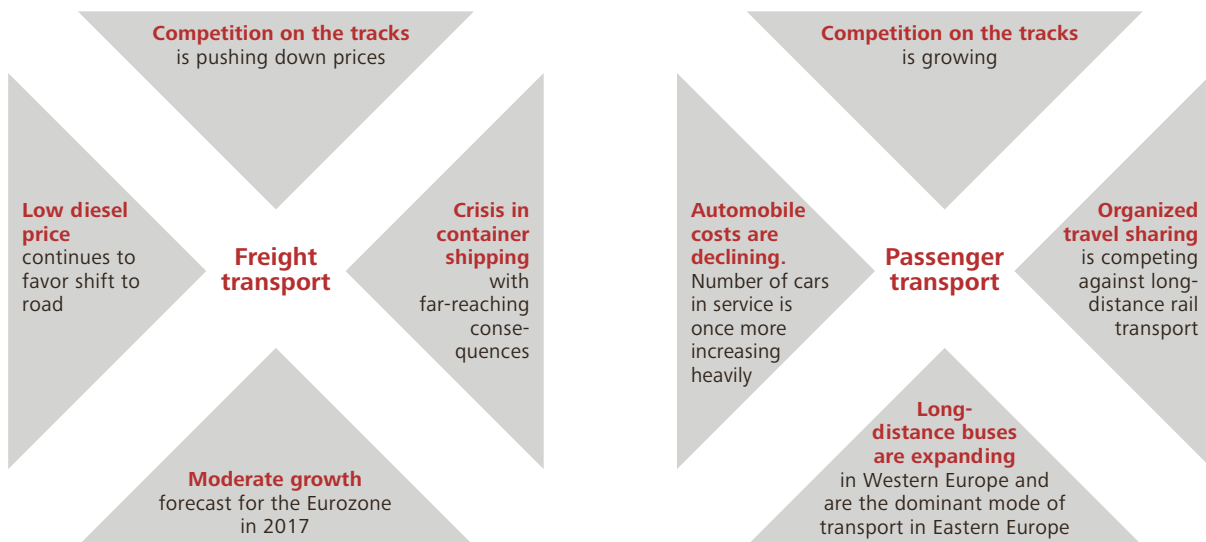
In its 1996 Green Paper on noise protection policy, the European Commission described noise pollution as one of the biggest environmental problems in Europe. EU-wide harmonized noise emission regulations were laid down in 2002 with the EC environmental noise directive (2002/49/EC). For the rail sector, the EU Commission is aiming to establish binding limits for freight cars in cross-border transport from 2022 onward. The travel ban on loud freight cars envisaged in Germany, the Netherlands and Switzerland from 2020 puts these countries on a collision course with the Commission. National measures to combat noise emissions from freight trains may constitute a breach of the principle of the free movement of goods and services. With the participation of ÖBB, binding EU approaches are currently being developed which will be presented in 2017. In any case, the ÖBB is making the case for a European solution. Similarly, there should

be no further regulatory and financial burdens placed on the sector which have the effect of distorting competition. For this reason, the European railways in Brussels are strongly committed to co-financing via the CEF Fund (Connecting Europe Facility) for retrofitting measures.

The current and future transport policy will be dominated by the program priorities of the EU Commissioner for Transport Violeta Bulc. One of the key pillars of the program is the European decarbonization strategy (-60% greenhouse gas emissions by 2050). This is an opportunity for the European railways to make the importance of the mode of transport a political issue and to promote the improvement in competition requirements with other modes of transport. High operational safety is also a ubiquitous and defining issue in European transport policy. The European Commission is hoping for positive results from joint road and rail transport projects. In these projects, the railway sector can play an exemplary role with its highly developed safety standards. Attention is also paid to connectivity and digitization, two areas in which ÖBB has introduced a variety of initiatives.

B.3. Market environment

Developments in the Market Environment - Overview



Passenger transport market environment

A preliminary estimate of the development of overall passenger transport in Austria indicates growth of around 3.8% (growth in passenger kilometers) in the railway sector in 2016. The number of airline passengers declined by 0.1% in 2016. The number of passenger cars increased by 1.5% and passenger car traffic by 2.3%.

Parameters of passenger transport in Austria (change in % compared to the prior year)

Passenger transport	2014	2015	2016
All railway companies (passenger-kilometers)	1.5	1.0	3.8 *
Air transport (passengers)	2.2	1.2	-0.1 **
Bus stock	0.1	1.0	1.3 *
Passenger car person kilometers	2.3	1.9	2.3 *
Number of passenger cars	1.2	1.1	1.5

*preliminary estimates for 2016, **preliminary estimate for 2016, without transit passengers

Source: Statistik Austria, BMVIT, ÖBB-Personenverkehr, own calculations

In passenger transport, the competition on the railway network of ÖBB remained limited to the connection between Vienna and Salzburg in 2016. From December 2017, the company Westbahn will also run express trains every two hours on the Salzburg – Innsbruck (via Rosenheim) route. Based on the data of Statistik Austria, the company is expected to reach a market share of about 6.8% of domestic rail passenger transport (passenger-kilometer) for the full year 2016. ÖBB's market share fell slightly from 87.8% in 2015 to about 87.5% in 2016, based on its own estimates.

The liberalization of scheduled long-distance bus services has resulted in increased competition. In 2016, the company Flixbus took over the German Postbus. Flixbus now dominates the market with a share of more than 80% in Germany and is also on the way to becoming the dominant provider in large parts of Eastern and Southeastern Europe. In 2016, Flixbus entered into a cooperative arrangement called "Flixbus CEE" with the Austrian bus companies Blaguss and Westbus. In 2016, ÖBB's "Hellö" brand also entered the long-distance bus business. Nine destinations abroad are served by 28 modern Hellö buses.

Travel-share centers further solidified their position as a relevant competitor to rail transport in 2016. Travel-sharing is particularly popular in long-distance transport, where it can still undercut even regular long-distance bus services in terms of price. In 2016, organized travel-sharing in Austria is likely to have reached 600 million passenger-kilometers or more than 10% of the traffic volume of long-distance rail travel.

Freight transport market environment**Parameters of freight transport in Austria** (change in % compared to the prior year)

Goods transport	2014	2015	2016*
All railway companies (net ton-kilometers)****	6.1	-1.1	0.3
Road (tonnage-kilometers)**, ****	2.9	1.9	4.2
New registration of trucks	2.4	2.1	3.0
of which heavy goods vehicles***	0.3	0.0	1.5

*preliminary estimates for 2016, **Estimate based on the ASFINAG traffic count data, ***N3 + trucks, **** revised values from 2013

Source: Statistik Austria, BMVIT, own calculations

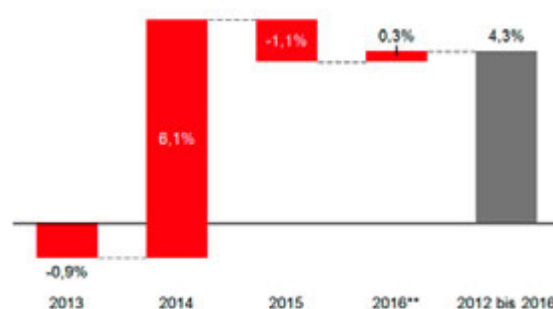
According to preliminary data, freight transport volume on the road and railways increased by about 3% overall in 2016 compared to 2015. Due, among other factors, to the continued low diesel price, the growth in rail transport performance was well below that of road transport. Measured in ton-kilometers, total rail freight transport grew by only 0.3%, while transport by truck increased by 4.2%. The information for road traffic is derived from truck traffic count data on the primary road network. The data for rail includes a preliminary estimate for the development of the transport performance of private rail freight carriers. After decreasing to 31.4% in 2015, the share of railways in freight transport over land (excluding pipelines) fell further to 30.7% in 2016.

Development of freight transport volumes on the road and railways in Austria in 2015 and 2016

Road freight transport (change in %*)



Rail freight transport (change in %*)



Source: Wampera – BMVIT (2015), Statistik Austria (2016), GV-Schiene, *own calculations and estimates

* "2012 to 2016" as a percentage of transport capacity in 2012, otherwise in percent compared with the previous year

** own calculation for 2016 based on ASFINAG truck traffic information and RCA transport capacity

2016 was not a good year for European rail freight carriers. In Germany, sales of DB Cargo fell by almost 4.0%. The freight business of the French national railway (SNCF Fret) also developed negatively. In Poland, PKP Cargo's transport volumes and transport performance fell by 4.0% in the first three quarters of 2016. In Austria, the market share of Rail Cargo Group (RCG) in rail freight transport declined from 76.4% to 74.5% in 2016.¹ This share is about 60.0% in Hungary and about 9.0% in Slovenia. RCG market share is still relatively low in Bulgaria (about 3.8%), and in the Czech Republic, Italy, and Romania (about 2.5% each).²

At the beginning of 2016, record low diesel prices had a negative impact on the market share of rail freight. As a slight increase in fuel prices is expected in 2017, it should be possible for rail to reclaim its position on the market next year following two setbacks.

Industrial production in RCG markets: Trends and outlook (change in % compared to the prior year)

Industrial production in RCG markets	2015	2016	2017
Austria	1.8	2.0	2.3
Hungary	7.4	1.5	3.4
Germany	1.1	1.0	0.5
Poland	4.8	3.1	3.6
Slovakia	7.0	3.8	4.1
Slovenia	5.1	5.1	3.9
Croatia	2.7	4.1	3.5
Turkey	3.2	2.4	2.3
Romania	2.7	1.8	3.5
Bulgaria	2.9	2.5	3.4
Serbia	8.4	4.9	4.8
Czech Republic	4.6	3.2	3.6
Bosnia and Herzegovina	3.1	3.7	4.4

Source: Consensus Economics – Eastern Europe 1/2017, WIFO 12/2016 / tradingeconomics, 1/2017

The amount of freight transported by rail is strongly influenced by industrial production. In 2016, industrial production grew by 2.0% in Austria, by 1.0% in Germany and by 1.5% in Hungary. The industry developed somewhat more favorably in some of the other markets of the Rail Cargo Group. The increase in production ranged from 1.8% in Romania to 5.1% in Slovenia.

Infrastructure market environment

In October 2016, the Council of Ministers adopted the ÖBB master plan for the years 2017 to 2022. The focus of the EUR 15.2 billion package (total investment volume in the period 2017-2022) is the expansion of the southern route and the construction of the Brenner Base Tunnel as well as the expansion of the existing network.

¹ SCG Rail Control Report 2015, ÖBB estimate for 2016

² ÖBB estimate based on RCG transport services and national railway transport services

In line with the guiding strategy anchored in law, the further expansion of railway infrastructure must make it possible to produce an integrated consistent interval timetable for rail passenger transport. This consistent interval timetable has been gradually implemented since the timetable change in 2015/16. The main hub of the eastern region is the new Central Station in Vienna. 2016 was the national and international transport hub's first full year in operation. All of Austria's main cities and the Vienna airport are directly connected to the Vienna Central Station.

A key objective of the ÖBB master plan is also to shift freight traffic from the road to an attractive and high-performance railway network. Among other things, the freight terminal in Wolfurt and the Vienna-South freight center will be expanded into important hubs for freight transport by rail.

In an ÖBB study completed in 2016, the position of the Austrian railway network was examined in geographic terms. In international railway freight transport, the ÖBB network currently benefits from its high quality, which will be improved even more by upgrades in the current and coming decades. Bypass corridors are, however, being created. In March 2016, the transport ministers of Poland, Slovakia, Hungary and Slovenia signed a declaration of intention to establish a freight railway corridor No. 11 from the Adriatic port of Koper to Poland. This so-called "Amber road" is to run parallel to the Baltic-Adriatic axis through western Hungary and Slovakia. An important component of this link – electrification between Hungary and Slovenia – was concluded in June 2016. The Gotthard base tunnel also went into operation in June 2016.

C. Economic report and outlook

C.1. Revenues

Structure of revenues by sub-group in EUR million	2016	2015	Change	Change in %
ÖBB-Personenverkehr sub-group	2,037.3	2,012.9	24.4	1% *)
Rail Cargo Austria sub-group	2,079.0	2,070.5	8.5	0% *)
ÖBB-Infrastruktur sub-group	2,107.8	2,078.7	29.1	1% *)
ÖBB-Holding AG and other companies	1,303.0	1,283.7	19.3	2% *)
less consolidation of sub-groups	-2,280.3	-2,224.9	-55.4	-2% *)
Group revenue acc. to Consolidated Financial Statements	5,246.8	5,220.9	25.9	0% *)
Other income (consolidated)	1,169.0	1,124.5	44.5	4% *)
Total income	6,415.8	6,345.4	70.4	1%
Total revenue per employee in thousands EUR	154	154	0	0%

*) adjusted comparative amounts, see Note 4 in the Notes to the Consolidated Financial Statements

Although the average number of employees increased from 41,150 to 41,581, the figure "Total income per employee"³ remained unchanged year on year at approx. kEUR 154. Of the consolidated Group revenue, about EUR 1,152.4 million (prior year: approx. EUR 1,162.6 million) was generated abroad, equivalent to an unchanged share year on year of about 22%.

Revenue of the ÖBB-Personenverkehr sub-group

Overview	2016	2015	Change	Change in %
Revenue in EUR million	2,037.3	2,012.9	24.4	1% *)
<i>of which traffic service orders of the federal government</i>	<i>660.7</i>	<i>644.8</i>	<i>15.9</i>	<i>2%</i>
<i>of which traffic service orders of the countries and communities</i>	<i>339.7</i>	<i>285.8</i>	<i>53.9</i>	<i>19%</i>
Other income in EUR million	26.9	25.0	1.9	8% *)
Total income in EUR million	2,064.2	2,037.9	26.3	1%

*) adjusted comparative amounts, see Note 4 in the Notes to the Consolidated Financial Statements

Revenue in financial year 2016 increased by 1% to EUR 2,037.3 million (prior year: EUR 2,012.9 million). Of the consolidated revenue, EUR 182.7 million (prior year: EUR 170.8 million) was generated abroad, equivalent to about 9% (prior year: 8%). Revenue generated abroad therefore increased by EUR 11.9 million or 7%.

Traffic services ordered by the federal government accounted for EUR 660.7 million (prior year: EUR 644.8 million) of revenue, and by the federal provinces and communities for EUR 339.7 million (prior year: EUR 285.8 million).

³ Total income per employee: Total income/average number of employees (headcount)

Passengers in million	2016	2015	Change	Change in %
Long-distance railway transport	35.2	34.3	0.9	3%
Short-distance railway transport	209.0	203.7	5.3	3%
Total railway	244.2	238.0	6.2	3%
Bus	216.6	220.9	-4.3	-2%
Total	460.8	458.9	1.9	0%

The ÖBB-Personenverkehr sub-group was able to increase its rail passenger volume to 244.2 million passengers (prior year: 238.0 million passengers) and its total income by 1%. Passenger numbers in the bus corporate sector recorded a slight decrease to 216.6 million passengers (prior year: approx. 220.9 million passengers).

Revenue of the Rail Cargo Austria sub-group

Overview	2016	2015	Change	Change in %
Net tons transported (millions, consolidated)	109.0	109.2	-0.2	0%
Revenue in EUR million	2,079.0	2,070.5	8.5	0% *)
<i>thereof public services contracted by the federal government</i>	<i>80.6</i>	<i>81.9</i>	<i>-1.3</i>	<i>-2%</i>
Other income in EUR million	45.0	88.6	-43.6	-49% *)
Total income in EUR million	2,124.0	2,159.1	-35.1	-2%

*) adjusted comparative amounts, see Note 4 in the Notes to the Consolidated Financial Statements

Due to the difficult economic situation, the total income of Rail Cargo Austria sub-group decreased to approx. EUR 2,124.0 million (prior year: approx. EUR 2,159.1 million). Of the consolidated revenue, approx. EUR 841.2 million (prior year: approx. EUR 849.8 million) was generated abroad, equivalent to about 40% (prior year: 41%). Revenue generated abroad therefore decreased by EUR 8.6 million or 1%.

In total, Rail Cargo Austria sub-group revenue increased by 0% to EUR 2,079.0 million (prior year: approx. EUR 2,070.5 million). The compensation paid by the federal government for the execution of public service contracts accounted for EUR 80.6 million or 4% of revenue (prior year: approx. EUR 81.9 million or 4%). EUR 388.3 million (prior year: approx. EUR 370.2 million) are attributable to ÖBB-Technische Services.

The volumes in tons constitute important performance indicators for the transport business in the Rail Cargo Austria sub-group.

Year on year, the consolidated freight volume of Rail Cargo Austria sub-group declined slightly in the reporting period, from approx. 109.2 million tons to approx. 109.0 million tons.

Net tons transported in mil.	Conventional full-load transport		Unaccompanied combined transport		Combined road/railway transport		Total	
	2016	2015	2016	2015	2016	2015	2016*	2015
Rail Cargo Austria AG excl. abroad	60.7	60.4	14.2	14.5	6.7	7.5	81.6	82.4
Rail Cargo Austria AG abroad	11.6	7.6	6.8	6.2	0.8	1.1	19.2	14.9
Rail Cargo Hungaria Zrt.	28.8	29.2	2.9	2.8	0.0	0.0	31.7	32.0
Rail Cargo Carrier - Bulgaria EOOD	0.0	0.0	0.2	0.2	0.0	0.0	0.2	0.2
Rail Cargo Carrier - Croatia	0.4	0.1	0.5	0.1	0.0	0.0	0.9	0.2
Rail Cargo Carrier - Czech Republic s.r.o.	1.7	1.8	0.1	0.1	0.0	0.0	1.8	1.9
Rail Cargo Carrier - Germany	0.0	0.0	1.6	0.2	0.0	0.0	1.6	0.2
Rail Cargo Carrier - PCT GmbH	1.4	0.0	0.0	0.0	0.0	0.0	1.4	0.0
Rail Cargo Carrier - Italy s.r.l.	1.0	1.0	1.2	0.8	0.7	0.5	2.9	2.3
Rail Cargo Carrier - Romania s.r.l.	1.0	0.5	0.3	0.3	0.0	0.0	1.3	0.8
Rail Cargo Carrier - Slovakia s.r.o.	0.0	0.0	0.2	0.0	0.0	0.0	0.2	0.0
Rail Cargo Carrier - Slovenia d.o.o.	1.4	1.0	0.7	0.5	0.0	0.0	2.1	1.5
Total not consolidated	108.0	101.6	28.7	25.7	8.2	9.1	144.9	136.4
less intra-group transports	-22.5	-16.5	-11.9	-9.1	-1.5	-1.6	-35.9	-27.2
Total consolidated	85.5	85.1	16.8	16.6	6.7	7.5	109.0	109.2

*Approximately a further 1.7 million net tons were transported by European Contract Logistics - Austria GmbH and its subsidiaries, which are not attributable to Rail Cargo Austria sub-group.

ÖBB-Infrastruktur sub-group revenue

Overview	2016	2015	Change	Change in %
Train-kilometers (millions)	146.1	145.4	0.7	0%
Total gross tonnage-kilometers (millions)	75,586.1	75,101.8	484.3	1%
Self-generated traction power from ÖBB power plants	664	801	-137	-17%
Traction power from overhead contact line in GWh	1,792	1,767	25	1%
Floor space incl. exterior spaces rented out in thousands m ²	2,698	2,705	-7	0%
Revenue in EUR million	2,107.8	2,078.7	29.1	1% *)
Other income in EUR million	1,047.0	972.7	74.3	8% *)
Total income in EUR million	3,154.8	3,051.4	103.4	3%

*) adjusted comparative amounts, see Note 4 in the Notes to the Consolidated Financial Statements

As described above, Group revenue reached approx. EUR 2,107.8 million (prior year: approx. EUR 2,078.7 million), of which companies of other sub-groups of the ÖBB Group accounted for approx. EUR 719.7 million (prior year: approx. EUR 720.8 million). Revenue is mainly generated in Austria. Revenue generated by companies abroad totaled approx. EUR 53.7 million (prior year: approx. EUR 61.2 million). This revenue mainly relates to the supply of energy and the infrastructure usage charge.

Year on year, train kilometer volume increased by approx. 146.1 million tkm (prior year: 145.4 million tkm).

Development of train-kilometers by type of transport in mil.

	2016	2015	Change	Change in %
Passenger transport	98.3	97.5	0.8	1%
<i>thereof ÖBB Group</i>	93.3	92.7	0.6	1%
Goods transport	40.5	40.7	-0.2	0%
<i>thereof ÖBB Group</i>	31.7	32.7	-1.0	-3%
Service trains and light engines	7.3	7.2	0.1	1%
<i>thereof ÖBB Group</i>	6.1	6.0	0.1	2%
Total	146.1	145.4	0.7	0%
<i>thereof ÖBB Group</i>	131.1	131.4	-0.3	0%

In financial year 2016, total gross tonnage kilometers (tgtk) increased to approx. 484.3 million tgtk. While in the 2015 financial year external railway operators accounted for 12.0 billion tgtk or 16% of the total, in 2016, they accounted for 12.9 billion tgtk, which corresponds to 17% of the total.

Development of gross tonnage-kilometers by type of transport in mil.

	2016	2015	Change	Change in %
Passenger transport	29,524.4	29,129.5	394.9	1%
<i>thereof ÖBB Group</i>	27,964.8	27,606.6	358.2	1%
Goods transport	44,934.0	44,849.2	84.8	0%
<i>thereof ÖBB Group</i>	33,768.2	34,538.9	-770.7	-2%
Service trains and light engines	1,127.7	1,123.1	4.6	0%
<i>thereof ÖBB Group</i>	963.7	963.0	0.7	0%
Total	75,586.1	75,101.8	484.3	1%
<i>thereof ÖBB Group</i>	62,696.7	63,108.5	-411.8	-1%

Revenue is also generated from power and real estate.

Development of the electricity sector:

Traction power in GWh	2016	2015	Change	Change in %
Self-generated traction power from ÖBB power plants	664	801	-137	-17%
Consumption of traction power from the overhead contact line	1,792	1,767	25	1%

Power plants owned by ÖBB-Infrastruktur sub-group generated approx. 664 GWh of traction power in financial year 2016 (prior year: approx. 801 GWh).

In 2015, much more power was generated than in a typical year due to the emptying of Tauernmoos Lake (which must be done at certain intervals in order to be able to carry out inspections or repair work on the bottom of the reservoir).

Development of the rentable areas:

Floor space incl. rentable exterior spaces in thousand m ²	2016	2015	Change	Change in %
Usage by external parties (outside the Group)	681	701	-20	-3%
Usage by ÖBB Group companies other than ÖBB-Infrastruktur AG	324	332	-8	-2%
Usage by ÖBB-Infrastruktur AG	565	562	3	1%
Vacant and public space	1,109	1,092	17	2%
Floor space	2,679	2,687	-8	0%
Exterior spaces rented out	19	18	1	6%
Total portfolio	2,698	2,705	-7	0%

As in the previous year, the floor space of buildings incl. rentable exterior spaces amounts to 2.7 million m², of which about one-fourth is rented out to third parties. The rest is rented out within the Group, used by the ÖBB-Infrastruktur sub-group itself or consists of public and vacant spaces.

Traffic services ordered/contributions by the federal government, federal provinces, and communities

Traffic services ordered/ contributions by the federal government, federal provinces and communities in EUR million	ÖBB- Personenverkehr	Rail Cargo Austria	ÖBB- Infrastruktur
Traffic/public services contracted by the federal government	660.7 (PY: 644.8)	80.6 (PY: 81.9)	-
Transport service orders with provinces and communities	339.7 (PY: 285.8)	-	-
Infrastructure operations	-	-	574.9 (PY: 597.1)
Repair and investment	-	-	1,226.6 (PY: 1,136.9)
Total	1,000.4 (PY: 930.6)	80.6 (PY: 81.9)	1,801.5 (PY: 1,734.0)

Contributions to ÖBB-Personenverkehr sub-group relate to the traffic services ordered by the federal government beyond the reporting period for local and long-distance passenger rail transport, which totaled approx. EUR 660.7 million in the year under review (prior year: approx. EUR 644.8 million) and by the federal provinces and communities, amounting to EUR 339.7 million (prior year: EUR 285.8 million). The increase in federal compensation resulted primarily from netbacks of existing services.

Contributions to Rail Cargo Austria sub-group result from the provision of rail freight services in the production forms of single-car traffic, unaccompanied combined transport, and rolling highways and are based on the "Beihilfenprogramm für die Erbringung von Schienengüterverkehrsleistungen in bestimmten Produktionsformen in Österreich" [Aid program for the provision of rail freight services in certain production forms in Austria] notified by the EU. In the reporting period, these payments totaled approx. EUR 80.6 million (prior year: approx. EUR 81.9 million).

The increased contributions by the federal government to ÖBB-Infrastruktur AG related to investment activities. On behalf of the Republic of Austria, ÖBB-Infrastruktur AG is executing a construction program of historic dimensions. Pursuant to the 2014 to 2019 grant agreement, the federal government has committed to paying 75% of the expansion and reinvestment costs up to 2016, and 80% of the annual capital expenditures in 2017 and 2018. These grants are being paid in the form of annuities spread over 30 years. For the Brenner base tunnel project, the federal government provides a 100% grant in the form of an annuity allocated over 50 years. The interest rate corresponds to the rate respectively applicable for long-term financing measures of ÖBB-Infrastruktur AG. In 2016, the federal government contributed EUR 691.7 million (prior year: EUR 634.5 million). For infrastructure maintenance (inspection/services, troubleshooting and repairs), the federal government provided EUR 534.9 million (prior year: approx. EUR 502.4 million).

The government also subsidizes the operation of the infrastructure with a grant of EUR 574.9 million (prior year: EUR 597.1 million). This grant will continue to be paid insofar and for as long as the revenues that can be achieved by the users of the railway infrastructure under the respective market conditions do not cover the expenses incurred despite economical and efficient management. The amount declined year on year due to performance improvements and deferrals.

C.2. Result of operations

Result of operations of ÖBB Group

Despite a difficult market environment, especially in freight transport, earnings were high. The previous year's result was even exceeded in the passenger transport sub-group.

Overview	2016	2015	Change	Change in %
EBIT ⁴ in EUR million	811.4	856.6	-45.2	-5%
EBIT margin ⁵ in %	12.6%	13.5%	-0.9%	-6%
EBITDA ⁶ in EUR million	1,779.1	1,805.5	-26.4	-1%
EBT in EUR million	166.2	192.8	-26.6	-14%
Return on equity ⁷ in %	7.9%	10.0%	-2.1%	-21%
Return on assets ⁸ in %	3.0%	3.2%	-0.2%	-6%

Total income increased slightly over the previous year to approx. EUR 6,415.8 million (prior year: approx. EUR 6,345.4 million). Accordingly, the EBIT of the ÖBB Group decreased by approx. 5% year on year to EUR 811.4 million (prior year: approx. EUR 856.6 million). In the year under review, ÖBB Group's EBIT declined from 13.5% in the prior year to 12.6%. Accordingly, the EBIT margin decreased by 1% to EUR 1,779.1 million (prior year: approx. EUR 1,805.5 million). After a result of approx. EUR 192.8 million in the prior year, an EBT of approx. EUR 166.2 million was recorded. This equates to a decrease of 14% year on year. Return on equity was 7.9% (prior year: 10.0%), return on total assets 3.0% (prior year: 3.2%).

Structure of the Consolidated Income Statement in EUR million	2016	in % of total income	2015	in % of total income	Change	Change in %
Revenue	5,246.8	82%	5,220.9	82%	25.9	0% *)
Other own work capitalized	368.1	6%	372.6	6%	-4.5	-1%
Other income and increase/decrease of inventories	800.9	12%	751.9	12%	49.0	7% *)
Total income	6,415.8	100%	6,345.4	100%	70.4	1%
Cost of materials	344.9	5%	355.0	6%	-10.1	-3%
Purchased services	1,385.6	22%	1,396.5	22%	-10.9	-1%
Personnel expenses	2,478.5	39%	2,337.5	37%	141.0	6%
Amortization (incl. impairment)	967.7	15%	949.0	15%	18.7	2%
Other operating expenses	427.7	7%	450.8	7%	-23.1	-5%
Total expenses	5,604.4	87%	5,488.8	87%	115.6	2%
EBIT	811.4	13%	856.6	13%	-45.2	-5%
Financial result	-645.2	-10%	-663.8	-10%	18.6	3%
EBT	166.2	3%	192.8	3%	-26.6	-14%

*) adjusted comparative amounts, see Note 4 in the Notes to the Consolidated Financial Statements

⁴ EBIT corresponds to earnings (not including earnings of investments accounted for using the equity method) on the Consolidated Income Statement.

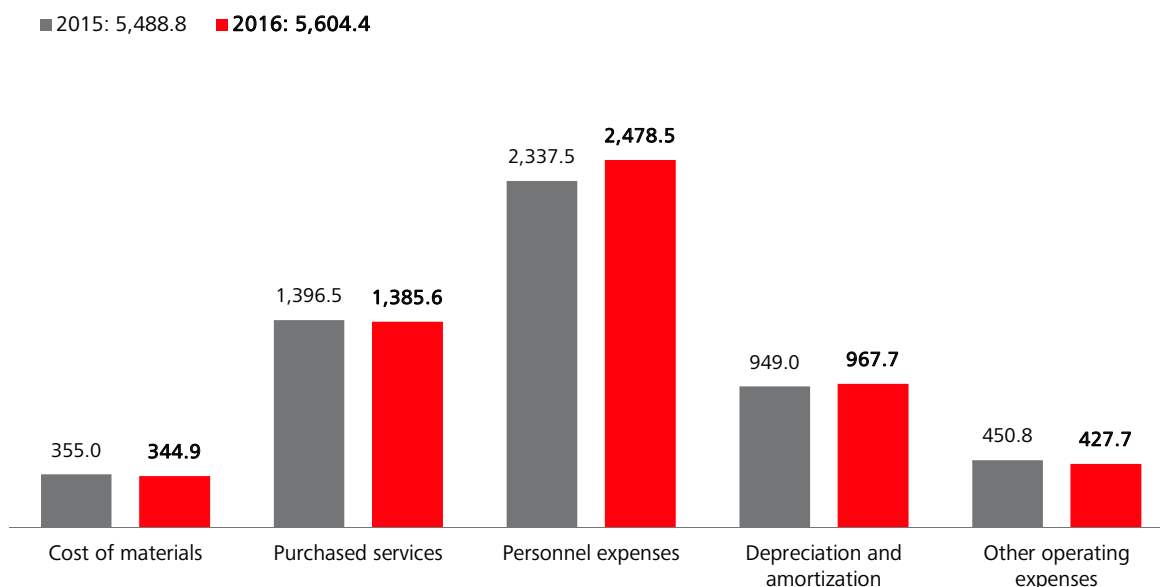
⁵ EBIT margin: EBIT/total income

⁶ EBITDA: EBIT + depreciation and amortization

⁷ Return on equity: EBT/shareholders' equity

⁸ Return on total assets: EBIT/total capital

Development of operating expenses in EUR million



Total expenses increased in financial year 2016 by approx. EUR 115.6 million to approx. EUR 5,604.4 million (prior year: approx. EUR 5,488.8 million).

Year on year, personnel expenses increased by 6% to approx. EUR 2,478.5 million (prior year: approx. EUR 2,337.5 million) and still constitute the largest expense category. The average personnel expense per employee amounted to approx. kEUR 60 (prior year: approx. kEUR 57; the relatively low value of the previous year was due to the one-off effect from the reversal of the provision for advance reporting in the amount of approx. EUR 85.4 million, which was recognized as an expense and thus reduced personnel expenses). The payroll ratio⁹ – measuring the ratio of personnel expenses to total income – increased slightly, to 39% (prior year: 37%). More information on the personnel structure and the development of the number of employees is provided in Chapter D.2. Personnel Report.

Cost of materials decreased to approx. EUR 344.9 million (prior year: approx. EUR 355.0 million). This item comprises expenses for purchased traction power amounting to approx. EUR 78.0 million (prior year: approx. EUR 76.1 million) and expenses for liquid fuels amounting to EUR 68.1 million (prior year: approx. EUR 75.0 million).

Purchased services totaled approx. EUR 1,385.6 million (prior year: approx. EUR 1,396.5 million), making this the second largest expense category. This item primarily comprises fees for rented vehicles, transport services and infrastructure usage charges for third-party railways. Furthermore, this item comprises other services received consisting primarily of goods and services that cannot be capitalized in connection with repairs, maintenance, cleaning, and other services in the freight forwarding sector. The ratio of aggregated cost of materials and purchased services to total income was unchanged year on year at 27% (prior year: 28%). Depreciation and amortization expense increased by approx. EUR 18.7 million to approx. EUR 967.7 million (prior year: approx. EUR 949.0 million).

Reductions were recorded in operating costs (-9% to approx. EUR 100.6 million), in rental, property lease, license and other leasing expenses (-1% to approx. EUR 31.6 million), in expenses for information technology and office supplies (-43% to approx. EUR 17.4 million) and in commissions (-13% to approx. EUR 10.5 million). In contrast, there was an increase in other miscellaneous expenses (to approx. EUR 221.5 million) and in taxes and duties (3% to approx. EUR 46.1 million). Other operating expenses decreased overall by approx. EUR 23.1 million or 5% in total to approx. EUR 427.7 million (prior year: approx. EUR 450.8 million).

ÖBB Group is reporting a negative financial result for financial year 2016 of approx. EUR 645.2 million (prior year: approx. EUR 663.8 million). Interest expense amounted to approx. EUR 698.6 million (prior year: approx. EUR 718.9 million).

⁹ Payroll ratio: Personnel expenses/total income

Result of operations of ÖBB-Personenverkehr sub-group

The earnings (EBT) of the ÖBB passenger transport sub-group are higher than the previous year, as total income increased significantly more than total expenses.

Overview	2016	2015	Change	Change in %
Revenue in EUR million	2,037.3	2,012.9	24.4	1% *)
Total income in EUR million	2,064.2	2,037.9	26.3	1%
Total expenses in EUR million	-1,961.0	-1,945.0	-16.0	-1%
EBIT in EUR million	103.2	93.0	10.2	11%
EBIT margin in %	5.0%	4.6%	0.4%	9%
EBITDA in EUR million	224.7	238.0	-13.3	-6%
Financial result in EUR million	-21.3	-15.7	-5.6	36%
EBT in EUR million	81.9	77.3	4.6	6%
Return on equity in %	10.0%	10.5%	-0.5%	5%
Return on assets in %	3.5%	3.5%	0.0%	0%

*) adjusted values, see Note 4 in the Notes to the Consolidated Financial Statements

ÖBB-Personenverkehr sub-group increased its revenue in the reporting period by 1% to approx. EUR 2,037.3 million (prior year: approx. EUR 2,012.9 million).

Personnel expenses of the sub-group in financial year 2016 increased by approx. EUR 13.4 million to approx. EUR 390.0 million (prior year: approx. EUR 376.6 million). The average personnel expense per employee was unchanged year on year at approx. kEUR 56 (prior year: approx. kEUR 55). The ratio of personnel expenses to total income was slightly higher than the prior year at approx. 19% (prior year: 18%). Costs of materials of approx. EUR 109.8 million (prior year: approx. EUR 119.5 million) include, among other costs, expenses for traction power of approx. EUR 33.0 million (prior year: approx. EUR 36.6 million) and approx. EUR 39.6 million (prior year: approx. EUR 42.6 million) for liquid fuels. Year on year, purchased services increased by 3% to approx. EUR 1,152.4 million (prior year: approx. EUR 1,114.7 million). This item includes vehicle rental fees of approx. EUR 86.4 million (prior year: approx. EUR 36.4 million), transport services of EUR 427.6 million (prior year: approx. EUR 483.0 million) and infrastructure usage charges for third-party railways of approx. EUR 329.3 million (prior year: approx. EUR 316.5 million). The ratio of aggregated cost of materials and purchased services to total income was unchanged year on year at 61%.

Result of operations of Rail Cargo Austria sub-group

The European rail freight market was also very tense in 2016. This could be seen above all in the significant price pressure between competitors and the declining volumes in industries that have traditionally made good use of rail services, but also by the shift in the industrial mix toward intermodal and consumer goods. As a result of the resolute continuation of its internationalization strategy and a comprehensive program to ensure earnings, the Rail Cargo Austria sub-group again achieved a clearly positive result.

Overview	2016	2015	Change	Change in %
Revenue in EUR million	2,079.0	2,070.5	8.5	0% *)
Total income in EUR million	2,124.0	2,159.1	-35.1	-2%
Total expenses in EUR million	-2,063.8	-2,082.5	18.7	1%
EBIT in EUR million	60.2	76.6	-16.4	-21%
EBIT margin in %	2.8%	3.5%	-0.7%	-20%
EBITDA in EUR million	121.1	131.7	-10.6	-8%
Financial result in EUR million	-15.9	-19.4	3.5	18%
EBT in EUR million	44.3	57.2	-12.9	-23%
Return on equity in %	**)	**)	**)	**)
Return on assets in %	3.3%	4.3%	-1.0%	-23%

*) adjusted comparative amounts, see Note 4 in the Notes to the Consolidated Financial Statements

**) Ratio not meaningful

The EBIT of Rail Cargo Austria sub-group declined in the reporting period, from EUR 60.2 million to approx. EUR 76.6 million, a decrease of approx. EUR 16.4 million. With a 6% decrease in total income to approx. EUR 2,124.0 million (prior year: approx. EUR 2,159.1 million), the EBIT margin was 2.8% after 3.5% in the prior year. The financial result improved year on year, from approx. EUR -19.4 million to approx. EUR -15.9 million. As a result, EBT for 2016 is reported at approx. EUR 44.3 million (prior year: approx. EUR 57.2 million). Return on total assets was 3.3% (prior year: 4.3%), while EBITDA totaled approx. EUR 121.1 million (prior year: approx. EUR 131.7 million).

Year on year, the total expenses incurred by the Rail Cargo Austria sub-group decreased by 1% to approx. EUR 2,063.8 million (prior year: approx. EUR 2,082.5 million). Purchased services constituted the largest expense category, increasing by 2% to approx. EUR 1,299.0 million (prior year: approx. EUR 1,331.5 million). This item includes expenses for transport services, infrastructure usage charges including public services and personnel leasing, rent for railway and road vehicles, and other services. Personnel expenses increased in the reporting year to approx. EUR 378.6 million (prior year: approx. EUR 358.5 million), the average personnel expense per employee increased from approx. kEUR 44 in the prior year to approx. kEUR 46. The ratio of personnel expenses to total income was 18% (prior year: 17%). In total, the ratio of cost of materials and purchased services to total income was 69% (prior year: 70%) of total income.

Result of operations of ÖBB-Infrastruktur sub-group

Due to the postponement of transactions from previous periods, the income from real estate sales is higher year on year. Further improvements to operating workflows enabled another increase in productivity.

Overview	2016	2015	Change	Change in %
Revenue in EUR million	2,107.8	2,078.7	29.1	1% *)
Total income in EUR million	3,154.8	3,051.4	103.4	3%
Total expenses in EUR million	-2,528.2	-2,437.0	-91.2	-4%
EBIT in EUR million	626.6	614.4	12.2	2%
EBIT margin in %	19.9%	20.1%	-0.2%	-1%
EBITDA in EUR million	1,352.4	1,304.8	47.6	4%
Financial result in EUR million	-577.0	-601.5	24.5	4%
EBT in EUR million	49.6	12.8	36.8	>100%
Return on equity in %	3.9%	1.1%	2.8%	>100%

*) adjusted values, see Note 4 in the Notes to the Consolidated Financial Statements

The total income of the ÖBB-Infrastruktur sub-group in the reporting year was approx. EUR 3,154.8 million (prior year: approx. EUR 3,051.4 million), with an average number of employees of 17,963 (prior year: 17,730 employees) the average income per employee amounts to approx. EUR 176 thousand (prior year: approx. EUR 172 thousand). This equates to an increase in total income of approx. EUR 103.4 million or 3% compared to 2015.

In 2016, ÖBB-Infrastruktur sub-group generated EBIT of approx. EUR 626.6 million (prior year: approx. EUR 614.4 million) with an EBIT margin of 19.9% (prior year: 20.1%).

ÖBB-Infrastruktur sub-group generated a negative financial result in the reporting year of approx. EUR 577.0 million (prior year: approx. EUR 601.5 million). EBT in 2016 totaled approx. EUR 49.6 million (prior year: approx. EUR 12.8 million).

The total expenses incurred by the sub-group in 2016 increased by 4% to approx. EUR 2,528.2 million (prior year: approx. EUR 2,437.0 million).

In 2016, personnel expenses constituted the largest expense item, and increased by 7% to approx. EUR 1,110.9 million (prior year: approx. EUR 1,036.5 million). The average personnel expense per employee amounted to approx. kEUR 62 (prior year: approx. kEUR 58; the relatively low value of the previous year was due to the one-off effect from the reversal of the provision for advance reporting, which was recognized as an expense and thus reduced personnel expenses). The ratio of personnel expenses to total income of the sub-group was thus 35% (prior year: 34%).

Because it has operational responsibility, depreciation and amortization represent the second largest expense item of this sub-group. Due to enhanced investment activity in previous years, this item increased in the reporting year, from EUR 5% million to approx. EUR 725.7 million (prior year: approx. EUR 690.4 million).

The cost of materials and purchased services accounted for 12% (prior year: 13%) of total income.

C.3. Net assets and financial position

Net assets and financial position of the ÖBB Group

Overview	Dec 31, 2016	Dec 31, 2015	Change	Change in %
Total assets in EUR million	27,344.1	26,475.3	868.8	3%
PP&E-to-total-assets ratio ¹⁰ in %	89%	88%	1%	1%
PP&E-to-net-worth ratio ¹¹ in %	9%	8%	1%	13%
PP&E-to-net-worth ratio II ¹² in %	95%	97%	-2%	-2%
Working capital ¹³ in EUR million	-206.9	-189.8	-17.1	9%
Equity ratio ¹⁴ in %	7.7%	7.3%	0.4%	5%
Cash-effective change of funds in EUR million	-119.2	-68.5	-50.7	74%

Structure of the Consolidated Statement of Financial Position in EUR million

	Dec 31, 2014	Dec 31, 2015	Structure 2015	Dec 31, 2016	Structure 2016	Change from 2015 to 2016
Property, plant and equipment	22,723.9	23,416.1	88%	24,385.7	89%	969.6 *)
Other non-current assets	1,610.6	1,724.0	7%	1,491.1	6%	-232.9 *)
Current assets	1,411.3	1,335.2	5%	1,467.3	5%	132.1
Total assets	25,745.8	26,475.3	100%	27,344.1	100%	868.8
Shareholders' equity	1,692.0	1,921.9	7%	2,093.1	8%	171.2
Financial liabilities	21,811.1	22,317.0	84%	22,798.8	83%	481.8
Other liabilities	2,242.7	2,236.4	8%	2,452.2	9%	215.8

*) adjusted values, see Note 14 in the Notes to the Consolidated Financial Statements

Assets

Total assets of ÖBB Group increased in the reporting year, by 3% to approx. EUR 27,344.1 million (prior year: approx. EUR 26,475.3 million), mainly as a result of investments in property, plant and equipment.

As of the reporting date, the ratio of property, plant and equipment to total assets (PP&E ratio) was 89% (prior year: 88%). These assets were primarily financed with borrowings through loans and bond issues.

As of December 31, 2016, the PP&E-to-net-worth ratio was 9% (prior year: 8%). PP&E-to-net-worth ratio II, which includes non-current borrowings, was 95% (prior year: 97%).

Working capital amounted to approx. EUR -206.9 million (prior year: approx. EUR -189.8 million).

Total liabilities and shareholders' equity

As of December 31, 2016, the equity ratio of ÖBB Group was 7.7% (prior year: 7.3%). On the liabilities side, the increase in the balance sheet total is mainly due to higher equity and the increase in other liabilities.

¹⁰ PP&E ratio: PP&E / total assets

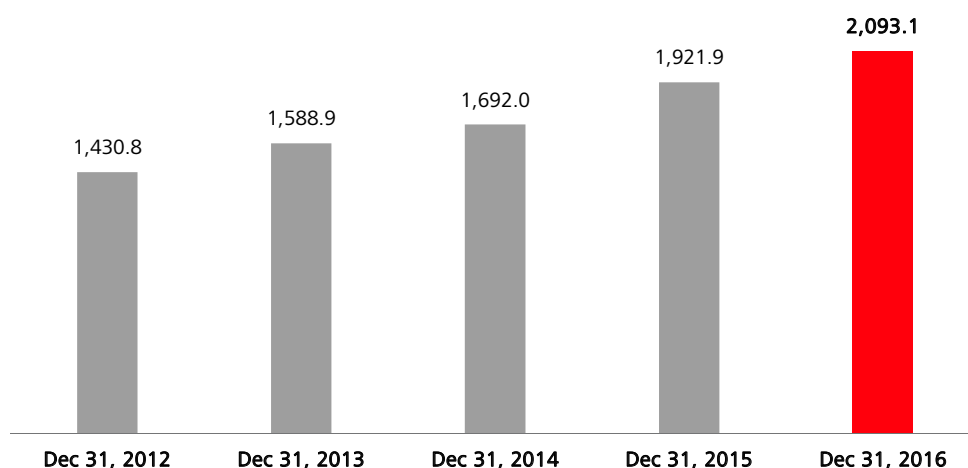
¹¹ PP&E-to-net-worth ratio: Equity / PP&E

¹² PP&E-to-net-worth ratio II: (Equity + non-current borrowings) / PP&E

¹³ Working capital: Inventories (excl. real estate recovery projects and prepayments on orders) + Trade receivables – Trade payables

¹⁴ Equity ratio: Equity / total capital

Development of shareholders' equity in EUR million

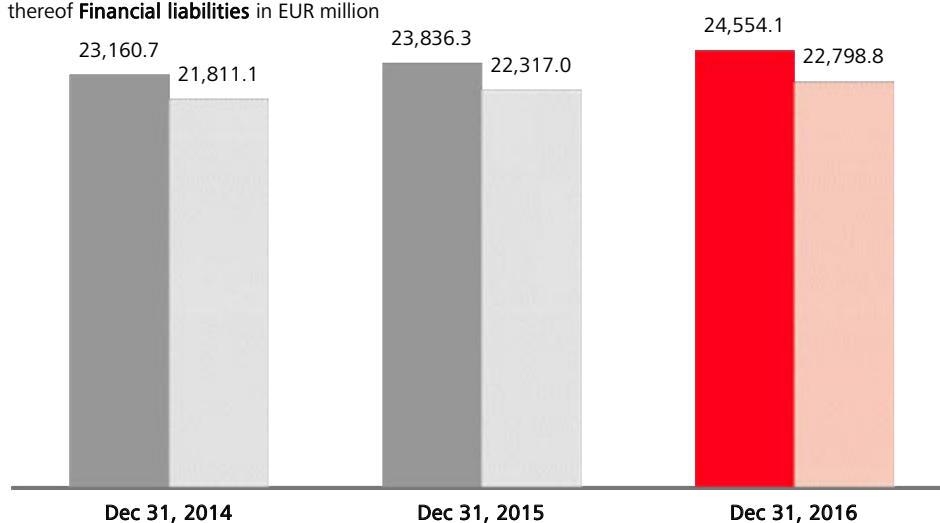


Liabilities of ÖBB Group as of December 31, 2016 totaled approx. EUR 24,554.1 million (prior year: approx. EUR 23,836.3 million). Until 2015, ÖBB Group financed debt mainly by issuing its own bonds on the capital market. ÖBB-Infrastruktur AG recognizes these bonds in an amount of approx. EUR 14,291.9 million (prior year: approx. EUR 15,312.8 million).

According to Eurostat criteria, the ÖBB Group is part of the government sector. Against the backdrop of the Republic of Austria's more favorable interest rates on the capital market, decisions regarding long-term financing via loans from the Republic of Austria are made in consultation with BMVIT. In the financial year, a loan was taken out from the Austrian Treasury (OeBFA) in the amount of EUR 1 billion.

The financial liabilities of ÖBB Group comprise all liabilities from bonds and liabilities to banks and EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial AG [European Company for the Financing of Railroad Rolling Stock]. Overall, financial liabilities in the reporting year increased by 2% or EUR 481.8 million to approx. EUR 22,798.8 million (prior year: approx. EUR 22,317.0 million).

Liabilities in EUR million thereof Financial liabilities in EUR million



The terms of the liabilities are summarized in the following table:

Terms of the liabilities in EUR million	Total	thereof current	in %	thereof non-current	in %
Financial liabilities	22,798.8	2,248.2	10%	20,550.6	90%
Trade payables	937.2	937.2	100%	0.0	0%
Other liabilities	818.1	755.5	92%	62.6	8%

For explanations of significant provisions, please refer to Note 26 in the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Statement of Cash Flow

In the year under review, cash flow¹⁵ decreased to approx. EUR -773.5 million (prior year: approx. EUR -564.6 million). The change in cash and cash equivalents with effect on cash flow declined from approx. EUR -68.5 million to approx. EUR -119.2 million.

Abstract from the Group Cash Flow Statement in EUR million	Dec 31, 2016	Dec 31, 2015	Change
Cash flow from operating activities	1,135.7	1,070.2	65.5
Cash flow from investing activities	-1,909.2	-1,634.8	-274.4
Free Cash flow	-773.5	-564.6	-208.9
Cash flow from financing activities	654.3	496.1	158.2
Cash-effective change of funds	-119.2	-68.5	-50.7

The detailed Consolidated Statement of Cash Flow is included in the Notes to the Consolidated Financial Statements.

Net assets and financial position of the ÖBB-Personenverkehr sub-group

Overview	Dec 31, 2016	Dec 31, 2015	Change	Change in %
Total assets in EUR million	2,952.6	2,640.0	312.6	12%
PP&E-to-total-assets ratio in %	71%	70%	1%	1%
PP&E-to-net-worth ratio in %	39%	40%	-1%	-3%
PP&E-to-net-worth ratio II in %	117%	119%	-2%	-2%
Equity ratio in %	28%	28%	0%	0%

Structure of the Consolidated Statement of Financial Position in EUR million	Dec 31, 2014	Dec 31, 2015	Structure 2015	Dec 31, 2016	Structure 2016	Change from 2015 to 2016
Non-current assets	2,432.7	2,344.0	89%	2,618.2	89%	274.2
Current assets	344.6	296.0	11%	334.4	11%	38.4
Total assets	2,777.3	2,640.0	100%	2,952.6	100%	312.6
Shareholders' equity	654.7	735.8	28%	820.9	28%	85.1
Non-current liabilities	1,440.4	1,454.1	55%	1,647.1	56%	193.0
Current liabilities	682.2	450.1	17%	484.6	16%	34.5

In the year under review, ÖBB-Personenverkehr sub-group's total assets increased by approx. EUR 312.6 million to approx. EUR 2,952.6 million (prior year: approx. EUR 2,640.0 million). As of the reporting date, the ratio of property, plant and equipment to total assets (PP&E ratio) was 71% (prior year: 70%). As of the same date, the PP&E-to-net-worth ratio was 39% (prior year: 40%), and the PP&E-to-net-worth ratio II was 117% (prior year: 119%). Working capital amounted to approx. EUR -107.6 million (prior year: approx. EUR -82.7 million). The increase in equity, by approx. EUR 85.1 million to approx. EUR 820.9 million (prior year: approx. EUR 735.8 million), produced an equity ratio of 28%.

The total liabilities of ÖBB-Personenverkehr sub-group increased by 13% to approx. EUR 1,929.5 million (prior year: approx. EUR 1,706.2 million). Financial liabilities in the reporting period increased by approx. EUR 173.3 million or 13% to approx. EUR 1,553.7 million (prior year: approx. EUR 1,380.4 million).

¹⁵ Cash flow from operating activities + cash flow from investing activities

Net assets and financial position of the Rail Cargo Austria sub-group

Overview	Dec 31, 2016	Dec 31, 2015	Change	Change in %
Total assets in EUR million	1,840.7	1,773.8	66.9	4%
PP&E-to-total-assets ratio in %	39%	40%	-1%	-3%
PP&E-to-net-worth ratio in %	17%	11%	6%	55%
Equity ratio in %	7%	4%	3%	75%

Structure of the Consolidated Statement of Financial Position

in EUR million	Dec 31, 2014	Dec 31, 2015	Structure 2015	Dec 31, 2016	Structure 2016	Change from 2015 to 2016
Non-current assets	1,075.2	1,121.3	63%	1,152.7	63%	31.4
Current assets	787.1	652.5	37%	688.0	37%	35.5
Total assets	1,862.3	1,773.8	100%	1,840.7	100%	66.9
Shareholders' equity	2.3	74.0	4%	122.1	7%	48.1
Non-current liabilities	984.4	961.2	54%	827.7	45%	-133.5
Current liabilities	875.5	738.6	42%	890.9	48%	152.3

Year on year, the sub-group's total assets declined by approx. EUR 66.9 million or 4% to approx. EUR 1,840.7 million (prior year: approx. EUR 1,773.8 million). As of the reporting date, the ratio of property, plant and equipment to total assets (PP&E ratio) was 39% (prior year: 40%). The PP&E-to-net-worth ratio was 17% (prior year: 11%). Working capital totaled approx. EUR 267.9 million (prior year: approx. EUR 229.6 million). The increase in equity, by approx. EUR 48.1 million to approx. EUR 122.1 million (prior year: EUR 74.0 million), produced an equity ratio as of December 31 of 7% (prior year: 4%).

Overall the liabilities of the sub-group increased by approx. EUR 26.8 million or 2% to approx. EUR 1,629.8 million (prior year: approx. EUR 1,603.0 million). Financial liabilities increased to approx. EUR 1,273.1 million (prior year: approx. EUR 1,252.5 million).

Net assets and financial position of the ÖBB-Infrastruktur sub-group

Overview	Dec 31, 2016	Dec 31, 2015	Change	Change in %
Total assets in EUR million	22,654.3	22,100.2	554.1	3%
PP&E-to-total-assets ratio in %	92%	91%	1%	1%
PP&E-to-net-worth ratio in %	6%	6%	0%	0%
PP&E-to-net-worth ratio II in %	94%	96%	-2%	-2%
Equity ratio in %	6%	5%	1%	20%

Structure of the Consolidated Statement of Financial Position

in EUR million	Dec 31, 2014	Dec 31, 2015	Structure 2015	Dec 31, 2016	Structure 2016	Change from 2015 to 2016
Non-current assets	20,547.0	21,376.0	97%	21,850.2	96%	474.2
Current assets	794.0	724.2	3%	804.1	4%	79.9
Total assets	21,341.0	22,100.2	100%	22,654.3	100%	554.1
Shareholders' equity	1,198.5	1,206.2	6%	1,268.6	6%	62.4
Non-current liabilities	18,681.5	18,137.3	82%	18,226.6	80%	89.3
Current liabilities	1,461.0	2,756.7	12%	3,159.1	14%	402.4

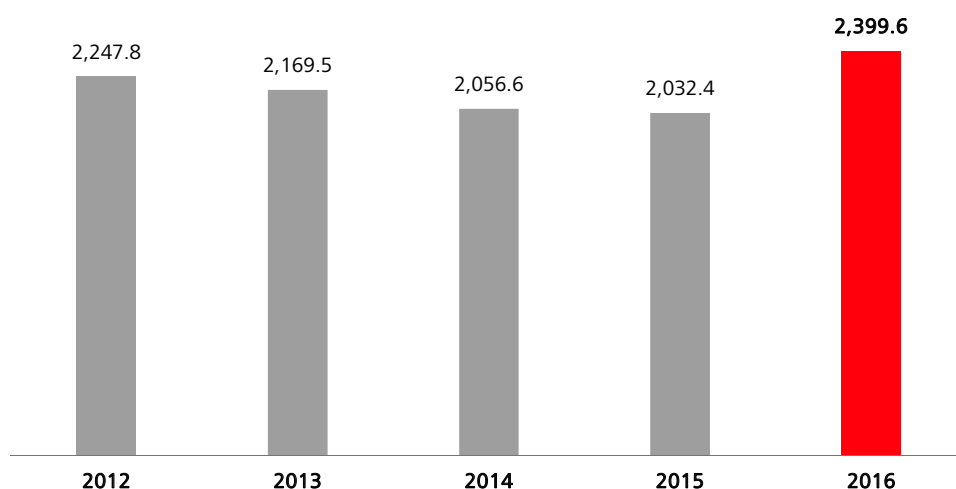
The total assets of the ÖBB-Infrastruktur sub-group increased as of December 31, 2016 by 3% to approx. EUR 22,654.3 million (prior year: approx. EUR 22,100.2 million). The PP&E ratio was 92% (prior year: 91%). As of the reporting date, the PP&E-to-net-worth ratio was unchanged year on year, at 6%. PP&E-to-net-worth ratio II, which includes non-current borrowings, was 94% (prior year: 96%). Working capital totaled approx. EUR -429.9 million (prior year: approx. EUR -430.0 million). The increase in equity, by approx. EUR 62.4 million to approx. EUR 1,268.6 million (prior year: approx. EUR 1,206.2 million), produced an equity ratio of 6% (prior year: 5%).

Overall, the liabilities of ÖBB-Infrastruktur sub-group increased in the reporting period by 2% to approx. EUR 21,046.9 million (prior year: approx. EUR 20,536.6 million). With financial liabilities increasing by approx. 2% to EUR 19,879.2 million (prior year: approx. EUR 19,541.6 million), this category now accounts for 94% (prior year: 95%) of all liabilities.

C.4. Capital expenditure and financing measures

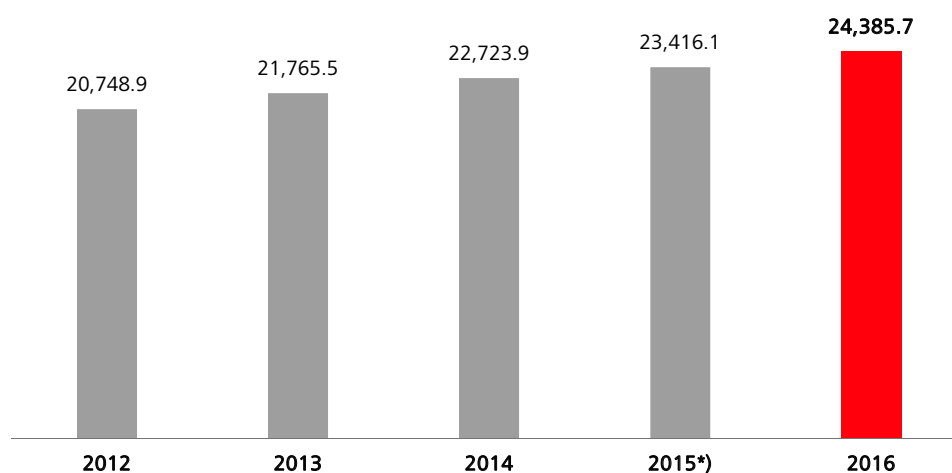
Overview	2016	2015	Change	Change in %
Capital expenditure in EUR million	2,399.6	2,032.4	367.2	18%
Capital expenditure ratio of total income ¹⁶ in %	34%	30%	4%	13%
PP&E-to-total-assets ratio ¹⁷ in %	9%	8%	1%	13%

Capital expenditure in EUR million



In the year under review, ÖBB Group invested approx. EUR 2,399.6 million (prior year: approx. EUR 2,032.4 million) in property, plant and equipment, and intangible assets. These capital expenditures are reported as additions to fixed assets and recognized at cost. This figure represents a capital expenditure ratio of 34% (prior year: 30%) of total income or 9% (prior year: 8%) of the carrying amounts as of January 1. The calculation is made based on gross investment prior to the deduction of investment grants.

Tangible assets in EUR million



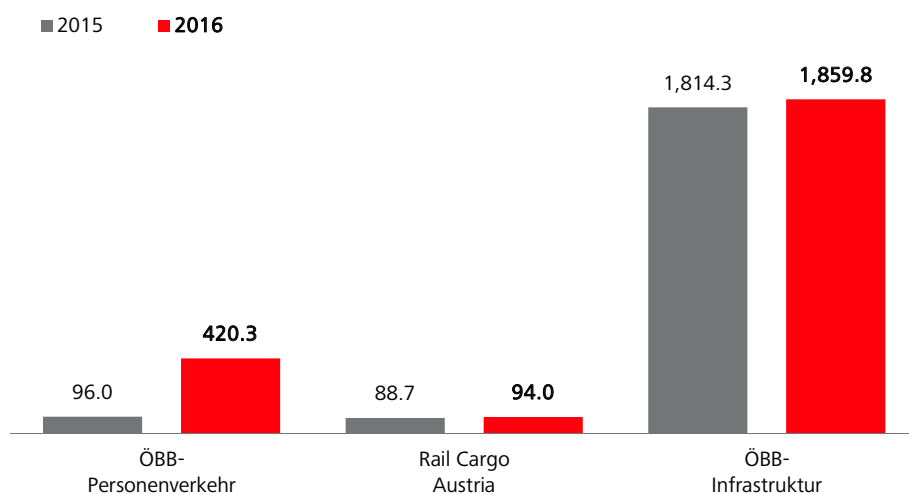
*) adjusted comparative amounts, see Note 14 in the Notes to the Consolidated Financial Statements

¹⁶ Capital expenditure ratio: Capital expenditure ratio: investment in property, plant and equipment / total income

¹⁷ Capital expenditure ratio: Capital expenditure ratio: investment in property, plant and equipment / carrying amount of PP&E as of January 1.

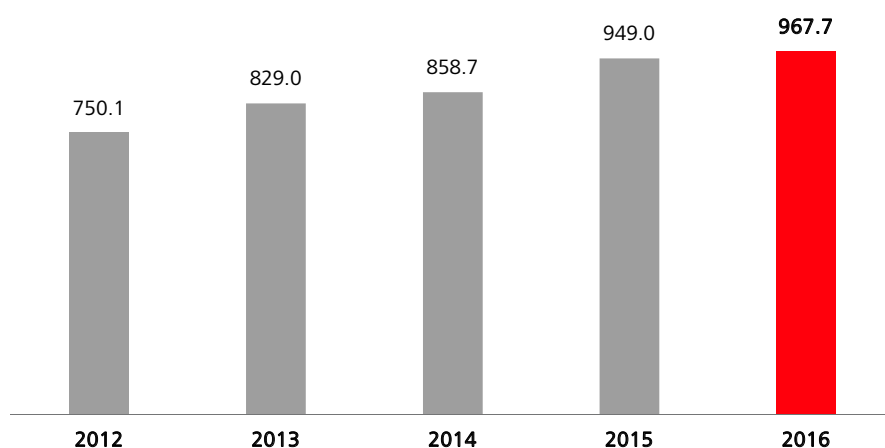
Of the capital expenditures amounting to approx. EUR 2,399.6 million (prior year: approx. EUR 2,032.4 million), ÖBB-Infrastruktur sub-group accounted for the lion's share of all investment and financing measures, with approx. EUR 1,859.8 million (prior year: approx. EUR 1,814.3 million). The property, plant and equipment held by this sub-group and recognized with carrying amounts of approx. EUR 20,785.4 million (prior year: approx. EUR 20,038.0 million) account for about 85% (prior year: 86%) of all property, plant and equipment held by ÖBB Group amounting to approx. EUR 24,385.7 million (prior year: approx. EUR 23,416.1 million) in total.

Overview of capital expenditure by sub-group in EUR million (before consolidation at group level)



Depreciation and amortization expense increased by approx. EUR 18.7 million to approx. EUR 967.7 million (prior year: approx. EUR 949.0 million).

Development of depreciation and amortization of ÖBB Group in EUR million



Capital expenditure of ÖBB-Personenverkehr sub-group

Overview	2016	2015	Change	Change in %
Capital expenditure in EUR million	420.3	96.0	324.3	>100%
Capital expenditure ratio of total income in %	20%	5%	15%	>100%
PP&E-to-total-assets ratio in %	22%	5%	17%	>100%

In the reporting year, the ÖBB-Personenverkehr sub-group invested approx. EUR 420.3 million (prior year: approx. EUR 96.0 million) in intangible assets and property, plant and equipment. This equates to a capital expenditure ratio of 20% (prior year: 5%) of total income or 22% (prior year: 5%) of the carrying amounts as of January 1.

Capital expenditure	Amount in EUR million
Short-distance traffic investments	285.9
Long-distance traffic investments	109.9
Technical equipment and machinery	7.0
Other property, plant and equipment investments	4.9
Intangible assets	12.6
Total capital expenditures	420.3

Capital expenditure of Rail Cargo Austria sub-group

Overview	2016	2015	Change	Change in %
Capital expenditure in EUR million	94.0	88.7	5.3	6%
Capital expenditure ratio of total income in %	3%	4%	-1%	-25%
PP&E-to-total-assets ratio in %	10%	13%	-3%	-23%

In the year under review, Rail Cargo Austria sub-group invested approx. EUR 94.0 million (prior year: approx. EUR 88.7 million) in intangible assets and property, plant and equipment. This figure represents a capital expenditure ratio of 3% (prior year: 4%) of total income or 10% (prior year: 13%) of the carrying amounts as of January 1.

Capital expenditure	Amount in EUR million
Property, plant and equipment	68.9
Rolling stock	17.3
Workshops	17.3
Other property, plant and equipment	34.3
Intangible assets	25.1
Total	94.0

Capital expenditure of ÖBB-Infrastruktur sub-group

Overview	2016	2015	Change	Change in %
Capital expenditure in EUR million	1,859.8	1,814.3	45.5	3%
Capital expenditure ratio of total income in %	52%	55%	-3%	-5%
Capital expenditure ratio of carrying amounts in %	8%	9%	-1%	-8%

In total, the ÖBB-Infrastruktur sub-group invested approx. EUR 1,859.8 million (prior year: approx. EUR 1,814.3 million), equivalent to a capital expenditure ratio of 52% (prior year: 55%) of total income and 8% (prior year: 9%) of the carrying amount as of January 1.

The property, plant and equipment held by ÖBB-Infrastruktur sub-group with a carrying amount of approx. EUR 20,785.4 million (prior year: approx. EUR 20,038.0 million) account for about 85% (prior year: 86%) of all property, plant and equipment owned by ÖBB Group.

Areas of investment focus in 2016

Capital expenditures by ÖBB-Infrastruktur Group focused on the following investments in 2016:

- Four-track extension of the Western line (section Vienna – Wels)
- Expansion of the southern section (Baltic-Adriatic Corridor)
- Wels – Passau
- Construction of the Brenner Base Tunnel
- Construction of freight terminals
- Numerous local transport projects in large urban areas
- Train stations
- Improving tunnel safety on existing lines
- Noise protection measures
- Railway junctions; technical safety, conveyances, replacement measures, such as over- and underpasses
- Construction of park-and-ride facilities
- Large-scale capital expenditure, such as new tracks and switches

Milestones on Major Projects

Around 120 km of the 130 km Koralm Tunnel between Graz and Klagenfurt have already been completed or are under construction, corresponding to around 90% of the total project. The heart of this project is the 33-km long, twin-tube Koralm tunnel, where tunnel boring machines have been in operation from the Styrian side since 2013. On the Carinthian side, the last tunnel boring machine in the mountain started in October 2015. The breakthrough connecting the two ends of the Koralm Tunnel is planned for 2017. In the Mittlern – Althofen section of the Koralm railway, construction began on the Stein section in February 2016, and in March 2016 on the Mittlern construction section. The first breakthrough in the second-longest tunnel system of the Koralm railway, the Granitzal tunnel chain, took place in August 2016. Construction on the last two sections of the Koralm railway tunnel began with the start of work on the Stein and Lind tunnels in September 2016. In addition, with the 2016/17 timetable change, the new second track between Klagenfurt and Grafenstein began operations. After completion of the Koralm railway, passengers will be able to travel from Graz to Klagenfurt in only 45 minutes. In addition, the Koralm railway will serve to strengthen Austria and its regions as business centers by establishing a direct connection to major metropolitan areas as well as to ports on the Adriatic and the Baltic.

Construction of the Semmering base tunnel is progressing well: With the start of work on the third and last construction section (Grautschenhof) in May 2016, all three tunnel sections of the approximately 27-km long railway tunnel are under construction. In the middle tunnel section Fröschnitzgraben, two approximately 400-meter deep shafts were dug from spring 2015 to mid-2016. Currently, a large cavern is being constructed there, which will later serve as the emergency stop. At the beginning of 2018, tunneling machines in Fröschnitzgraben will start work in the direction of Gloggnitz; in the direction of Mürrzuschlag, work is carried out using the traditional excavator-blasting method. Since the fall of 2015, the miners have also been working in the mountain from the Lower Austrian side in the Gloggnitz Tunnel construction section, where they have already advanced more than a kilometer. This section includes the 1000-meter long access tunnel in Göstritz; more than half of the horizontal work on this tunnel was completed in 2016. At the third tunnel section Grautschenhof in Styria the 100-meter deep access shafts are expected to be completed in May 2017. At that point, construction of the actual tunnel tubes will begin. After completion, the Semmering base tunnel will reduce passenger travel time between Vienna and Graz by 30 minutes and greatly ease pressure on freight traffic on the route.

At the Brenner base tunnel, excavation work on the Wolf 2 construction section near Steinach am Brenner was completed in 2016; this work began in November 2013. Excavation work has been taking place at several locations in the Innsbruck area since September 2014. The Tulfes-Pfons construction section includes the construction of approx. 38 tunnel kilometers. By the end of 2016, more than 20 tunnel kilometers had excavated. As part of the construction of this section, excavation work on the first kilometers of the main tunnel tubes has been conducted since March 2015. In December 2016, the largest tender in the project so far was offered for the construction of the Pfons-Brenner section. In Italy, the first two phases of the Eisackunterquerung construction section were completed (work began in October 2014). The first major construction projects here began in mid 2016. In September 2016, the contract was signed for the largest construction section on the Italian side of the project. This involves the construction of all the tunnel facilities from Maults to the national border at the Brenner and south to the adjacent Eisack construction section.

For the two-track expansion of the Pottendorfer line, a key project on the southern route, the symbolic groundbreaking ceremony for the entire project took place in June 2016. A continuous two-track connection between Vienna-Meidling and Vienna Neustadt will be established by 2023. The measures are divided into two stages. The main work on the first phase of construction (Hennersdorf – Münchendorf section) in the area of the Hennersdorf railway station and the preparatory work for the modernization of the railway station in Münchendorf began in 2016. Electronic signal boxes have been put into operation here. The first railway crossings have been closed down and replaced with overpasses. By 2019, the Hennersdorf, Achau and Münchendorf railway stations will have an attractive, inviting appearance and all-round barrier-free access. A second track is being added to the existing track on the line between the Vienna city limits and Münchendorf. In the second phase, the two-track expansion will take place in the Ebreichsdorf section. The BMVIT issued the environmental impact statement for the second phase of construction, the Münchendorf – Wampersdorf section, in March 2016.

Groundbreaking of the Vienna – Bratislava line took place in September 2016; this line will reduce the travel time between the two capitals by up to 25 minutes by 2023. The project includes the two-track expansion and electrification of the existing ÖBB route from the Stadlau railway station to the national border near Marchegg. In order to increase capacity and offer better connections for passengers, expansion on the route in the Vienna section (around 7.5 km) began in October 2016; regular train service is being maintained during this project. From 2018, some parts of the Lower Austrian section (around 30 km) will be expanded to two tracks and electrified. If capacity is required, a two-track expansion of the entire section is possible by 2030. Expansion is also planned on the Slovakian side.

The opening of the new multi-functional freight center Vienna-South – so to speak the new central station for freight – in December 2016, was a true highlight. A modern freight handling system was developed within three years on an area of 55 hectares, which corresponds to the size of around 77 soccer fields. With its central location at three core European corridors, the new multifunctional freight center is a major international hub for imports and exports.

Project		Capital expenditure 2016 in EUR million	Projected or effected completion
Modification and new construction of stations	Station Aisthofen	0.6	2016
	Station Bad Vigaun	3.9	2017
	Station Eichgraben-Alt lengbach	4.1	2016
	Station Gmunden	2.0	2015/17
	Station Stadt Haag	2.7	2016
	Station Hollabrunn	2.2	2016
	Station Ledenitzen	1.0	2017
	Station Liezen	5.3	2017
	Station Mattersburg	0.5	2016
	Station Musau	0.3	2016
	Station Oberhofen-Zell am Moos	1.0	2016
	Station Oberland	6.9	2016
	Station Penzing	2.6	2016
	Station Schalchen-Mattighofen	1.2	2016
	Station Seefeld	0.9	2018
	Station Spillern	2.7	2017
	Station Tulln	6.4	2019
	Station Velden am Wörthersee	0.3	2017
	Station Vils-Stadt	0.5	2016
	Station Wien Brünner Straße	9.4	2016
	Station Wien Gersthof	0.5	2016
Parking garages	Parking garage Baden	7.7	2016
Greater Vienna	Freight center Vienna South	34.7	2016/17
	Pottendorfer Line (Meidling – Blumental)	0.3	2023
	Expansion Wien – Bratislava	8.4	2023
	Activation of Hütteldorf-Meidling junction line	0.4	2025
Western line	St. Pölten – Loosdorf (freight train bypass)	37.9	2017
	Gap closures Ybbs – Amstetten ¹⁾	16.7	2015/17
	East entry of Linz main station	15.9	2018
	Linz – Wels	11.4	2025/26
	Local transport Salzburg – Route expansion Freilassing ²⁾	0.8	2013/17
Southern line	Pottendorfer Line (Blumental – Münchendorf)	37.7	2023
	Semmering-Base tunnel	142.5	2026
	Bruck/Mur – Graz	9.8	2023
	Koralpin railway Graz-Klagenfurt	326.7	2023
Pyhrn-Schober route	Wels – Passau ³⁾	12.0	2020/22
	Linz – Selzthal	21.0	2023
Brenner route	Four-platform expansion of lower inn valley (Kundl/Radfeld – Baumkirchen) ⁴⁾	3.6	2012/18
	Brenner Base Tunnel	209.4	2026
Arlberg route	Rhine Valley Concept	9.5	2020
	St. Margrethen – Lauterach	12.1	2020
	Terminal expansion Wolfurt	12.5	2018
Programs	Noise protection	13.1	
	Park and ride	9.2	
	Safety and operation management systems	72.2	
	Measures for customer satisfaction	16.8	
Reinvestments in the railway network		579.8	
Others (incl. intangible assets)		182.7	
Total master plan and other investment projects		1,859.8	

¹⁾ Completion of Amstetten station in 2017

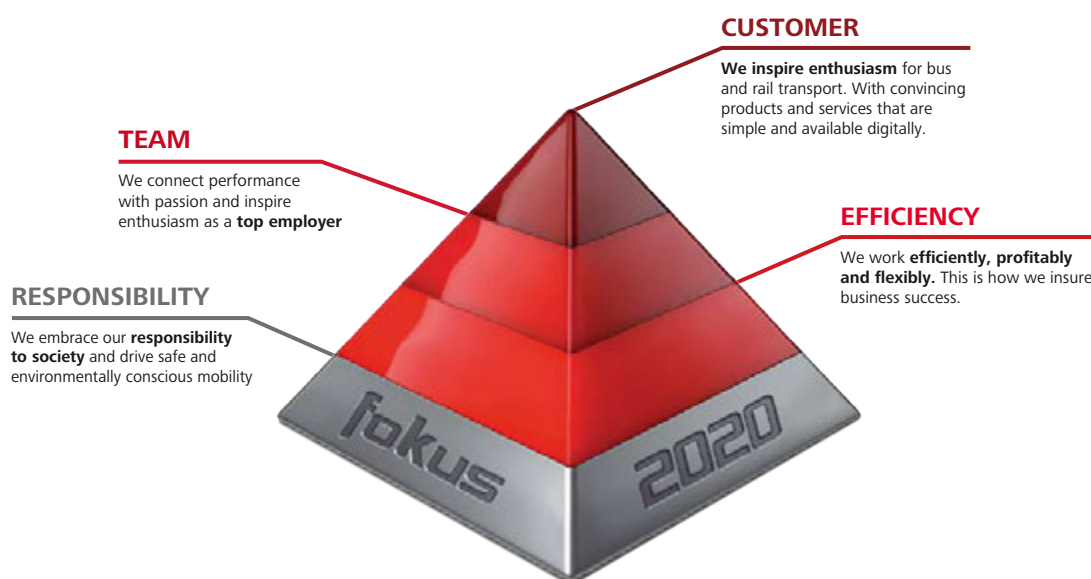
²⁾ Salzburg Freilassing: overall commissioning of Austrian sector until state border: 2013, overall commissioning expected by the end of 2017

³⁾ Completion of Schöding station in 2017

⁴⁾ Commissioning of Lower Inn Valley completed in 2012, remaining work completed by 2018

C.5. Corporate strategy

With the joint efforts of all companies, FIT 2015 was not just successfully implemented, it was achieved ahead of schedule; the continued stable financial basis should allow us to focus on social responsibility, the team and customers. The strategic goal, which has now been rigorously pursued for a year, focuses on customer orientation to an even greater degree than before and describes specific focal points and areas of action that can be used to achieve this goal. Overall, the strategic initiative portfolio includes more than 160 individual projects and programs, which are each assigned to one of four target dimensions whose progress is regularly monitored and reported to management.



– Focus: Increase number of passengers and satisfaction in passenger transport

- **"Hellö"**: On July 14, 2016, ÖBB expanded its services to include long-distance buses. ÖBB's newly established ÖBB-Fernbus GmbH is a subsidiary of ÖBB-Personenverkehr AG (90%) and ÖBB-Postbus GmbH (10%). The bus fleet comprises 28 modern Hellö buses with barrier-free access and offers passengers a particularly high level of comfort: Extendable headrests and tables, power and USB outlets, powerful WiFi as well as a beverage and snack machine. The services offered include nine destinations abroad.
- **railjets**: Since October 2016, nine new railjets have been in use between Vienna and Salzburg. ÖBB is investing a total of EUR 145 million in the new premium trains. In the future, railjets will also stop in Vöcklabruck, Attnang-Puchheim, Wels central railway station, St. Valentin, Amstetten and Tullnerfeld. The new railjet coaches significantly ease pressure on the heavily traveled commuter routes of the west axis, since each coach now provides an additional 80 seats.
- **ÖBB Nightjets**: In addition to the connections during the day, ÖBB has also expanded its range of night trains: Six trains have been added to the existing nine night trains. These new ÖBB nightjet services provide daily connections between Hamburg/Düsseldorf and Munich/Innsbruck, and Hamburg/Berlin and Zurich, as well as between Munich and Venice/Rome/Milan. Also new is the fact that cars and motorcycles can be transported between Hamburg/Düsseldorf and Innsbruck.
- **Integrated mobility provider**: iMobility GmbH was established upon completion of the award-winning research project "SMILE"; the new company began operations in early 2016. The goal of iMobility is to create an app-based platform for intermodal traffic and thus to achieve the networking of various modes of transport.

- **Car sharing:** A pilot program for external car sharing was begun in 2016. As part of the pilot operation, a total of 138 vehicles will be provided to selected test customers at 13 locations. The new product ÖBB Rail & Drive will be available to all customers in 2017.
- **Ticketshop 2.0:** Ticketshop 2.0 went live in 2016 with the goal of creating the best digital travel companion for public transport in Austria. The new app simplifies the purchase of tickets. The new system offers customers a standardized look and feel.
- **Railnet:** In addition to extending and improving WiFi on trains, ÖBB provides an onboard portal. This not only provides useful information about travel and train, it is also connected with the ORF TV library and offers series, documentaries and news.

– Focus: Volume growth and customer growth in freight transport.

- **M&A PCT:** In order to strengthen its market presence in Germany, the Rail Cargo Group took over the German freight transport network PCT Private Car Train GmbH from the ARS Altmann Group in spring 2016. As a well-established partner to the vehicle industry, the Rail Cargo Group reliably ensures the timely supply of raw materials, semi-finished and finished products to the European automotive industry. The long-term cooperation with its customer ARS Altmann, one of the market leaders in the automotive logistics industry, is not only being pursued in Germany, but is also being promoted for international traffic throughout the entire rail cargo carrier network.
- **Market expansion:** The international services offered by ÖBB's freight transport division were further expanded in 2016. From intermodal transport services with direct connections from and to the major European economic regions, to the expansion of the ROLA range to new equipment solutions, the Rail Cargo Group has implemented many initiatives to safeguard and increase customer satisfaction.
- **Freight transport terminals:** ÖBB will also continue to make Austria more attractive for freight transport, in particular container traffic. The construction of the Vienna-South freight center makes Vienna an international logistics hub. At the end of 2016, the first expansion stage of the new terminal in Inzersdorf went into operation. With the expansion measures in the terminals in Wels and Wolfurt, ÖBB is making further investments in improving freight transport and in the shift from road to rail.

Team

Strategic objective: We are among the top 10 employers in Austria.

– Focus: Attractive employer

With its focus on being an attractive employer, ÖBB is pursuing the ambitious goal of not only remaining the most popular employer for apprentices, but also being one of the top employers of engineering and business graduates. For this reason, the apprenticeship workshop in St. Pölten, the apprentice hostel in St. Pölten and the two educational centers in Wörth and Vienna are being bundled together. The technical services area in St. Pölten has been designated as the site of the new institution. In addition to cost savings, the aim is to achieve efficiency gains in labor and coordination processes. At the same time, synergies can be exploited and modern, uniform training standards are offered which are available not only to ÖBB employees, but to all railway operators on a non-discriminatory basis.

Efficiency

Strategic objective: We earn our capital costs and invest in our future.

– Focus: Optimization of management and business processes

Competitiveness, particularly in the market areas, will continue to be the focus of productivity and efficiency enhancing measures.

- The project "ESIK - Ergebnissicherung im Konzern [Safeguarding earnings in the Group]" ensures the long-term competitiveness and planning reliability in the Group. Both short-term and long-term potential savings have been identified and implemented step-by-step. In addition, the core processes of ÖBB are being given a more agile structure in order to respond flexibly and efficiently to customer needs.

Responsibility

Strategic objective: Increasing energy efficiency and safety

– Focus: Energy efficiency and carbon footprint

As the largest mobility provider in Austria, ÖBB is aware of its social responsibility and therefore sets clear priorities. ÖBB will increase energy efficiency through the development of renewable energy and significantly increase the share of renewable energy and improve the Group's carbon footprint overall.

– Focus: Safety

In order to increase the already high level of safety, ÖBB launched the "Error Culture" program and is also working steadily on the increase in the subjective sense of security of customers and employees in railway stations and trains. This includes not only structural measures to improve lighting, but also more training for existing personnel and increasing the number of security staff at railway stations and on trains. Section D.6. Security provides more information on this topic.

C.6. Other important events and outlook

General conditions and challenges

Market conditions in Austria have intensified in recent years for ÖBB-Personenverkehr AG. The growing bus competition, the renewal of the portfolio of transport services agreements and increasing competition in rail-based mobility services will be topics over the next several years. The increasing number of third-party railway operators are expected to result in further losses in market share for European incumbents in the coming years. With its strategic focus on internationalization, Rail Cargo Group initiated a response to this clear trend in 2016 and it will continue to build on this approach. The admission of mega trucks/gigaliners, advantageous international conditions in favor of road transport and the development of technologies mainly related to road traffic (platooning) are significantly intensifying the pressure placed by trucks on the rail freight transport business.

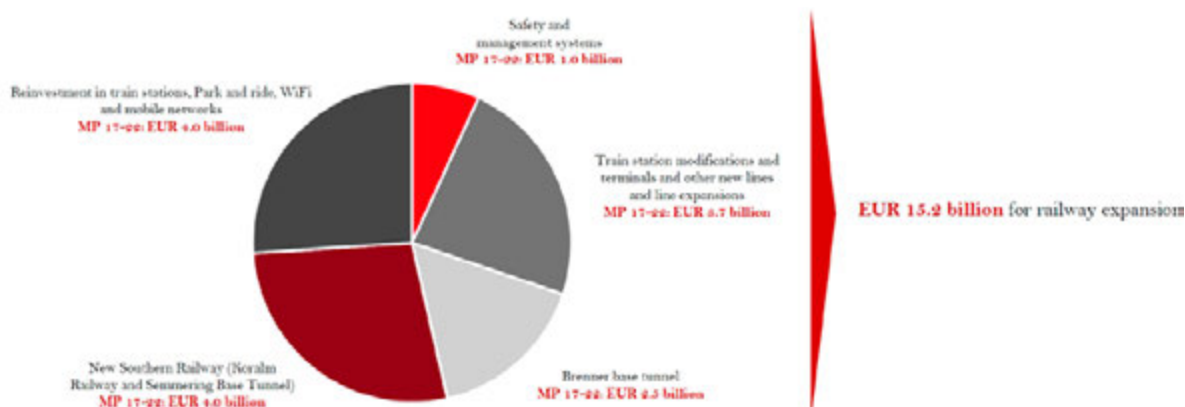
ÖBB intends to work closely with the market and customers via start-ups and through the Open Innovation Lab. Open innovation combines all factors that are essential for a successful innovation process: Internal knowledge from different departments, disciplines and projects is as welcome as creative input from customers, partners and the academic world. In combination with the unique features of the Service Design Center and the methodological expertise of service designers ÖBB is creating the basis for future innovations.

Outlook for the ÖBB Group

Approval of the 2017 to 2022 framework plan

With the approval of the framework plan, in 2016 the Austrian government laid the foundation for the continuation of the intensive expansion of the rail infrastructure. Approximately EUR 2.5 billion is invested annually in the construction and expansion of rail infrastructure. This continuation of the infrastructure offensive is also making it possible to implement a consistent interval timetable as an essential convenience for customers and to expand freight transport capacities.

Master plan investments by category 2017 to 2022 in EUR billions



Further development of passenger transport

Market conditions in passenger transport will intensify in the future with the growing competition in the bus and rail sector. ÖBB will continue to expand the range of services it provides to its customers. The focus here is on the entry into German night transport and the increased use of railjet coaches. Following its introduction in 2016, the long-distance bus "Hellö" is both optimizing established lines (improved departure and arrival times and, where possible, increasing traffic density) and reviewing other options. The aim is to attract one million additional passengers by 2020. The customer and quality initiatives Ticketshop, WiFi/mobile phone network and the on-board portal increase the long-term quality of ÖBB services and thus satisfy demand.

Transformation of freight transport

In order to meet the future challenges of European rail freight, Rail Cargo Group focuses on optimizing internal processes and transforming the range of products and services offered. Increasing competitiveness via a modular product catalog and the digitization of processes and services will be the focus for the coming years.

Intelligent technologies are also used to increase the productivity of the in-house production system and the car fleet. Technological advantages and modern opportunities provided by information and data technology enable new forms of collaboration and communication both with customers and within the company.

The goal is to meet individual logistics requirements simply, professionally and at competitive prices. In freight transport, the focus is also on meeting customer needs and on compliance with the value proposition. The Rail Cargo Group is working with its customers to develop innovative solutions in various areas. Sensors on cars, the integration of systems, simplification of the booking logic and capacity management are just a few issues of the future.

Joint Venture Q Logistics

"Q-Logistics GmbH" (formerly European Contract Logistics – Austria GmbH) began operations on January 1, 2017 as a joint venture of ÖBB-Holding AG and Quehenberger Logistics GmbH.

As a new provider of general cargo transport and warehousing the company focuses on quality, efficiency, growth and sustainability. With 25 locations, 1,070 employees and 900 daily vehicles and 80 railway cars, each year the company transports three million shipments within Austria and 700,000 international shipments and operates 275,000 m² in warehousing and handling areas. In addition to efficiency, the strategy is oriented towards the sustainability of transport. In these efforts, rail will play a much larger role, and e-mobility will be implemented rapidly in city logistics.

Results guidance

The budget and medium-term planning from 2017 to 2022 is based on the Group's strategic objectives. ÖBB Group's activities over the next six years will be aligned to extending its portfolio of products and services and focusing on customer benefits and economically sustainable growth.

The market environment in both passenger and freight transport is challenging. Despite difficult conditions and high capital expenditures planned, the ÖBB Group continues to resolutely pursue its objective of increasing earnings and to earn capital costs in the ÖBB passenger transport and Rail Cargo Group sub-groups.

Capital expenditures on property, plant and equipment and intangible assets will total approx. EUR 22.0 billion in the planning period.

D. Non-financial performance indicators

D.1. Real estate management

ÖBB owns around 25,000 buildings, making it one of Austria's largest property owners. ÖBB-Immobilienmanagement Gesellschaft mbH – a wholly-owned subsidiary of ÖBB-Infrastruktur AG – provides integrated real estate services, primarily within ÖBB Group.

It develops and sells properties that are not necessary for operations, and is responsible for the life cycle management of an extensive portfolio of 5,000 buildings and 1,100 stations and stops. The services portfolio comprises both commercial and technical facility management and facilities responsibility for virtually every building owned by ÖBB Group, including train stations. Its responsibilities also include the preparation of quality standards and testing systems relevant to building construction. Across Austria, a team of 780 employees ensures professional and efficient management of the extensive services portfolio.

The ÖBB-Infrastruktur sub-group was able to contribute EUR 77.5 million (prior year: approx. EUR 46.3 million) to profits (revenues less carrying values and provisions) in financial year 2016 from the sale of properties.

D.2. Human capital report

ÖBB Group ranks among Austria's largest employers. As of December 31, 2016 there were 40,265 active employees (excluding apprentices) in the Group. Year on year, the number of employees increased slightly. ÖBB Group ranks among Austria's foremost training centers. As of 2016, the Group employed 1,689 apprentices, together with a further 138 apprentices who were employed through the Allgemeine Privatstiftung für berufliche Bildung (general private trust for vocational training). The average age in the ÖBB-Infrastruktur Group in Austria (excl. apprentices) was 45.9 years (prior year: approx. 45.6 years). The percentage of women (including apprentices) was 11.7%, (prior year: 11.7%).

The employee structure at ÖBB Group

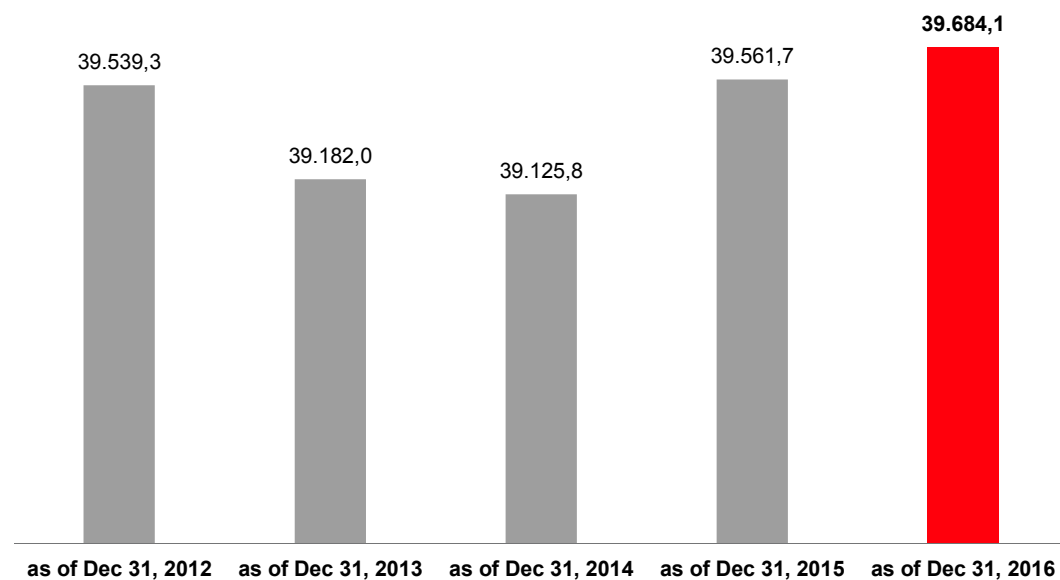
Number of employees (headcount)	Dec 31, 2016	Dec 31, 2015	Change		Average	
			Reporting date	in %	2016	2015
Employees	11,518	11,110	408	4%	11,189	10,884
Workers	6,273	5,733	540	9%	6,032	5,344
Tenured employees	22,474	23,188	-714	-3%	22,865	23,448
Total (excl. apprentices)	40,265	40,031	234	1%	40,086	39,676
Apprentices*	1,689	1,572	117	7%	1,495	1,474
Total (incl. apprentices)	41,954	41,603	351	1%	41,581	41,150

*A further 138 apprentices were also employed through the Allgemeine Privatstiftung für berufliche Bildung [general private trust for vocational training] in financial year 2016.

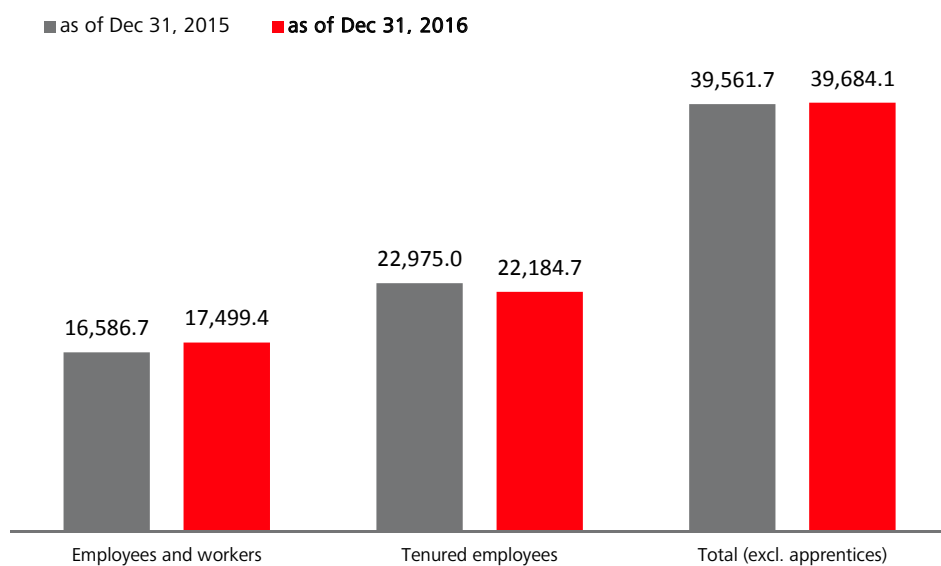
Number of employees (FTE)	Dec 31, 2016	Dec 31, 2015	Change		Average	
			Reporting date	in %	2016	2015
Employees	11,285.6	10,900.0	385.6	4%	10,962.7	10,674.3
Workers	6,213.8	5,686.7	527.1	9%	5,980.8	5,302.5
Tenured employees	22,184.7	22,975.0	-790.3	-3%	22,615.1	23,260.0
Total (excl. apprentices)	39,684.1	39,561.7	122.4	0%	39,558.6	39,236.8
Apprentices*	1,689.0	1,572.0	117.0	7%	1,495.3	1,475.2
Total (incl. apprentices)	41,373.1	41,133.7	239.4	1%	41,053.9	40,712.0

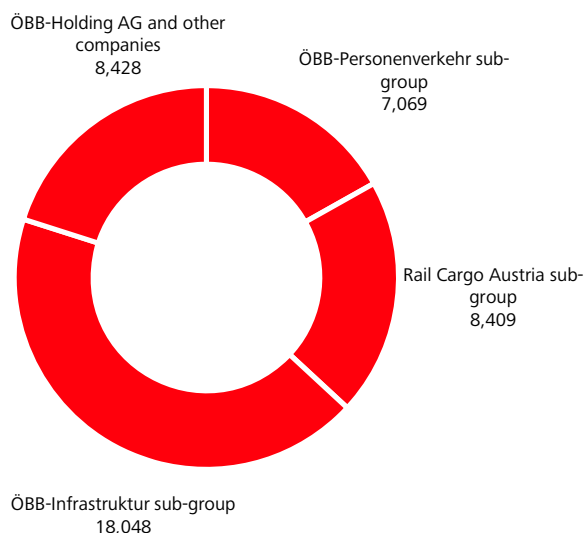
*A further 138 apprentices were also employed through the Allgemeine Privatstiftung für berufliche Bildung [general private trust for vocational training] in financial year 2016.

Development of number of employees (FTE) excl. apprentices in the ÖBB Group



Employee structure of the ÖBB Group (FTE)



Distribution of employees as of Dec 31, 2016

The ÖBB-Infrastruktur sub-group was the most HR-intensive business unit as of December 31, 2016, accounting for 43% of all employees.

Apprenticeship program in the ÖBB Group

ÖBB Group, as Austria's largest technical apprentice instructor, offers 23 apprenticeship professions. ÖBB is currently training 1,800 young people to become highly skilled workers. The ÖBB-Personenverkehr and Rail Cargo Austria sub-groups mainly train apprentices in commercial professions, while ÖBB-Infrastruktur AG and ÖBB-Postbus GmbH predominantly offer technical apprenticeships. The training program is recognized by the state, and graduates regularly win numerous prizes and awards at vocational competitions each year. For example, ÖBB received the Vienna quality seal as the top training company from 2015 to 2018, and, together with its apprentices, was the national winner in the electrical engineering category in Tyrol two times (2015 and 2016). ÖBB also sponsors "Lehre mit Matura" [apprenticeship with qualification for university entrance] scheme, giving its apprentices an opportunity for further advancement. In addition to professional training, importance is also attached to developing social skills.

Under the motto "Diversity as Opportunity", 50 apprentices took part in a training project at ÖBB-Infrastruktur AG specially aligned to the needs of young refugees. Young people who fled their countries (primarily from Afghanistan and Syria) unaccompanied by an adult caregiver are supported by special programs, intensive training in German and mathematics as well as tutoring and mentoring throughout their apprenticeship. This project is conducted in cooperation with AMS Vienna and the association lobby.16; it was awarded the "State price for mobility".

Furthermore, ÖBB has started an apprentice exchange program with 20 apprentices with the French railway company SNCF. The Austrian apprentices traveled to France in early July 2016 and a week later the French apprentices visited Austria. The participants worked in international teams of two using specially prepared learning materials. The technical and methodological knowledge was deepened by conducting practical exercises. The aim was to increase professional and intercultural competence.

A new, modern central apprenticeship workshop is being established in Vienna's 10th district. The consolidation of the three apprenticeship workshops in Vienna (Penzing, Innstraße, Floridsdorf) will make this the largest technical apprenticeship training center in Austria upon its expected completion in late 2018. In total, the new ÖBB apprenticeship workshop can accommodate 700 apprentices and 50 trainers. The conditions are thus being created to further expand the company's role as the country's largest trainer in the technical professions.

Group personnel development

Group personnel development focuses on strategically relevant training activities for different levels of management, experts and employees and supports Group-wide networking. Another focus is on the initiation and management of Group-wide HR processes and projects. A total of 11 courses for executives and experts were completed as part of the ÖBB Academy in 2016. The sixth program "trainees for mobility" for college graduates with an engineering or business education was begun in September 2016. The program "MORE! Juniors" began in May 2016. In this special trainee program, young graduates are integrated into and trained in the ÖBB Group's accounting department within 18 months.

In the ÖBB training catalog with more than 170 different course titles, the ÖBB Education team provides a wide range of professional and multidisciplinary training courses and welcomed 10,000 participants during the year.

Taking into account the Group's strategic objective, the initiative launched the previous year, "Leadership: Focus on Quality", was successfully continued in 2016. Based on the "3x3 of ÖBB Leadership Skills", all Group executives were evaluated in leadership assessments and received feedback on their strengths and areas of development.

Employer Branding

ÖBB has set itself the strategic goal of becoming one of the ten best employers in Austria by 2020. Since internal and external views are not always identical, the IFES institute was commissioned to carry out an employer study in 2015. The study was designed to increase the attractiveness of ÖBB as an employer among pre-defined target groups and to compare it with other companies. In the first survey in the fall of 2015, ÖBB was ranked 14th out of 37 surveyed companies in terms of attractiveness. Target-group specific measures are derived from the results of the study and continually evaluated.

The employer study also brought to light the fact that the employer brand of ÖBB needed to be further strengthened. The first step in establishing a uniform and attractive appearance as an employer involved the creation of the Group-wide employer branding strategy whose slogan is "My career ticket to the future". The ÖBB career train has been part of this employer branding campaign since the end of 2015. The train, a Talent, brings visibility to the job diversity within the company, drawing the attention of customers to ÖBB as a potential employer on various routes in Lower Austria and Vienna. With a view to the upcoming recruiting season, a major employer branding campaign was developed in 2016. The advertising campaign is aimed primarily at filling the key positions train driver, bus driver, switcher, dispatcher and train conductor. All employees in these positions had the chance to apply to be the face for their profession and thus to attract the attention of young recruits to their profession.

In 2016, the ÖBB Employer Branding Team organized a total of 16 recruiting fairs, of which four targeted academics, and 12 apprentices. The main target groups were potential apprentices as well as university students majoring in engineering and economics disciplines. Further employer branding measures, such as the trainee blog or participation in Girls' Day and Daughter Day, were continued. ÖBB achieved top rankings in rankings such as in the "Career's Best Recruiters" study and the "trendence Graduate Barometer 2016" and was among "Austria's 100 Top Employers".

Equality in the ÖBB Group

ÖBB actively promotes equal opportunities for men and women, including an Equal Opportunities Policy introduced in 2011 and a Diversity Officer, who was also appointed in 2011. The Group strives to ensure equal treatment irrespective of gender, age, ethnic origin, sexual orientation or disability, to promote equal opportunities and to better reconcile work and care responsibilities through special programs. Ten regional Equal Opportunities Officers advise and support colleagues who feel they are being discriminated against or treated unfairly due, for example, to their gender, ethnicity, sexual orientation or age. An Equal Opportunities Board supports the work of the regional Equal Opportunities Officers and ensures their continuous ongoing training.

Diversity is anchored in the ÖBB Group: Strategic diversity targets are established by ÖBB Holding and are subject to regular controlling. Tailor-made measures are developed and implemented in the Group companies. The focus of this diversity strategy is on the steady increase in the proportion of female managers to 20% and sustainable human resources management within the meaning of generation management.

Numerous measures have been put in place to increase the proportion of women and thus to increase diversity: targeted recruiting of female apprentices in particular, female quotas for ÖBB Academy training programs, career workshops, coaching programs for women, seminars on the Equal Treatment Act, Gender/Diversity Management

workshops, structured generation management, measures to reconcile work and private life such as the Work&Family Audit, childcare in Timi's Mini MINT preschools near the company focusing on mathematics, IT, science and technology, and hourly childcare through Flying Nannies. At the training programs of ÖBB Academy, women account for more than 23% of participants, and one-third of the supervisory board mandates are held by women.

Diversity in the company is on the rise. Employees come from 56 different countries around the world. Interculturalism plays an increasingly important role. Sociocultural emphases such as "Insight Africa" were discussed in Open Space, differences and similarities were negotiated and cultural skills for their partnership in the workplace were sharpened. ÖBB apprenticeship training for young people with asylum-seeker status plays a special role here.

Health, occupational safety, and social topics

The issues of health and safety at work are managed centrally by the ÖBB Group by the "Health management and occupational safety" team. The objective of the health management is to maintain and support the ability to work and the health of all employees of the ÖBB Group.

The activities of ÖBB's health management are based on the ÖBB health strategy. This was developed in coordination with the members of the Executive Boards of ÖBB-Holding AG, the members of the Executive Boards and managing directors of the Group companies as well as with representatives of the cooperation partners, the Versicherungsanstalt für Eisenbahnen und Bergbau [Insurance Institution for Railways and Mining]. ÖBB-health strategy based on the three pillars of "Health promotion and prevention", "Presence management and healthy management", and "Occupational rehabilitation". On the topic of "Presence management and healthy management", in addition to the introduction of presence management, a manual "Healthy leadership, what to do ..." was developed, which is intended to aid managers in difficult conversations on issues of mental health. The manual will be distributed to all managers as part of a training course. "Occupational rehabilitation" supports employees who are sick and/or who have been injured in accidents in regaining their ability to work and in returning to their jobs. The support is provided by an interdisciplinary team with high degree of professional expertise. The occupational rehabilitation program was available to 50% of employees at the end of 2016.

At Group level, the protection of employees is integrated into the Group security strategy via the Group steering committee. This is intended to make possible the coordination of Group-wide issues and the implementation of the strategic objectives of the Group companies. One focus in the area of occupational safety, is the project "Redesign P32 - health policies for employee suitability". The new regulation is intended to reregulate the area of employee suitability (medical and psychological) in the entire ÖBB Group. Another focal point, the evaluation of psychological stress in the workplace was continued in 2016. The focus was on the evaluation of the employees of ÖBB-Infrastruktur AG and the train drivers of ÖBB-Produktion GmbH.

ÖBB Group offers its employees the following voluntary social benefits, which have been grouped into a proprietary business unit – ÖBB-BCC GmbH – since May 2014: Staff canteens, child care, vacations in holiday homes/apartments, help with finding housing, and support for sports and cultural activities. In addition, the Group offers subsidized travel in Austria and abroad as well as aid and support if an employee has an accident at work or on the way to work, or suffers any other kind of emergency.

As part of the project "Residential portfolio", different options for value-optimized management of apartment buildings owned by ÖBB-Infrastruktur AG were evaluated.

Working to retirement age

The two work time models, which were developed together with the employee representatives, aimed at helping older employees stay healthy and capable of gainful employment for longer, are used by the employees of Group companies if the requirements and the corresponding agreement with the employer are met.

The Group has provided age-appropriate part-time work to more than 316 tenured employees as of December 31, 2016 – four years before meeting the requirements for statutory semi-retirement. In addition, 258 employees, most of them tenured, have taken advantage of the semi-retirement program that has been possible as per Section 27 Unemployment Insurance Act (ALVG) since January 1, 2015.

ÖBB employee survey

The third Group-wide ÖBB employee survey was conducted from October 17 to November 4, 2016 and a total of 42,183 employees – in Austria, Hungary and in the fully consolidated subsidiaries throughout Europe were consulted. 20,391 people participated in the survey, representing a response rate of 48.3%. As in recent years, the survey focused on the topics of job satisfaction, working environment, workloads, communication/information, and cooperation with managers and colleagues. Overall job satisfaction was rated 64 out of a possible 100 points.

D.3. Research and development report

The constant development of the overall railway system with the focus on customer value and increasing efficiency is of central importance to the ÖBB Group. ÖBB is also a major driver of innovation in the Austrian railway industry. In 2016, ÖBB joined the Association for the Promotion of Research and Innovation (Verein zur Förderung von Forschung und Innovation (vffi)). The association was co-founded by the Federation of Austrian Industries and seeks to bring together as many companies as possible that are involved in R&D to network with each other.

The innovation activities of the ÖBB Group are based not only on the strategic goals and the current trends, but are, above all, needs-driven and therefore derived from current challenges. In addition to conventional research and development activities, ÖBB uses a variety of different methods to integrate innovations.

Open innovation was established in the ÖBB Group in 2016. Current issues are dealt with on ÖBB's innovation platform (openinnovation.oebb.at) through interaction with customers, partners, start-ups, employees, universities and technical colleges as part of innovation challenges. In addition, an Open Innovation Lab & Service Design Center has been opened, where new solutions for customers are developed using service design and design thinking processes.

With the slogan "Efficient.Sustainable.Digital" ÖBB presented a number of innovation projects at InnoTrans, the world's largest rail technology fair, in September 2016. eHybridlok, an example of ÖBB's forward-looking and sustainable innovation initiatives for existing vehicles, was especially well received. The use of the upgraded e-shunting locomotive can significantly reduce energy and maintenance costs, noise, and exhaust fumes.

Many ÖBB projects are supported by national and European funding programs. For example, ÖBB-Infrastruktur AG is involved in the Shift2Rail Joint Undertaking. The objective is to increase the competitiveness of railways in Europe. At the national level, the company works closely with the Federal Ministry of Transport, Innovation and Technology (BMVIT) and the Austrian Research Promotion Agency (FFG).

ÖBB Group worked on 115 R&D projects in 2016. The current portfolio of R&D projects amounts to around EUR 27.9 million (over the entire duration of the projects in progress, without deduction of sponsorship).

D.4. Environmental report

As a leading supplier of environmentally friendly mobility, ÖBB committed to comprehensive sustainability: economic, environmental and social. ÖBB takes aspects of sustainability into account along the entire value chain - from procurement through production and use to disposal.

The ÖBB Group presents its corporate social responsibility (CSR) and sustainability performance in a special sustainability report; the current version is available at konzern.oebb.at/de/nachhaltigkeit. The contents reported reflect the aspects that are relevant and material to the business activities. The ÖBB Sustainability Report is prepared in accordance with the specifications for the G4 "Core" option of the Global Reporting Initiative (GRI).

Strategic areas of action have been defined in order to ensure that ÖBB maintains its advantage in sustainability and that it remains the leader in environmentally friendly mobility solutions in Austria. These are based on our understanding of sustainability and outline our approach to sustainable and responsible actions for the future. The areas of action support existing corporate goals and ensure long-term win-win situations for society, the environment and ÖBB.

Climate change is one of the greatest challenges of our times. The shift of traffic to ÖBB makes a substantial contribution to climate protection in Austria. 2.9 million tons per year of CO₂ emissions are saved by using ÖBB transport services by rail in Austria. The use of climate-friendly hydropower makes an important contribution to ÖBB's positive CO₂ footprint. ÖBB already covers 90% of the traction power it requires from hydropower – almost half of which is derived from its own power plants. With a continuous reduction of the specific CO₂ emissions of 160,495 tons of CO₂ since 2006, in 2015 ÖBB reduced its emissions by about 30% versus 2006. ÖBB also wants to expand the environmental advantage of rail in the future. The target through 2020 is to increase the share of renewable energy by optimizing the hydropower plants and further expanding wind energy and photovoltaics.

The rail sector is an energy-intensive sector. This makes the issue of energy efficiency of central importance for the ÖBB Group for both environmental and economic reasons. For example, energy efficiency plays an important role in the procurement of new rolling stock. In addition, ÖBB makes continuous improvements to existing trains, ensuring that they also run with greater energy efficiency. In the future, improvements in the area of buildings and facilities will be an important lever for improving energy efficiency.

One negative effect of railway operations is the noise. In accordance with its high environmental standards, ÖBB makes great efforts to reduce rail noise both at the source and on the tracks. The use of sound barriers and soundproof windows further expands stationary noise protection. In addition, various measures for noise remediation and noise prevention are being tested and implemented. These include the purchase of new silent freight cars and upgrading of existing freight cars. At ÖBB, around 25% of the freight cars are already equipped with plastic brake blocks and thus noise-remediated.

D.5. Accessibility

Barrier-free and convenient access to trains and buses is an important goal for people with disabilities, people with limited mobility, parents with children, the elderly and travelers with luggage.

In 2006, together with sub-Group managers and experts from disability organizations, ÖBB-Holding AG developed a staged plan pursuant to Article 19 Bundes-Behindertengleichstellungsgesetz [Federal Law on Equal Opportunities for the Disabled (BGStG)], representing an overall plan of measures for the ÖBB Group. During the reporting year, the Group companies updated their plans and prepared new implementation plans for additional railway stations and for the vehicle fleet through 2025. This report was presented to the ÖBB stakeholders in February 2016.

Ticket purchasing

ÖBB Personenverkehr AG attaches great importance to providing barrier-free access to ÖBB ticket purchasing. Many individual steps were established that will allow our customers to easily and quickly purchase a ticket for their journey. These improvements include both online and mobile sales on mobile phones and tablets. Furthermore, the sale of tickets at ticket machines was simplified and made virtually barrier-free.

Local and long-distance transport

New rolling stock continues to make trains more accessible: When designing the new ÖBB Cityjet, which has been servicing local routes since the timetable change to 2015/2016, for example, special importance was placed on convenient low-floor entrances, wide doors, open transitions and stronger color contrasts for travelers with visual impairment. In 2016, 31 Cityjet coaches, 187 Talent coaches, 60 Desiro coaches and 67 double-decker cars were in use on local transport routes as barrier-free low-floor railcars. 60 railjet coaches were in service on long-distance transport. These are equipped with an installed lift and three spaces for people in wheelchairs, each equipped with sockets for recharging wheelchair batteries. Tactile elements are provided for visually impaired travelers, and a suitable space is reserved for guide dogs. The multifunctional coaches enable wheelchair travelers to travel in a sleeper compartment, together with an accompanying person.

Postbus

All new low-floor vehicles are purchased complete with mechanical and electrical folding ramp. Making all seats suitable for disabled passengers is already standard practice. The special-purpose area is fitted with a restraint system. By 2016, 85% of the bus fleet was barrier-free.

Long-distance bus services

The entire fleet of HELLÖ long-distance busses, consisting of 28 buses (Mercedes Tourismo 17 RHD), have barrier-free entrances. All buses are equipped with special lifts, which provide access for wheelchair users, and there are two wheelchair spaces available per vehicle. The specially developed distribution system of HELLÖ makes it possible to reserve special seats for wheelchair users and their traveling companions, who travel free, in order to ensure passengers the greatest possible planning security. To keep passengers as up to date as possible during their journey, trip information is provided in two ways: Announcements are made by the HELLÖ driver and via (high-contrast) displays on two large screens (mounted in the front and center of the bus).

Infrastructure

Since the end of 2016, slightly more than three-quarters of all travelers have enjoyed the use of modern, barrier-free railway stations. In 2025, a total of more than 270 railway stations, serving 90% of all passengers, will be barrier-free.

Around 200 railway stations and stops are already barrier-free. In 2016, for example, the new Brünner Straße stop, the Hollabrunn railway station and the Schalchen Mattighofen stop were made barrier-free. In 2017, this objective will be resolutely pursued with the modernization of other railway stations and stops.

ÖBB actively seeks feedback from people with disabilities: for example, as part of the "stakeholder dialogues", which were a great success again in 2016.

D.6. Safety

Security is an essential feature for both customers and employees. Responsibly addressing safety risks strengthens the trust of not only of customers and employees but that of the owner of ÖBB as well, thus contributing significantly to the success of the Group.

This makes security a top priority for all activities of the ÖBB Group. The certified safety management systems introduced in the sub-groups help manage the security services provided. Constant monitoring of key safety indicators makes it possible to recognize negative trends early on, allowing countermeasures to be introduced proactively. Findings from incidents, accident investigations, internal tests (safety checks, audits, etc.), and trend monitoring resulted in safety program measures that are coordinated Group-wide. The safety management systems, the trend monitoring, and the safety program contribute significantly to detecting safety risks in time to create measures to control residual risks.

Annual capital investments of over EUR 2.0 billion in new construction, expansion, and maintenance of infrastructure facilities also help ensure safe operational management.

The general approach to the security strategy, such as the focus on measures with the greatest impact, as well as the development of the safety and error culture, makes another significant contribution to security.

Priorities of the safety program

Safety in train stations

- Additional lighting and structural improvements in the amount of EUR 4.0 million
- Additional emergency call and video equipment in the amount of EUR 1.0 million
- Mobilization of existing security staff and adding additional security personnel (up to 250 employees)
- Changes in house rules (alcohol ban)

Safety in trains

- Having train conductors, service and management team members of ÖBB-Personenverkehr AG attend the seminar "Action – reaction – de-escalation"
- Equipping all train conductors with a personal alarm device
- Retrofitting pinch protection and remodeling door handles (no accidental snagging) and door protection
- "Code of conduct" pictograms

Safety at railway crossings and railway facilities

ÖBB annually invests EUR 25.0 million in safety measures at railroad crossings. Over the past ten years, the number of railway crossings has been almost halved by the construction of underpasses and bridges. ÖBB attaches great importance to further reducing the number of railway crossings and protecting existing crossings. For this reason, measures in 2016 included an innovative research project were initiated with the University of Salzburg for the simple and inexpensive monitoring of unsecured railway crossings.

The measures introduced in recent years (e.g. video messages) were expanded to include standardized school visits in all 7th and 8th grade classes. In the instruction provided during these visits, young people are informed by ÖBB experts about the dangers of railway operations. The aim is to raise awareness early on among future users of transportation about the dangers of railway facilities and railway crossings.

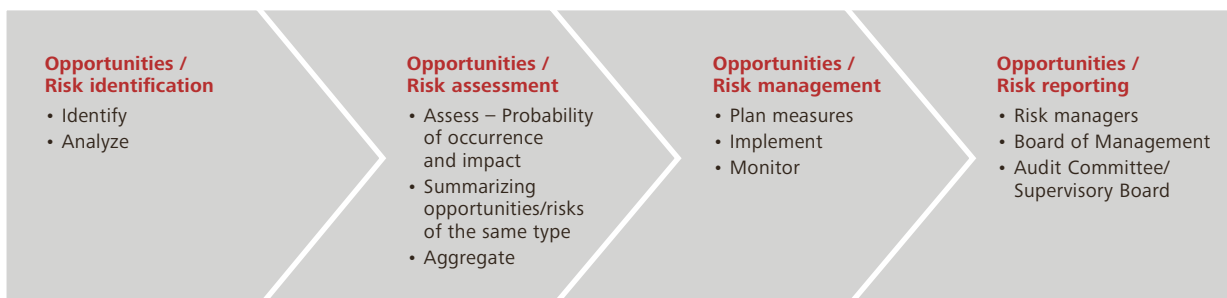
E. Opportunities / Risk report

The opportunity/risk management procedure applies to all relevant business processes and key financial indicators in the main Group companies, and therefore is considered to be an important instrument of corporate governance. The objective is to promptly identify and proactively manage opportunities/risks through appropriate measures in order to protect existing and future success and growth potential. Based on updated evaluations or lessons learned, all identified opportunities/risks are continuously subjected to qualitative and quantitative assessment, particularly with respect to the possible impacts and likelihood of occurrence.

The ÖBB Group defines opportunities and risks generally as events or developments that might cause a positive or negative deviation of results from the assumptions made during planning. Consequently, the revision of the risk/return portfolio is conducted in sync with the planning processes.

The corporate Directive and the opportunity/risk management manual that are binding for the entire Group define rules, margins and minimum requirements of risk management for all entities involved. The first objective of the risk policy is unrestricted safeguarding of business operations. According to this, risks may only be taken if they are calculable and associated with an increase in income and in the company value.

Opportunity/risk management process



This process is supported by risk management software. Following an assessment and consolidation of the individual risks/opportunities in the corporate risk/opportunity platform, a report to the Board of Management of ÖBB-Holding AG is prepared which describes the major risks and respective counter-measures or opportunities. This ensures that the Supervisory Board and Audit Committee of ÖBB-Holding AG and of the Group companies are provided with detailed information regarding the current opportunity/risk situation.

As part of the continuous improvement process, in 2015 the “Development of opportunity and risk management in the ÖBB Group” project was implemented. As part of the process, the level of maturity of the risk management system was assessed in comparison to well-known benchmark companies in Austria, a high level of maturity was certified and potential for further development was identified. The potential not yet implemented in 2015 was realized in 2016.

For the year 2017, the most important opportunities and risks, none of which pose a danger to the portfolio, are allocated to the opportunity/risk fields as follows:

Strategy

Regular controls of the strategic measures are carried out in order to reduce the risk of not achieving strategic objectives.

Operating business

Equipment inspected regularly to mitigate the risk of a decline in revenue and increased expenses caused by quality problems in equipment, especially in rolling stock and locomotives. Training programs and information events are regularly organized to mitigate the risk of accidents caused by ÖBB employees. The risk of terrorist attacks is reduced both by targeted measures and instructions (behavioral recommendations) and through close cooperation with the Federal Ministry of the Interior. The existing emergency and contingency plans are continuously evaluated and reviewed by exercises conducted annually.

Sales/distribution

Risks are inherent both in weaker economic growth and increasing competition. These risks are mitigated by observing and analyzing customer behavior and adapting our portfolio of products and services accordingly. This measure also increases the opportunity to attract new customers and to further exploit the market potential of existing customers.

Personnel/management/organization

There is the risk that the non-implementation or partial implementation of planned measures, such as efficiency increases, could result in additional personnel costs. Rigorous control procedures minimize this risk.

Law/liability

The "Code of Conduct", which contains the ethical principles and general principles that guide the Group's business activity, reduces the risk of costs being incurred as a result of penalties for violations of antitrust laws. A Compliance Team was set up in 2013 to assist primarily in this area of risk as part of an early warning and monitoring system, with the ultimate aim of avoiding risk and thus preventing damage. Changes in legislation and regulations – at both national and international levels – can lead to increased system costs (e.g. through new technical or organizational requirements). Accordingly, the development is carefully reviewed for possible effects in order to react at an early stage.

Purchasing/procurement

Fluctuating prices for various raw materials constitute the largest risk, but could also offer potential opportunities. To mitigate this risk, contracts can be appropriately formulated by observing and analyzing the market.

Data processing

System failures can cause additional costs and loss of revenue in the operating business units. This risk is mitigated by an ongoing program to increase IT availability (e.g., server room equipment), confidentiality (e.g., staff training) and integrity (e.g., backups) of the data. In addition to technical safeguards, the Group Chief Information Security Officer works together with the contact persons in the sub-groups and companies to create organizational measures for uniform Group-wide control and monitoring (security governance) of information security. Security governance ensures that damages resulting from, for example, malicious software or identified risks, are mitigated by the regular review of the measures implemented.

Subsidiaries/investments

This risk area involves analysis of subsidiaries and investment interests that are not incorporated entirely into the risk management system because of their minor contributions to income. Here, there is a risk that they may not achieve their budget targets, and that assets may have to be written down as a result of impairment testing, or allowances for the value of investment interests may be required.

According to Association Liability Law [Verbandverantwortlichkeitsgesetz], the regulation stipulating that companies can be held liable and convicted for the punishable actions of their employees or decision-makers applies to ÖBB Group as well. The legal risk management system of the Group addresses this risk by identifying offenses under criminal law – such as negligence, environmental crimes, and corruption – evaluating the current situation, and putting risk mitigation measures in place. Preventive measures have also been established by introducing monitoring and reporting systems and by issuing general behavior directives in the Code of Conduct. Further risk mitigation is ensured through appropriate training programs and clear assignment of responsibilities.

Risks related to financial instruments

Original financial instruments

Original financial instruments in ÖBB Group (finance-related receivables and liabilities, trade receivables and payables, financial assets, and securities) are reported in the Statement of Financial Position. Detailed information is provided in the Notes to the Consolidated Financial Statements.

Derivative financial instruments

ÖBB Group employs derivative financial instruments to hedge against risks associated with currencies, interest rate changes and raw material prices. The Group directives prohibit the issue or holding of derivative financial instruments for speculative purposes. Derivative financial instruments are concluded only with reference to a hedged item, and furthermore, the permissible financial transactions are defined by the Group directives. Derivative financial instruments are measured in accordance with the applicable accounting standards.

Most of the derivatives within the Group (approx. 98% [prior year: 95%] after nominal) are non-structured standard hedges (plain vanilla interest rate swaps). Structured derivatives account for 2% (prior year: 5%) of the nominal volume. This one (previous year: two) structured derivative has a total nominal value of EUR 20.0 (previous year: EUR 50.0) with a term until 2022.

Risk definition and risk management with respect to financial instruments

ÖBB-Holding AG, which only enters into financial transactions on behalf and for the account of Group companies with their consent and upon their instruction, has created a risk-oriented monitoring environment that comprises, among others, guidelines and procedures for risk assessment, and for approving, reporting, and monitoring financial instruments. The protection of Group company assets is the first priority for any and all financial activities. An important task of the Group Finance department, which is responsible for this, is the identification, assessment, and limitation of financial risks. Risk limitation does not mean absolute elimination of financial risks, but reasonable and transparent control of quantifiable risk items within a specific framework for activities that has to be agreed with the respective Group companies. The most important financial risks are described in more detail below:

Liquidity risk

The primary aim of ÖBB Group in financial terms is to secure the necessary liquidity. Liquidity risk means the risk that a company might have difficulties meeting its obligations arising from financial liabilities that are settled by cash payment or by the supply of another financial asset. The main tasks of the Group Finance department of ÖBB Group therefore include planning cash flows, agreeing sufficient credit lines, and adequately diversifying creditors to ensure a consistent flow of cash.

Interest rate risk

Risks arising from changes in market interest rates may affect the financial result of the ÖBB Group due to the structure of its Statement of Financial Position. The Group therefore strives to limit the influence of possible market interest rate fluctuations on results to a level agreed with all Group companies.

Derivative financial instruments for managing interest rate risks are transacted on the basis of portfolio analyses and recommendations by Group Finance, and of corresponding decisions by Group companies.

Foreign exchange rate risk

ÖBB Group companies are not exposed to any material currency risks. Most finance agreements are denominated in euros. Only the companies in Hungary and the Czech Republic account for a very small proportion of the borrowings in local currency.

There are no relevant exchange rate risks from cross-border leasing transactions, as the contractual liabilities in foreign currencies are matched by corresponding assets and receivables with matching volumes and maturity in the same amounts.

Derivative instruments that are suitable for the management of exchange rate risks (currency swaps) are concluded based on portfolio analyses and recommendations by the Group Finance department and on corresponding decisions of the Group companies.

Credit risk

Credit risk describes the potential loss from failure by business partners to honor their financial commitments (mainly money market transactions, investments, positive present value swap transactions). Compliance with the limits underlying the counterparty credit-risk management system that are individually assigned to each financial partner is checked daily.

Apart from the original transactions with ÖBB's financing partners, counterparty risk also exists in connection with cross-border leases. For cross border leasing transactions, security deposits, payment undertaking agreements, and swaps were concluded with financial partners for lease payments during the term and the acquisition cost at the end of the term. Cross-border lease management handles the administration, execution, risk management, and economic termination of existing cross-border leases. It aims, specifically, to monitor all the rights and obligations arising from the transactions, to ensure execution in accordance with the agreements, to avoid risks, and to ensure the profitability of the entire portfolio.

In recent years, the Group has managed to significantly reduce the original volume of existing cross-border leases without having to reimburse the deferred tax benefit that was secured at the time of transaction. In 2016, two transactions were terminated early while maintaining the tax benefit. For another two transactions, the legal actions towards planned completion in 2017 were undertaken. ÖBB's strategy of actively managing the risk associated with the transactions and taking advantage of opportunities to terminate transactions under economically acceptable conditions has not changed, and will not change in the future. For more information on cross-border-leases refer to Consolidated Financial Statements Note 30.3.

Internal control system

The members of the Boards of Management and Managing Directors of the Group companies are aware of, and embrace, their responsibility to establish an appropriate internal control system (ICS). For the ICS, the minimum standard to be implemented by the sub-groups was formulated.

As part of the continuous improvement process, in 2016 the project "Development of the internal control system in the ÖBB Group" was started. Among other things, the maturity of the ICS compared to well-known benchmark companies in Austria was evaluated. A significant finding of the maturity assessment of the individual components of the Group was the need to increase uniformity for further Group requirements in the future.

Control environment

The ICS at ÖBB Group is highly focused on process monitoring procedures and accounting issues. It supports the compliance with the relevant provisions and the given business policy (Compliance), ensures the correctness and reliability of the financial reporting (Financial Reporting), and supports the profitability of the operational activities (Operations).

It is based on the internationally acknowledged COSO framework (Committee of Sponsoring Organizations of the Treadway Commission) and provides the management with an accepted basis for analysis and control tasks.

The ICS is based on the principle that audit measures regarding essential/critical business processes are documented in a complete and comprehensible fashion, that the organizational structure is documented comprehensibly (organization chart, job description, functional description, etc.) and adjusted on a regular basis, and that the applicable regulations and internal specifications are widely known and available. The development project described above results in specific guidelines, such as using available process maps to connect business processes directly to the defined ICS core processes.

Risk assessment and control activities

Key risks are identified, assessed and captured at regular intervals, based on the process documentation. Suitable monitoring activities are determined in order to reduce the risk to an appropriate level. Regular self-assessment with rotating areas of key focus and documented results makes sure the monitoring procedures are effective.

In this regard, please refer to the development project, where a set of generic risks to the identified ICS processes was formulated which must be addressed directly by all Group companies through adequate controls.

In light of the size of the corporation, an Internal Audit function has been established within the ÖBB Group. The Internal Audit function verifies the existence of an efficient ICS in the Group companies and checks certain ICS components based on an approved annual audit schedule. The results are submitted to the Audit Committee of the relevant Supervisory Board in the form of an activity report.

A Compliance function has also been set up to perform independent event-related audits with the support of the Compliance Officers in all sub-groups. Putting preventive measures in place is a further essential aspect of compliance.

Information and communication

Regardless of the increased focus on harmonization in the future, in accordance with the Group's decentralized structure, each sub-group has an appropriate, effective ICS; establishing and maintaining it also takes place in the sub-group.

ICS documentation has been standardized with respect to minimum requirements, and was published in 2012 in the form of a compulsory minimum standard for implementation throughout the entire Group. Moreover, the organizational units of the Group are responsible for standardized and computerized documentation of the key checks defined within the processes, including the risk areas and corresponding test steps. Reports to management are also based on this non-editable, annotated and verifiable data.

As part of the ongoing further development of the project, regulations are being adapted to the newly defined requirements and, where necessary, content is being made clearer.

Accounting

When the auditors audit the annual financial statements, the ICS also forms part of the auditing mandate. The resulting findings are submitted to the Audit Committee of the Supervisory Board.

As far as the pre-accounting processes are concerned, broad standardization was achieved when the relevant workflows were transferred to a Group-wide unit for accounting services within the ÖBB-Business Competence Center GmbH.

In the future, ÖBB-Business Competence Center GmbH will also play an increasingly active role in supporting the Group's holding company in harmonizing its activities through suitably coordinated auditing, evaluation, and commenting tasks.

SAP R/3 software is used to account for all business transactions within ÖBB Group, although some foreign subsidiaries also use other software solutions. As such, data transfers within the Group are largely automated, and upload files are sent to ÖBB-Holding AG for central processing of the data in the SAP Netweaver BI consolidation system.

Corporate accounting is based on an IFRS Group Manual (published and regularly updated by the Accounting department at ÖBB-Holding AG), which specifies and communicates important accounting requirements based on IFRS for the entire Group. The Accounting team is regularly trained on new developments in accounting to avoid any risk of accidental misstatement.

The information provided in the Notes to the Consolidated Financial Statements is compiled using software purchased by ÖBB-Holding AG specifically for this purpose. After the audit by local auditors (in accordance with Austrian statutory regulations and principles of due and proper auditing of financial statements, the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and the General Terms and Conditions for Audits within ÖBB Group), all subsidiaries deliver extensive Reporting Packages comprising all the relevant accounting data (income statement, statement of financial position, cash flow statement, Notes to the Consolidated Financial Statements) required for the preparation of the Consolidated Financial Statements. The audit is confirmed by a "Report on the IFRS Group Reporting Package"; this report has to be submitted in order for the respective Reporting Package to be processed. This external control system constitutes a supporting element of the ICS.

The Supervisory Board is informed about the economic development of the Group in regular intervals, in particular within the framework of the mandatory audit committee of ÖBB-Holding AG, by means of consolidated presentations.

F. Notes on the Management Report

This Management Report contains statements and forecasts referring to the future development of the Group and the economic environment in which it operates. Any and all forecasts were based on the information available at the time of compilation. Actual developments may therefore differ from the expectations described in the Management Report.

Vienna, April 5, 2017

The Board of Management

Mag. (FH) Ing. Andreas Matthä

Mag. Josef Halbmayr MBA

ALWAYS ON THE MOVE.

ÖBB has set itself ambitious goals and is striving to grow further. Infrastructure expansion is a key step to optimizing products and services. Which means: ensuring the same speed on the Southern route as on the Western line



Consolidated Financial Statements

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS. The Consolidated Financial Statements of ÖBB for financial year 2016, including auditor's report.



Consolidated Financial Statements

Consolidated Income Statement 2016

	Note	2016 in kEUR	2015 in kEUR
Revenue	4	5,246,752.9	5,220,952.3 *)
Change in finished goods, work in progress and services not yet chargeable		2,335.7	2,348.4
Other own work capitalized	5	368,118.6	372,554.8
Other operating income	6	798,590.6	749,520.1 *)
Total income		6,415,797.8	6,345,375.6
Cost of materials and purchased services	7	-1,730,437.4	-1,751,498.4
Personnel expenses	8	-2,478,453.6	-2,337,467.3
Depreciation and amortization	9	-967,704.0	-948,956.0
Other operating expenses	10	-427,810.3	-450,898.7
Earnings before interest and taxes (EBIT excluding investments accounted for using the equity method)		811,392.5	856,555.2
Earnings of investments accounted for using the equity method	17	2,523.8	2,322.5
Interest income	11	46,746.6	44,005.2
Interest expenses	11	-698,566.4	-718,905.8
Other financial income	12	34,941.5	62,076.4
Other financial expenses	12	-30,816.9	-53,273.1
Financial result (incl. earnings of investments accounted for using the equity method)		-645,171.4	-663,774.8
Earnings before income taxes (EBT)		166,221.1	192,780.4
Income taxes	13	-5,181.4	12,760.0
Net income		161,039.7	205,540.4
Consolidated net income attributable on a pro rata basis:			
to the shareholder of the parent company		160,269.6	204,932.3
to non-controlling interests		770.1	608.1

*) adjusted comparative amounts, see Note 4

Consolidated Statement of Comprehensive Income 2016

	Note	2016 in kEUR	2015 in kEUR
Net income		161,039.7	205,540.4
Remeasurement gains (losses) on defined benefit plans	24	-4,470.9	3,163.0
Items that will never be reclassified ("recycled") subsequently to the income statement		-4,470.9	3,163.0
Cash flow hedges	24	12,989.8	18,671.8
Available for sale reserve	24	-1,569.3	-2,223.4
Unrealized income from currency translation	24	4,293.4	-266.4
Items that are or may be reclassified ("recycled") subsequently to the income statement		15,713.9	16,182.0
Other comprehensive income		11,243.0	19,345.0
Comprehensive income		172,282.7	224,885.4
Comprehensive income attributable on a pro rata basis:			
to the shareholder of the parent company		171,512.6	224,277.3
to non-controlling interests		770.1	608.1

Consolidated Statement of Financial Position as of December 31, 2016

Assets	Note	Dec 31, 2016 in kEUR	Dec 31, 2015 in kEUR
Non-current assets			
Property, plant and equipment	14	24,385,698.5	23,416,141.5 *)
Intangible assets	15	718,653.2	588,241.3
Investment property	16	160,008.0	163,917.6 *)
Investments recorded at equity	17	61,200.3	66,856.2
Other financial assets	18	312,475.3	655,777.2
Other receivables and assets	20	149,704.1	158,561.8
Deferred tax assets	13	89,055.6	90,619.2
		25,876,795.0	25,140,114.8
Current assets			
Inventories	21	220,712.3	202,963.3
Trade receivables	20	554,957.7	491,358.2
Other receivables and assets	20	290,859.5	269,362.9
Income tax receivables	13	665.2	415.7
Other financial assets	18	241,287.0	95,641.1
Non-current assets held for sale	19	7,818.4	880.7
Cash and cash equivalents	22	150,974.2	274,580.0
		1,467,274.3	1,335,201.9
		27,344,069.3	26,475,316.7
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	23	1,900,000.0	1,900,000.0
Additional paid-in capital	24	260,812.2	260,812.2
Other reserves	24	-130,592.0	-146,305.9
Retained earnings	24	57,378.0	-98,258.8
Equity attributable to the shareholder of the parent company		2,087,598.2	1,916,247.5
Non-controlling interests	23	5,520.5	5,671.0
		2,093,118.7	1,921,918.5
Non-current liabilities			
Financial liabilities	25	20,550,583.9	20,221,985.3
Provisions	26	475,917.2	528,456.8 °)
Other liabilities	27	62,581.5	77,689.2
Deferred tax liabilities	13	13,862.8	12,765.7
		21,102,945.4	20,840,897.0
Current liabilities			
Financial liabilities	25	2,248,201.3	2,094,974.1
Provisions	26	207,078.5	175,847.7 °)
Trade payables	27	937,173.2	857,483.5
Other liabilities	27	755,552.2	584,195.9
		4,148,005.2	3,712,501.2
		27,344,069.3	26,475,316.7

*) adjusted comparative amounts, see Note 14

°) adjusted comparative amounts, see Note 26.2

Consolidated Statement of Cash Flow 2016

	Note	2016 in kEUR	2015 in kEUR
Earnings before income taxes (EBT)		166,221	192,780
Non-cash expenses and income			
+ Depreciation and amortization on property, plant and equipment, intangible assets and investment property	9	1,149,182	1,137,033
+ Depreciation / - appreciation on non-current financial assets		908	365
- Amortization of investment grants	9	-181,478	-188,077
+ Losses / - gains on disposal of property, plant and equipment, intangible assets and investment property		-27,570	-2,879
+ Losses / - gains on disposal of financial assets		2,528	-1,663
- Gains on exchange rates / + losses on exchange rates		57	1,241
- Other non-cash income / + other non-cash expenses		-2,200	-437
+ Interest expenses	11	698,566	718,906
- Interest income	11	-46,747	-44,005
Changes in assets and liabilities			
- Increase / + decrease in inventories	21	-14,297	-1,649
- Increase / + decrease in trade receivables and other assets		-58,179	46,723
+ Increase / - decrease in trade payables and other liabilities and deferrals		211,878	127,250
+ Increase / - decrease in provisions	26	-26,209	-183,557
- Interest paid		-743,413	-736,108
+ Interest received		13,018	10,896
- Income tax paid	13	-6,590	-6,580
Cash flow from operating activities a)		1,135,675	1,070,239
+ Proceeds from disposal of property, plant and equipment and intangible assets		60,378	74,344
- Expenditures for property, plant and equipment and intangible assets	14, 15	-2,226,598	-1,889,042
+ Proceeds from disposal of financial assets		51,954	44,445
- Expenditures for investments in financial assets		-1,718	-107,324
+ Proceeds / - Repayments of investment grants	14, 15	211,093	242,136
+ Proceeds from the sale of consolidated subsidiaries and other business units		421	2,312
- Expenditures for the acquisition of consolidated companies and other business units		-12,438	-3,310
+ Dividends received		7,736	1,586
+ Redemption of loans granted / - grant of loans (from investing activities)		2	1
Cash flow from investing activities b)		-1,909,170	-1,634,852
+ Capital contributions paid in from non-controlling interests		0	179
- Payments to non-controlling interests		-771	-1,021
+ Proceeds from issue of bonds and loans	25	2,201,666	1,060,712
- Redemption of bonds and loans		-1,506,346	-320,612
- Payment of finance lease receivables		-12,274	-180,021
+ Proceeds from grant of loans / - redemption of other loans		-28,023	-63,098
Cash flow from financing activities c)		654,252	496,139
Cash flow from operating activities a)		1,135,675	1,070,239
Cash flow from investing activities b)		-1,909,170	-1,634,852
Free Cash Flow (a+b)		-773,495	-564,613
<i>Funds at the beginning of the period</i>		<i>261,214</i>	<i>330,278</i>
Change resulting from the basis of consolidation		0	16
Foreign currency translation		-984	-606
Change in the funds resulting from cash flows (a+b+c)		-119,243	-68,474
Funds at the end of the period		140,986	261,214

For details on the composition of the fund, please refer to Note 34.

Consolidated Statement of Changes in Shareholders' Equity 2016

in kEUR	Equity attributable to the shareholder of the parent company								Total shareholders' equity
	Share capital	Additional paid-in capital	Cash flow hedge reserve	Available for sale reserve	Foreign Currency Translation	Retained earnings	Total equity	Non-controlling interests	
<i>As of Jan 01, 2015</i>	<i>1,900,000.0</i>	<i>260,812.2</i>	<i>-126,376.6</i>	<i>10,668.6</i>	<i>-46,780.0</i>	<i>-312,217.8</i>	<i>1,686,106.5</i>	<i>5,915.0</i>	<i>1,692,021.5</i>
Net income						204,932.3	204,932.3	608.1	205,540.4
Other comprehensive income			18,671.8	-2,223.4	-266.4	3,163.0	19,345.0		19,345.0
Comprehensive income			18,671.8	-2,223.4	-266.4	208,095.3	224,277.3	608.1	224,885.4
Sale of interests in subsidiaries						5,863.7	5,863.7	58.7	5,922.4
Dividends distributed to non-controlling shareholders								-1,132.7	-1,132.7
Other changes								221.9	221.9
As of Dec 31, 2015	1,900,000.0	260,812.2	-107,704.8	8,445.3	-47,046.4	-98,258.8	1,916,247.5	5,671.0	1,921,918.5

in kEUR	Equity attributable to the shareholder of the parent company								Total shareholders' equity
	Share capital	Additional paid-in capital	Cash flow hedge reserve	Available for sale reserve	Foreign Currency Translation	Retained earnings	Total equity	Non-controlling interests	
<i>As of Jan 01, 2016</i>	<i>1,900,000.0</i>	<i>260,812.2</i>	<i>-107,704.8</i>	<i>8,445.3</i>	<i>-47,046.4</i>	<i>-98,258.8</i>	<i>1,916,247.5</i>	<i>5,671.0</i>	<i>1,921,918.5</i>
Net income						160,269.6	160,269.6	770.1	161,039.7
Other comprehensive income			12,989.8	-1,569.3	4,293.4	-4,470.9	11,243.0		11,243.0
Comprehensive income			12,989.8	-1,569.3	4,293.4	155,798.7	171,512.6	770.1	172,282.7
Dividends distributed to non-controlling shareholders								-920.6	-920.6
Effects from capital consolidations						-161.9	-161.9	0.0	-161.9
As of Dec 31, 2016	1,900,000.0	260,812.2	-94,715.0	6,876.0	-42,753.0	57,378.0	2,087,598.2	5,520.5	2,093,118.7

The number of shares remains unchanged at 190,000.

Further details on the Statement of Changes in Shareholders' Equity can be found in Notes 2, 23 and 24.

Notes to the Consolidated Financial Statements as of December 31, 2016

A. BASIS AND METHODS

Österreichische Bundesbahnen-Holding Aktiengesellschaft (hereinafter referred to as "ÖBB-Holding AG") and its subsidiaries constitute the Österreichische Bundesbahnen-Holding Aktiengesellschaft Group (hereinafter referred to as "ÖBB Group").

ÖBB-Holding AG is a stock corporation incorporated as the controlling company of the ÖBB Group in 2004 pursuant to Article 2 (1) Bundesbahngesetz [Austrian Federal Railways Act] as amended by the BundesbahnstrukturG [Federal Railway Structure Act] according to BGBl. [Federal Law Gazette] I no. 138/2003. Its registered office is in Vienna and 100% of its shares are reserved for the federal government. The Federal Minister of Transport, Innovation and Technology is responsible for management of the shares. The address of the registered office is: Am Hauptbahnhof 2, 1100 Vienna, Austria. The ÖBB Group is registered in the Company Register at the Handelsgericht [Commercial Court] Vienna under number FN 247642 f. This is also where the Consolidated Financial Statements are filed.

ÖBB-Holding AG is the strategic controlling company of the ÖBB Group, holding all of the shares of the three stock corporations (sub-groups) ÖBB-Personenverkehr Aktiengesellschaft, Rail Cargo Austria Aktiengesellschaft, and ÖBB-Infrastruktur Aktiengesellschaft (hereinafter "AG" instead of "Aktiengesellschaft"). The sub-groups are hereinafter referred to as ÖBB-Personenverkehr sub-group, Rail Cargo Austria sub-group, and ÖBB Infrastruktur sub-group. In the following, the sub-groups will be described in the context of segment reporting.

Pursuant to Article 189a clause 1 letter a UGB [Austrian Commercial Code], one subsidiary of ÖBB-Holding AG is a company of public interest and is therefore obligated to prepare separate sub-group financial statements in accordance with IFRS because it has issued bonds listed for trade in the regulated market at the Vienna Stock Exchange. The sub-group financial statements of ÖBB-Infrastruktur AG are filed with the Commercial Court Vienna under Company Register number FN 71396 w.

1. Accounting principles

In accordance with Article 244 of the UGB [Austrian Commercial Code], ÖBB-Holding AG is required to prepare Consolidated Financial Statements. The Consolidated Financial Statements as of December 31, 2016 were prepared pursuant to Article 245a (2) UGB [Austrian Commercial Code] in conjunction with the "IFRS Regulation" in accordance with the International Financial Reporting Standards ("IFRS", "IAS") issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC", "SIC"), which became effective and were endorsed by the European Union until December 31, 2016 along with the additional requirements under Article 245a UGB. With these Consolidated Financial Statements according to IFRS, ÖBB-Holding AG issues exempting Consolidated Financial Statements pursuant to Article 245a UGB [Austrian Commercial Code] in accordance with internationally accepted accounting principles.

The Consolidated Financial Statements are presented in euros (EUR). All amounts indicated in these Notes are presented in millions (EUR million) or thousands of EUR (KEUR), unless another currency unit is indicated. Rounding differences may occur as the rounded presentation includes figures not shown that are subject to precise internal calculation.

Disclosure on amended and new IFRS regulations

The following standards and interpretations were amended compared to the Consolidated Financial Statements as of December 31, 2015 or were to be applied initially on a mandatory basis due to the endorsement by the EU or due to the regulation coming into effect. These standards affect the Consolidated Financial Statements only if they are marked "yes" in the respective column of the following table.

Standards/interpretations		Effective as of ¹⁾	Expected impact on the Consolidated Financial Statements
New standards and interpretations			
IFRS 14	Regulatory deferral accounts	Jan 01, 2016 ²⁾	no

1) applicable for financial years starting on or after the indicated date

2) not yet adopted by the EU

Revised and amended standards/interpretations		Effective as of ¹⁾	Impact on the Consolidated Financial Statements
IAS 19	Recognition of contributions from employees or third parties for a defined benefit plan	Feb 01, 2015	no
AIP 2010-2012	Improvements to IFRS, cycle 2010-2012	Feb 01, 2015	no
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Jan 01, 2016	no
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	Jan 01, 2016	no
IAS16/ IAS 41	Agriculture: Bearer Plants	Jan 01, 2016	no
IAS 27	Equity Method in Separate Financial Statements	Jan 01, 2016	no
AIP 2012-2014	Improvements to IFRS, cycle 2012-2014	Jan 01, 2016	no
IAS 1	Presentation of Financial Statements: Disclosure Initiative	Jan 01, 2016	no
IFRS 10, 12, IAS 28	Investment Entities: Applying the Consolidation Exception	Jan 01, 2016	no

1) applicable for financial years starting on or after the indicated date

Outlook on future IFRS amendments

The following standards and interpretations were issued by the IASB and were endorsed by the EU with the exception of those labeled with Note 2. The option of applying individual standards early was not exercised. The potential impact of the new and amended standards is currently being evaluated.

Standards/interpretations		Effective as of ¹⁾	Expected impact on the Consolidated Financial Statements
New standards and interpretations			
IFRS 15	Revenue from Contracts with Customers	Jan 01, 2018	currently evaluated
IFRS 9	Financial instruments	Jan 01, 2018	yes
IFRS 16	Leases	Jan 01, 2019 ²⁾	yes
Amended standards and interpretations			
IAS 12	Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses	Jan 01, 2017 ²⁾	no
IAS 7	Statement of Cash Flows – Changes in Liabilities Arising from Financing Activities	Jan 01, 2017 ²⁾	yes (currently evaluated)
IFRS 2	Clarification and Measurement of Share-based Payment Transactions	Jan 01, 2018 ²⁾	no
IFRS 4	Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance contracts”	Jan 01, 2018 ²⁾	no
IFRS 15	Clarifications to IFRS 15	Jan 01, 2018 ²⁾	currently evaluated

1) applicable for financial years starting on or after the indicated date

2) not yet adopted by the EU

IFRS 15 (“Revenue from Contracts with Customers”) includes a five-step model to be applied to revenue from contracts with customers (with a few exceptions). The type of transaction or the sector of the entity are not relevant. IFRS 15 contains additional qualitative and quantitative disclosure obligations. These are aimed at enabling users of the financial statements to understand the nature, amount, timing, and the uncertainties of revenue and the resulting cash flows arising from contracts with customers. The impact of IFRS 15 on the Group is currently being evaluated by working groups. Of the sales revenue and other operating income, no changes are expected in the amount and timing of revenue recognized with respect to the majority of the sales revenue and income. A detailed analysis is now being conducted with respect to the revenue from electricity trading, real estate recovery projects, and certain services provided for third parties, which amount to 3.9% (prior year: 4.1%) of total income (revenue and other operating income). In addition, the scope and level of detail of the Notes will increase. Subject to the adoption of IFRS 15 for application in the European Union, the Group plans not to apply IFRS 15 prematurely, but to apply it as of January 1, 2018, using the modified approach (without adjusting the previous year's figures).

IFRS 9 (“Financial Instruments”) deals with revised requirements for the classification and measurement of financial assets and financial liabilities, the accounting for hedging relationships, as well as extended regulations for the impairment of financial assets, as well as new rules for hedge accounting. The effects of IFRS 9 within the Group were evaluated in the framework of working groups on the basis of the consolidated financial statements as of December 31, 2015. In the following years, the analyses will be carried out in more detail and the manuals and recording systems will be adapted. The application of these changes will have an impact on the classification and measurement of financial assets as well as the recognition of hedging relationships, with current non-material effects on the net assets, financial position, and results of operations being expected. Furthermore, there will be no impact on the net assets, financial position, and results of operations in the area of hedge accounting, in which the future regulations are more closely linked to the reality of risk management. Subject to the adoption of IFRS 9 for application in the European Union, the Group does not plan to apply IFRS 9 prematurely, but to apply it as of January 1, 2018. The scope and level of detail of the Notes will increase.

The future standard IFRS 16 ("Leases"), which supersedes the previous provisions of IAS 17, restricts in particular the accounting for lease agreements with the lessee. In accordance with IFRS 16, lessees have to report an asset (right of use) and a liability for most leases. The impact of IFRS 16 on the Group is currently being evaluated by working groups. Based on the consolidated financial statements as of December 31, 2015, it is expected that the non-current assets as well as the debt will increase by EUR 490.7 million. EBIT improved, the financial result deteriorated by EUR 7.5 million. The EBT is unchanged. In addition, the scope and level of detail of the Notes will increase. Subject to the endorsement of IFRS 16 by the European Union, the Group does not plan to early adopt IFRS 16, but will apply IFRS 16 beginning on January 1, 2019 (without adjusting the previous year's figures). In 2017, the consolidated financial statements are analyzed as of December 31, 2016, with comparable effects expected.

In January 2016, the IASB published amendments to IAS 7 Statement of Cash Flows. The objective of the changes is to improve presentation of the change in the debt of the company. Changes with an effect on cash flow, changes resulting from the acquisition or disposal of companies, exchange rate changes, changes in fair value, etc. will be required to be reported.

2. Consolidation principles and basis of consolidation

Consolidation principles

Reporting date

The reporting date for all fully consolidated companies included in the Consolidated Financial Statements is December 31.

Foreign currency translation

Foreign currencies are translated in accordance with the functional currency concept. The functional currency of all subsidiaries included in the Consolidated Financial Statements is the respective national currency. The Consolidated Financial Statements are presented in euros, the functional currency of the parent company.

Foreign currency transactions are first translated into the functional currency by the Group companies at the spot rate applicable on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at each reporting date at the respective spot rate. Translation differences from financial assets and financial liabilities are recognized in the financial expenses or financial income as relevant. All other currency translation differences are recognized through profit or loss in other operating income or expense. Non-monetary items measured at cost denominated in a foreign currency are translated at the rate applicable on the date of the transaction. Non-monetary items measured at fair value denominated in a foreign currency are translated at the rate applicable at the time the fair value is determined.

The annual financial statements of the foreign subsidiaries included in the Consolidated Financial Statements are translated as follows: The assets and liabilities are measured at the foreign exchange reference rates of Österreichische Nationalbank [Austrian National Bank] (OeNB) applicable at the reporting date. The items of the Income Statement are translated at the annual average rates. Differences resulting from foreign currency translation are recognized in other comprehensive income. As long as the subsidiary is included in the basis of consolidation, the translation differences are continued in other comprehensive income and thus in consolidated shareholders' equity. If subsidiaries leave the basis of consolidation, the corresponding translation differences are recognized in the consolidated net income.

As the principal market of the ÖBB Group is in Austria, sales in foreign currencies account only for a small portion. The exchange rates of important currencies developed as follows (source: reference rates of the European Central Bank (ECB) according to www.oenb.at):

rounded in EUR	Reporting date rate		Annual average rate	
	Dec 31, 2016	Dec 31, 2015	2016	2015
Bosnia and Herzegovina Convertible Mark (BAM)	1.956	1.956	1.956	1.956
Bulgarian Lev (BGN)	1.956	1.956	1.956	1.956
Croatian Kuna (HRK)	7.560	7.638	7.533	7.614
New Turkish Lira (TRY)	3.707	3.177	3.343	3.026
Polish Zloty (PLN)	4.410	4.264	4.363	4.184
Romanian Leu (RON)	4.539	4.524	4.490	4.445
Russian Ruble (RUB)	64.300	80.674	74.145	68.072
Czech Korunas (CZK)	27.021	27.023	27.034	27.279
Hungarian Forint (HUF)	309.830	315.980	311.440	310.000
US Dollar (USD)	1.054	1.089	1.107	1.110

Consolidation

Subsidiaries (capital consolidation)

Subsidiaries are entities controlled by the Group. The Group controls an investee if it is exposed or has rights to variable returns from its involvement with the investee and has the ability to exercise control over the investee to affect the amount of these returns. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date the Group obtains control until the expiration of control.

Accordingly, the results of operations of the businesses acquired or sold during the reporting year are included in the Consolidated Income Statement and in the other comprehensive income from the date of acquisition or until the date of disposal respectively. If the Group loses control of a subsidiary it derecognizes the assets and liabilities of the subsidiary and other equity components.

Accounting policies are applied consistently by all subsidiaries in the ÖBB Group.

Business combinations

Business combinations are accounted for according to the purchase method. The acquisition costs are measured at the total of the consideration transferred, measured at fair value at the acquisition date, plus the share of non-controlling interest in the acquired company. For each business combination, the acquirer measures the share of non-controlling interest in the acquired company at the corresponding share of the identifiable net assets of the acquired company. Any costs incurred in the course of the business combination are recognized as expense in other operating expenses.

When an entity is acquired, the Group assesses the suitable classification and designation of the financial assets acquired and liabilities assumed in accordance with the contractual terms, economic circumstances, and general conditions given at the time of the acquisition. This also includes a separation of the embedded derivatives embedded in a host contract. In case of business combinations carried out in stages, the equity share in the acquired company previously held by the acquirer is re-measured at fair value at the time of the acquisition, and the resulting profit or loss is recognized in profit or loss in the current period. Any agreed contingent consideration is recognized at the fair value at the time of the acquisition. Subsequent changes in the fair value of contingent consideration which constitute an asset or a liability are recognized either in the income statement or in other comprehensive income according to IAS 39 ("Financial Instruments: Recognition and Measurement"). Contingent consideration classified as an equity instrument is not re-measured, and its payment is accounted for in equity.

At initial recognition, goodwill is measured at cost, determined as the excess amount of the total consideration transferred plus the amount of the share of the non-controlling interest over the identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets acquired, the difference is recognized in profit or loss. After the initial recognition, goodwill is measured at cost less cumulative impairment charges. For the purposes of the impairment test, the goodwill acquired as part of a business combination is allocated from the acquisition date to the Group's cash-generating units, which are expected to generate synergies from the business combination. This applies irrespective of whether other assets or liabilities of the acquired company are allocated to these cash-generating units.

When goodwill has been allocated to a cash-generating unit and a business unit of it is sold, the goodwill attributable to this business unit is taken into account in determining the carrying amount of the business unit and the proceeds from the sale of this business unit. The amount of the goodwill sold is determined on the basis of the relative values of the business unit sold and the remaining part of the cash-generating unit.

Transactions with non-controlling interests without loss of control

Transactions with non-controlling interests without loss of control are treated as transactions with Group equity holders. A difference arising from the acquisition of a non-controlling interest between the paid service and the relevant share of

the net carrying amount of the subsidiary is recognized in equity. Gains and losses arising on the disposal of non-controlling interests are also recognized in equity.

Associated companies

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over the decision-making processes.

Except for investments classified as held for sale, shares in associated companies are included in the Consolidated Financial Statements using the equity method of accounting. They are initially recognized at cost, which is adjusted to reflect changes in the interest of the ÖBB Group in the net assets subsequent to the acquisition date and to reflect losses resulting from impairment. Losses exceeding the interest of the ÖBB Group in an associated company are not recognized, unless a commitment for additional contributions exists.

If the acquisition cost of the interest acquired by the ÖBB Group exceeds the fair values of the identifiable assets and liabilities of the associated company at the date of acquisition, such excess amount is accounted for as goodwill included in the value of the investment. If the cost of the interest acquired by the ÖBB Group is less than the fair values of the identifiable assets and liabilities at the date of acquisition, the difference is recognized in the income statement in the period the acquisition occurred.

Joint ventures

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is defined by the following characteristics: The parties are bound by a contractual agreement in which joint control is allocated to two or more parties to the agreement.

A joint venture is a contractual arrangement regarding an economic activity in which two or more parties have joint control. If these rights are included in the net assets of the agreement, rather than rights in the assets and obligations for their debts, these joint ventures are included in the consolidated financial statements using the equity method.

Elimination of intercompany accounts

Receivables are offset with the corresponding liabilities and provisions between the subsidiaries included in the Consolidated Financial Statements in the course of the elimination of intercompany accounts. Assets and liabilities amounting to a total of EUR 1.8 billion (prior year: EUR 1.9 billion) were consolidated.

Revenue and expense elimination

All intra-group expenses and revenues are eliminated in the course of the revenue and expense elimination. When assets are constructed by the ÖBB Group itself, any revenue arising therefrom is reclassified in own work capitalized after taking into account elimination of the unrealized profits. Within the EBIT, total income in the amount of EUR 3.7 billion (prior year: EUR 3.6 billion) was offset against the respective expenses.

Unrealized profit elimination

Unrealized profits resulting from intra-group sales of assets or asset construction and from contribution of assets to subsidiaries were eliminated in the Consolidated Financial Statements.

Composition of and change in the basis of consolidation

In addition to ÖBB-Holding AG 65 (prior year: 60) other fully consolidated and nine (prior year: nine) associated companies and one (prior year: one) joint venture which are accounted for using the equity method, and therefore a total of 76 (prior year: 71) companies. The companies included in the Consolidated Financial Statements are disclosed in Note 35.

The basis of consolidation is defined to enable the Consolidated Financial Statements to give a true and fair view of the net assets, financial position and results of operations of the ÖBB Group. The subsidiaries not consolidated are those with a small business volume whose revenues, assets and liabilities jointly account for less than 1% of the consolidated amounts.

Changes to the basis of consolidation in 2015 and 2016

The basis of consolidation has developed as follows:

Basis of consolidation	Full consolidation	Consolidation using the equity method	Total
As of Jan 01, 2015	57	9	66
<i>thereof foreign companies</i>	26	6	32
Companies launched	2	0	2
Change in basis of consolidation	1	1	2
Acquisitions	1	0	1
As of Dec 31, 2015	61	10	71
<i>thereof foreign companies</i>	28	7	35
Change in basis of consolidation	4	0	4
Acquisitions	1	0	1
As of Dec 31, 2016	66	10	76
<i>thereof foreign companies</i>	33	7	40

Note 35 expands on the changes in the basis of consolidation.

Goodwill is indicated in the schedule of intangible assets provided in Note 15. The effects of the final consolidation of subsidiaries or interests in subsidiaries are recognized in other operating income, other operating expenses, or in earnings of investments accounted for using the equity method in the Income Statement.

Company acquisitions in 2016

On April 30, 2016, the Group acquired all shares in the German freight carrier PCT Private Car Train GmbH, which until that time belonged to the German ARS-Altmann Group. The services of the company, which was founded in 2002, include national long-distance transport, last-mile operation and factory switching services. This ensures the continuous in-house rail connection from Germany to Hungary, as well as a consistently high level of service. It is also expected that the acquisition will give the Group a higher share in the German market by giving it access to the customer base of PCT Private Car Train GmbH and increasing its market presence in Germany.

In the eight months ended December 31, 2016, the subsidiary contributed revenues of EUR 19.5 and an operating result of EUR 0.1 million. If the acquisition had taken place on January 1, 2016, the company would have increased the revenues by a further EUR 9.6 million and the operating result by a further EUR 0.6 million.

The acquisition cost of EUR 12.6 million (without a master agreement), which was settled by payment in liquid funds, compared with EUR 0.5 million in equity as of May 1, 2016, the date of initial consolidation. Fair value was determined on the basis of the final allocation of the acquisition cost to the assets and liabilities. The resulting difference of EUR 8.1 million can be broken down as follows:

Calculation of goodwill	in kEUR
Purchase price 100% (incl. ancillary costs)	22,072
Acquired, activated framework agreement (Note 15)	-9,431
Acquired net assets as of May 1, 2016	-465
Difference	12,176
Customer relationships	-5,722
Difference after fair value adjustment	6,454
Deferred tax	1,691
Goodwill	8,145

The transaction gave rise to transaction costs in the amount of EUR 0.2 million, which are included in other operating expenses. Transaction costs of EUR 0.1 million were capitalized. No contingent liabilities were assumed. The remaining goodwill primarily reflects the advantage from the significant strengthening of the market position in Germany and expected synergies. The goodwill is not usable for tax purposes.

The acquired assets and liabilities plus the above customer relationships and the deferred taxes arising therefrom, which were recognized at the time of acquisition, are made up as follows:

Fair value at the point of acquisition	in EUR million
Non-current assets	
Customer relationships	5.7
Property, plant and equipment	8.0
	13.7
Current assets	
Trade receivables	4.0
Other financial assets	0.5
Cash and cash equivalents	0.0 *)
	4.5
Non-current liabilities	
Financial liabilities	-8.2
Deferred tax customer relationships	-1.7
	-9.9
Current liabilities	
Provisions	-0.7
Trade payables	-2.8
Other liabilities	-0.3
	-3.8
Total of acquired net assets at fair value (incl. customer relationships and deferred taxes)	4.5

*) Small amount

Changes to the level of shareholdings of the Group's investments in 2015

In 2015, the ÖBB-Infrastruktur Group exchanged 49% of the shares in the fully consolidated affiliated company WS Service GmbH for 13.05% of the shares in Weichenwerk Wörth GmbH (WWG). As a result, the Group's share of WS Service GmbH of 100% was reduced to 51%. The share sold in the carrying amount of the net assets was kEUR 59, which was transferred to non-controlling interests. The Group's share of Weichenwerk Wörth GmbH of 30% was increased to 43.05%. ÖBB Infrastruktur AG recognized the WWG shares it holds in accordance with the equity method of accounting, since control of the company is carried out by the co-shareholder and ÖBB therefore "only" has significant influence, so that the conditions of an associate as defined by IAS 28 are fulfilled. Additionally, shares in an existing associated company were purchased without changing the classification as an associate.

With respect to the additional acquired WWG shares (13.05%), the fair value of the consideration was determined in the amount of kEUR 5,923 and compared with the pro rata net assets existing as of March 31, 2015 amounting to kEUR 1,478, resulted in a difference in the amount of kEUR 4,445. A capital gain of kEUR 5,864 was realized and reported directly in equity. There was no net cash inflow or outflow.

The following overview provides details regarding the required adjustments to fair values and the deferred tax. The residual difference in the amount of kEUR 2,199 was classified as goodwill.

Calculation of goodwill (partial goodwill method)	in kEUR
Fair value of consideration transferred	5,923
Pro rata net assets as of March 31, 2015	-1,478
Difference	4,445
Customer relationship - ÖBB Infrastruktur AG	-2,766
Customer relationship - other industrial customers	-123
Inventories	-106
Deferred tax	749
Pro rata assets at fair value	-2,246
Goodwill	2,199

3. Summary of significant accounting policies

Basis of preparation of financial statements

The Consolidated Financial Statements are prepared on the basis of the principle of amortized cost. This excludes derivative financial instruments and available-for-sale financial assets that are measured at fair value. The carrying amounts of the assets and liabilities recognized in the Statement of Financial Position and designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to reflect changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

Property, plant and equipment and investment property

Property, plant and equipment and investment property are recognized at cost less depreciation and possible impairments. Cost includes certain expenses incurred in the course of the construction or development of the rail infrastructure network, such as acquisition cost, material and personnel expenses, directly attributable fixed and variable overhead, the present value of obligations resulting from demolition, dismantling and removing the asset, restoration of sites, and borrowing costs directly attributable to qualifying assets. VAT charged by suppliers with a subsequent entitlement to input tax deduction is not included in cost. Property, plant and equipment under a finance lease are recognized at the lower of the present value of the minimum lease payments or its fair value.

Property, plant and equipment and investment property are depreciated on a straight-line basis over the estimated useful life, and depreciation is recognized in the line item depreciation and amortization in the Consolidated Income Statement. Leased property, plant and equipment (held under finance leases) and fixtures in third-party buildings are also depreciated over their estimated useful life if ownership is expected to be transferred at the end of the lease term. Otherwise, they are depreciated over the shorter of the lease term or the useful life. Expenses incurred in the carrying amount of an item of property, plant and equipment during its creation are shown as "Assets under construction".

The economic useful lives, except for the shortening of the useful lives of tunnels being built using the cut-and-cover construction method, remain unchanged from the previous year for:

	Years
Buildings	
Substructure	20–150
<i>Power plants</i>	80
<i>Tunnels</i>	80–150
<i>Railway tracks</i>	100
<i>Other substructures</i>	20
Superstructure	10–50
Roadbed and track	25–40
Automobiles and trucks	5–40
Technical equipment and machinery	
Security and telecommunications equipment	4–30
High-voltage and lightning equipment	15–50
Tools and equipment	4–20
Machinery	9–15
Other plant, furniture and fixtures	2–8

Residual carrying amounts and remaining useful lives are reviewed each year as of the reporting date.

Costs for maintenance measures and repairs are expensed as incurred, whereas replacements, expansion and value-improving capital expenditures are capitalized. The distinction between maintenance measures and repairs immediately recognized as expenses and investment measures requiring capitalization is made on the basis of the provisions of IAS 16 or the accounting principles for group-specific items derived therefrom. The cost and accumulated depreciation and amortization of assets sold or retired are removed from the accounts, and resulting gains or losses are recognized in other operating income or expenses. The useful lives and the methods of depreciation presented above are also applied to assets presented in the line item "Investment property".

Investment grants

The ÖBB Group receives public grants that are essentially granted as assets. Government grants are recognized in the Statement of Financial Position when it is certain that the grant will be received and all attached conditions will be complied with. Asset-related grants, in particular investment grants, are deducted directly from the cost of the related assets. The depreciation expenses less income from the amortization of these grants are recognized in the Consolidated Income Statement. In principle, investment grants are amortized over the useful life of the asset for which the grant was received.

Goodwill and other intangible assets

Goodwill

The positive difference between the cost of acquisition of a company and the fair value of the interest of the ÖBB Group in the net assets of the acquired company at the time of acquisition constitutes the goodwill. Goodwill generated through the acquisition of a company is recognized in intangible assets. The recognized goodwill is subject to an annual impairment test and measured at its original cost less accumulated impairments. Impairment reversals are not permitted. For the purpose of impairment testing, the goodwill is allocated to cash-generating units. Allocations are made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination that generated the goodwill.

Other intangible assets

The ÖBB Group does not account for any significant other intangible assets with indefinite useful lives. Amortized intangible assets are recognized at cost less amortization on a straight-line basis.

Intangible assets are amortized on a straight-line basis over the estimated useful life, and amortization is recognized in the line item depreciation and amortization in the Consolidated Income Statement.

As in the previous year, the scheduled straight-line amortization is based on the following useful lives:

	Years
Investment grants	3–150
Concessions	4–20
Development costs	5
Software	2–20
Other intangible assets	5–30

Investment grants are amortized depending on the useful life of the asset for which the grant was paid. The useful life can be up to 150 years in individual cases, but in most cases it is 20 years.

In principle, investment grants are amortized over the useful life of the asset for which the grant was received.

Impairment of property, plant and equipment, intangible assets, and investment property

Methodology

Property, plant and equipment, intangible assets and investment property with finite useful lives are tested for impairment if events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. The impairment test is performed for all items of property, plant and equipment, and intangible assets. In accordance with the provisions of IAS 36 "Impairment of Assets", an impairment loss is recognized if the carrying amount exceeds the higher value which results from the fair value less cost to sell and value in use. The fair value less cost to sell corresponds to the amount that can be obtained in an arm's length sales transaction. The value in use corresponds to the discounted estimated future net cash flows that are expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the item depreciation and amortization in the Consolidated Income Statement.

If changes in circumstances indicate that the carrying amount of an asset exceeds its fair value, the value in use is calculated in the context of the impairment test. The value in use is determined by estimating the future cash flows of the cash-generating units based on the business plans that were derived from past results and the best estimates of the Board of Management of future developments. The growth rates assumed in the business plans (budget 2017 and medium-term plan 2018–2022) reflect the weighted average growth rates based on market estimates. Cash flow forecasts going beyond the period covered by the business plan are based on steady growth rates for subsequent years and do not exceed the long-term weighted average growth rate for the industry and the country in which the cash-generating unit operates. A six-year master plan, which must be a significant component of the business plan, is to be prepared pursuant to Article 42 (7) of the Austrian Federal Railways Act. The six-year business plans are used for the impairment test.

If the recoverable amount of the cash-generating unit exceeds its carrying value, no impairment exists for the relevant cash-generating unit. If the recoverable amount of the cash-generating unit is less than its carrying value, an impairment loss is recorded for this unit. The impairment loss associated with the cash-generating unit is allocated first of all to the goodwill and then proportionately to the other assets of the cash-generating unit, although the remaining assets of the cash-generating unit may not be written down to an amount which is below their recoverable amount. The reductions in the carrying amount represent expenses from the impairment of the individual assets.

If there is any indication that an impairment of assets no longer exists, the ÖBB Group must reverse the impairment wholly or partially in net income up to a maximum of the amortized cost. Impairment reversals are not permitted for goodwill.

Following the adoption of the medium-term planning by the Supervisory Board, regular checks are now made to ascertain whether a triggering condition for impairment exists. Additional checks are made in the event that current findings from the business development or changes in premises indicate a significant change in the value in use during the year.

Structure of the cash-generating units (CGU) and calculation premises

Each cash-generating unit consists of a part or a number of legally independent companies. The delimitation criteria for the cash-generating units are based on the structure of business operations and correspond to the business areas and business activities. A brief description of these business areas is provided in Note 33. ÖBB-Produktion GmbH is allocated to the Segment Rail Cargo Austria and the ÖBB-Personenverkehr segment on a pro rata basis.

Cash-generating units of ÖBB-Personenverkehr

The delimitation criteria for the cash-generating units are based on the structure of business operations and correspond to the following business areas and business activities: rail passenger transport, bus passenger transport, and services. These business units essentially consist of ÖBB-Personenverkehr AG and ÖBB-Postbus GmbH and are categorized as two cash-generating units.

There were no indicators of potential impairment as of December 31, 2016 and therefore no impairment test was conducted. Please see the section on "Use of estimates and judgments – c) Estimated useful lives of property, plant and equipment and intangible assets" in this Note for more information on impairment losses recognized in 2015 in connection with certain intermediate push-pull control cars and other coaches.

Cash-generating units of Rail Cargo Austria:

Each cash-generating unit consists of a part or a number of legally independent companies. The delimitation criteria for the cash-generating units are based on the structure of business operations and correspond to the business areas and business activities of the Rail Cargo sub-group.

The benchmarkable areas are composed of the following:

- Freight forwarders: Rail Cargo Logistics (RCL) – rail freight forwarding with industry expertise
- Operator: Rail Cargo Operator (RCO) – high-frequency long haul shuttles (intermodal, conventional, mix) between economic regions
- Carrier: Rail Cargo Carrier (RCC) – RO (railway operator = carrier service) for Group-owned traction stock (e.g. base load, single car transport)
- Cars: Rail Cargo Wagon (RCW) – wagon lessor
- TS: Technical Services (TS) – Maintenance of rolling stock

The objectives of this organizational structure are:

- Focus on the core competency of rail logistics
- Transparency through simplification, five non-overlapping businesses with their own business models and markets (internal, external)
- Pooling of expertise, resources, and responsibility
- Benchmarking capability
- Consistent brand architecture

A weighted average cost of capital reflecting the interest requirements of the capital market for granting loans and equity to the cash-generating unit Rail Cargo Austria sub-group is used for discounting. Risks and taxes are taken into account by means of various deductions.

For the cash flow projections after the planning period (accounted for by a perpetual annuity), CGU growth rates were applied on the basis of the Gordon/Shapiro growth model, which defines growth as follows: $\text{Growth} = \text{long-term return} * \text{reinvestment}$. The long-term return was fixed independently of the CGU at a return equivalent to the cost of capital. The cost of capital (and thus implicitly the long-term returns) of the CGUs were determined as part of the analyses at a maximum of 6% (after tax, with basis of Austria – Hungary higher because of provincial surcharge). Based on the assumption that the long-term growth of the CGUs is below the ECB's inflation expectations of 2%, the reinvestment rate was standardized at 20%, meaning growth of about 0.8-1.7%. Please see the table below for more information.

The following discount rates were applied:

For the cash-generating units of Rail Cargo Austria as of Dec 31, 2016	Shipping (RCL)	Operator (RCO)	Carrier (RCC)	Car (RCW)	TS *)
Austria					
Before tax					
Interest rate 2017 - 2022	7.2%	7.2%	6.9%	5.5%	5.6%
Interest rate perpetuity	6.1%	6.1%	5.8%	4.7%	4.8%
<i>Growth – perpetual annuity</i>	<i>1.1%</i>	<i>1.1%</i>	<i>1.1%</i>	<i>0.8%</i>	<i>0.8%</i>
After tax					
Interest rate 2017 - 2022	5.6%	5.6%	5.3%	4.2%	4.0%
Interest rate perpetuity	4.5%	4.4%	4.2%	3.3%	3.2%
Hungary					
Before tax					
Interest rate 2017 - 2022	9.5%	9.3%	8.7%	6.1%	6.9%
Interest rate perpetuity	8.0%	7.8%	7.2%	5.1%	5.7%
<i>Growth – perpetual annuity</i>	<i>1.5%</i>	<i>1.5%</i>	<i>1.4%</i>	<i>1.0%</i>	<i>1.1%</i>
After tax					
Interest rate 2017 - 2022	7.7%	7.6%	7.2%	5.1%	5.6%
Interest rate perpetuity	6.2%	6.1%	5.8%	4.1%	4.5%
*) Slovakia – individual rate of interest is immaterial and therefore not listed					
For the cash-generating units of Rail Cargo Austria as of Dec 31, 2015	Shipping (RCL)	Operator (RCO)	Carrier (RCC)	Car (RCW)	TS *)
Austria					
Before tax					
Interest rate 2016 - 2021	7.7%	7.5%	7.9%	5.3%	7.5%
Interest rate perpetuity	6.5%	6.3%	6.7%	4.5%	6.5%
<i>Growth – perpetual annuity</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>0.8%</i>	<i>1.1%</i>
After tax					
Interest rate 2016 - 2021	5.9%	5.8%	6.0%	4.0%	5.4%
Interest rate perpetuity	4.7%	4.6%	4.8%	3.2%	4.3%
Hungary					
Before tax					
Interest rate 2016 - 2021	10.2%	10.2%	9.9%	5.6%	9.8%
Interest rate perpetuity	8.5%	8.5%	8.2%	4.6%	8.2%
<i>Growth – perpetual annuity</i>	<i>1.7%</i>	<i>1.7%</i>	<i>1.6%</i>	<i>1.0%</i>	<i>1.6%</i>
After tax					
Interest rate 2016 - 2021	8.4%	8.2%	8.2%	5.0%	8.0%
Interest rate perpetuity	6.7%	6.6%	6.5%	4.0%	6.4%
*) Slovakia – individual rate of interest is immaterial and therefore not listed					

The pre-tax discount rates shown were calculated by the method of internal rate of return. The value in use of the cash-generating units is determined based on the after-tax discount rates. The specified pre-tax discount rates are for information purposes only.

Intra-group transfer pricing based on estimates in line with the market of the companies involved was taken into account in the cash flow forecasts. The capital cost rate was calculated separately for the Rail Cargo Austria sub-group, independently from the rest of the ÖBB Group. No risk and resource consolidation with the rest of the ÖBB Group was applied and no uniform cost of capital was used throughout the Group.

Cash-generating units of ÖBB-Infrastruktur:

No indicators of impairment were identified for any cash-generating unit, neither for 2015 nor for 2016 and therefore no impairment tests were performed. For the rail infrastructure cash-generating unit, no indicators currently exist due to the following preamble to the grant agreement in accordance with Art 42 of the Austrian Federal Railways Act. ÖBB-Infrastruktur AG is a railway infrastructure company whose activities are of public interest and are further defined in Article 31 of the Federal Railways Act. The basis for the financing of the Company is given in Article 47 of the Federal

Railways Act, according to which the federal government is responsible for ensuring that ÖBB-Infrastruktur AG has the funds required to fulfill its tasks and maintain its liquidity and equity, insofar as the tasks are included in the business plan pursuant to Article 42 (6) of the Federal Railways Act. The commitment regulated by the federal government in this provision is implemented by the grant agreements pursuant to Article 42 (1) and (2) of the Federal Railways Act. It is the understanding of the contractual parties that the objective of the grant agreements, irrespective of their respective terms, is to permanently guarantee the value of the assets of the ÖBB-Infrastruktur AG sub-group used for the tasks pursuant to Article 31 of the Federal Railways Act, which also conforms to the official task according to the Federal Railways Act."

Further details are contained in Notes 9, 14 and 15.

Impairment of investments in associated companies and joint ventures

Subsequent to the application of the equity method according to IAS 28.40 and IFRS 11 it has to be determined at each reporting date as to whether there is any objective indication of an impairment of the carrying amount in accordance with IAS 39.58 et seqq. If indicators are identified, the recoverable amount of the investment must be determined in accordance with IAS 36. If there is an impairment, the investment must be written down accordingly. If associated companies or joint ventures are affected by the impairment, such impairment is recognized in the line item "Earnings of investments accounted for using the equity method". Reference is made to the previous paragraph regarding Article 42 of the Federal Railways Act in relation to any impairment of the Galleria di Base del Brennero – Brenner Basistunnel BBT SE.

Non-current assets held for sale

Assets held for sale are measured at the lower of their carrying amount or their fair value less cost to sell. Assets classified as "held for sale" are not depreciated and reported in a separate line item in the Statement of Financial Position. Gains or losses from the sale of these assets are recorded together with the gains or losses from the disposal of property, plant and equipment and intangible assets as other operating income or expenses or, in case of an investment, in the other financial result. Further details are provided in Note 19.

Financial instruments

General information

Financial assets and liabilities are recognized when the ÖBB Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when:

- all the contractual rights to the cash flows from the financial asset have expired or been settled or
- all risks and rewards arising from the asset have been transferred to another party or
- the power to control the financial asset has been transferred to another party in its entirety.

A financial liability may only be derecognized when it has been extinguished, i.e. when the contractual obligation has been settled or canceled or has expired. Regular purchases and sales of financial assets are recognized at the settlement date (date of fulfillment). Derivative financial instruments are recognized at the date of conclusion (trade date).

Financial assets and liabilities are initially recognized at the fair value of the consideration given or received. Transaction costs are included in the initial recognition, except in the case of financial instruments measured at fair value through profit or loss.

Cash and cash equivalents

The ÖBB Group recognizes cash on hand, cash in banks, and highly liquid financial investments with remaining maturities of three months or fewer as cash and cash equivalents. Money market deposits with original maturities of more than three months are classified as other current financial assets along with securities. Cash and cash equivalents represent the funds for the Statement of Cash Flow. More information can be found in Note 34.

Financial assets and liabilities

Financial instruments disclosed in the Statement of Financial Position as financial assets are measured at their fair value with the exception of loans and receivables and financial assets available for sale at cost. The financial instruments disclosed in the Statement of Financial Position as financial liabilities are measured at amortized cost. Derivative financial instruments are measured at fair value. Changes in the fair value of derivative financial instruments are recognized through profit or loss or in other comprehensive income, depending on whether the derivative instrument is used to hedge the fair value of an item recognized in the Statement of Financial Position (fair value hedge) or fluctuations in future cash flows (cash flow hedge). For derivative financial instruments designated as fair value hedges, changes of the

fair value of the hedged asset or liability and of the derivative financial instrument are recognized in profit or loss. For derivative financial instruments designated as cash flow hedges, changes in the fair value of the effective portion of the hedging instrument are recognized via the other comprehensive income in equity (cash flow hedge reserve). The effects stated in the cash flow hedge reserve are recognized in profit and loss when the hedged item is recognized in profit and loss. Changes in the fair value of the ineffective portion of the hedge and changes in the fair value of derivative financial instruments not classified as a hedge are recognized in profit or loss immediately. See Note 29.2. on the hedge accounting.

In accordance with IAS 39, the ÖBB Group classifies securities and certain non-current financial instruments as available-for-sale (AFS) and measures them at fair value. Unrealized gains and losses are recognized in the other comprehensive income.

Non-current derivative financial instruments (interest rate swaps for hedging purposes) are divided into a current and a non-current portion based on the discounted payment streams in the applicable time frames. If a derivative financial instrument has an overall clearly negative fair value, any current positive portion is not recognized as a current asset because this presentation would be misleading in the light of the clearly negative fair value, and is thus reported collectively as non-current liability. The same applies to the reverse case of a derivative financial instrument with an overall clearly positive fair value and a negative fair value of the current portion.

The impairment test for securities is based on a two-step approach, which examines whether the carrying amount or cost differs significantly from the fair value of the securities, and the period of time for which such a difference exists. Impairment losses are recognized in income in the period they occur in the other financial result.

If there is an indication that an impairment no longer exists, the ÖBB Group has to reverse all or part of the impairment through net income, unless these financial assets are carried at cost or are equity instruments classified as available-for-sale. For equity instruments classified as available-for-sale and carried at cost, reversal of the impairment is not permitted. For equity instruments classified as available-for-sale and measured at fair value, any increase in the fair value is recognized in other comprehensive income.

Trade receivables

Trade receivables are recognized at the lower of amortized cost or fair value. Impairments are recognized if collection of the claims can no longer be expected due to customer-specific circumstances. If such doubts regarding the collection of the receivables occur, these receivables are measured at the lower realizable amount and specific allowances are recognized on the basis of identifiable risks. Impairment indications include significant financial difficulties of the contractual partner, insolvency proceedings initiated against the debtor, unsuccessful dunning and execution attempts, effective breach of contract (e.g. default or failure to pay), and other information raising doubts about the solvency of the debtor. The debtor's creditworthiness is considered accordingly in determining the amount of impairment. As soon as the irrecoverability of the receivable has been determined, the receivable is derecognized. Allowances are recorded in separate allowance accounts.

Construction contracts, if significant, are recognized according to the percentage of completion method. Revenue amounts are predominantly based on fixed price contracts.

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, trade receivables and payables, receivables due from and liabilities due to related companies approximate their fair values. The fair values of available-for-sale securities result from directly or indirectly derivable prices. The fair value of non-current financial liabilities and swap agreements is based on the present value of future cash flows, discounted at the ÖBB Group's estimated current interest rate at which comparable financial instruments may be concluded. Existing credit risk is considered when determining the fair values.

The ÖBB Group estimates whether the fair value of assets for which no quoted prices are available – mainly investments – corresponds to their carrying amount based on the latest financial information available. These assets are impaired if the investment generates losses over an extended period or in the event of significant changes in the business environment.

Inventories

Inventories include material and spare parts used primarily for the expansion, maintenance and repair of defects of the Group's own railway networks and real estate recovery projects.

Materials and spare parts are measured at the lower of cost or net realizable value, with cost being determined on the basis of the moving average cost method. The net realizable value is determined based on the estimated selling price in the ordinary course of business, less estimated costs to complete still to be incurred. Self-manufactured inventories and reconditioned reusable materials are capitalized at production cost. Allowances are recorded for obsolete inventory and

excessive production cost from self-manufactured inventories. For spare parts and materials, replacement costs are deemed to be the best available measure of their net realizable value.

Also presented in inventories is real estate which is no longer used in operations and is now under development for later sale ("real estate recovery projects"). These are former railway station and system facilities or business premises which were used for continuous operations. They consist of significant projects being developed on a large scale. Real estate recovery projects are either held for sale in the ordinary course of business or in preparation for sale.

They are recognized at cost and measured at the reporting date at the lower of carrying amount or net realizable value. The net realizable value is the estimated selling price less expected development and selling costs yet to be incurred.

The cost of inventories includes all costs of purchase, development and processing, as well as any other costs incurred to bring the inventories to their present condition. If the production costs exceed the net realizable value a write-down is recorded.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and it is probable that the settlement of the obligation will result in an outflow of resources and the amount of the obligation can be measured with sufficient reliability.

The amount of the provision recognized is the best estimate at the reporting date of the expenditure required to settle the present obligation. In doing so, the inherent risks and uncertainties must be taken into consideration. If a provision is measured based on estimated cash flows for the fulfillment of the obligation, such cash flows are discounted if the interest effect is material.

If it can be assumed that some or all of the provision necessary for the fulfillment of the economic benefits will be reimbursed by an outside third party, this claim is recognized as an asset when the reimbursement is virtually certain and its amount can be reliably estimated. For further information see Note 26.2.

Leases

Lease agreements in which the ÖBB Group as lessee assumes substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Otherwise, they are classified as operating leases. Property, plant and equipment acquired by way of a finance lease is recognized at the lower of the leased item's fair value or the present value of the minimum lease payments at inception of the lease, less depreciation and impairment losses.

If substantially all risks and rewards of ownership are attributable to the ÖBB Group as lessor, the leased item is recognized by the ÖBB Group. The leased item is recognized according to the provisions of IAS 16. Information on the accounting policies for cross-border leasing transactions is provided in Note 30.3.

Lease agreements in which the ÖBB Group as lessor essentially transfers substantial all of the risks and rewards incidental to ownership of an asset must be classified as finance leases. Otherwise they are operating leases. Lease receivables are recognized at the amount of the net investment from the lease.

Employee benefit commitments

The ÖBB Group has only entered into pension commitments which have been individually agreed upon, including for a former member of the Executive Board. Apart from this obligation, there are only defined contribution plans with respect to pensions. The ÖBB Group pays contributions to publicly or privately administered pension and severance insurance plans on a mandatory or contractual basis for these defined contribution plans. Apart from the contribution payments, there are no further payment obligations. The regular contributions are recognized as personnel expenses in the respective period.

All other obligations (severance payments and anniversary bonuses) result from unfunded defined benefit plans for which adequate provisions are recognized. The ÖBB Group calculates the provision using the projected unit credit method (PUC method) in accordance with IAS 19. The remeasurement of net defined benefit obligations contains only actuarial gains or losses. The defined benefit obligations are measured in accordance with actuarial principles and are based on an objective estimate of the discounting factor and compensation increases along with turnover. According to this method, the company recognizes actuarial gains and losses from provisions for severance payments in other comprehensive income and those from provisions for anniversary bonuses in personnel expenses. For further information see Note 26.1.

Changes in existing provisions for disposal, restoration, and similar liabilities

In accordance with IAS 16, the cost of property, plant and equipment also includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located. Provisions for disposal, restoration and

similar liabilities are measured in accordance with the regulations of IAS 37 ("Provisions, Contingent Liabilities and Contingent Assets"). The effects of changes in the measurement of existing provisions for disposal, restoration, and similar liabilities are accounted for in accordance with IFRIC 1. The provisions require that any increase of such a liability that reflects the passage of time shall be recognized in profit or loss. Changes in the measurement resulting from changes in the estimated maturity or the amount of the outflow of resources required to fulfill the obligation or from changes in the discount rate shall be added to or deducted from the cost of the relevant asset in the current period. The amount deducted from the cost of the asset may not exceed its carrying amount. If the adjustment results in an addition to the cost of an asset, the ÖBB Group will examine whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the asset shall be tested for impairment and any impairment loss is recognized accordingly.

Revenue recognition

Revenue is recorded when the risks and rewards are transferred or when the service has been rendered, when the amount of revenue can reliably be determined and it is sufficiently probable that the economic benefit will flow to the ÖBB Group.

Grants related to income

Grants related to expenses awarded to the ÖBB Group are recognized in profit or loss and in line with the timing of expenses immediately upon fulfillment of the preconditions. Reference is made to Note 32 regarding the particular features of the grants for financing of the infrastructure.

Interest, royalties, and dividends

Interest is recognized using the effective interest method in accordance with IAS 39. Dividends are recognized when the shareholder's right to receive payment is established. Royalties such as rents are recognized on an accrual basis in accordance with the provisions of the relevant agreement. Turnover rental fees are rental payments which are settled depending on the revenue realized by the lessee, and are recognized when the amount of rent can reliably be determined.

In accordance with IAS 23 ("Borrowing Costs"), borrowing costs for significant qualifying assets are capitalized.

Research and development costs

In accordance with IAS 38, research costs refer to original and planned research performed to gain new scientific or technical knowledge and understanding, and they are recognized as expenses in the period in which they were incurred. Development costs are defined as costs incurred for using research findings to achieve technical and commercial feasibility. If development costs cannot be separated from research costs, the development costs are recognized as expenses in the period incurred in accordance with IAS 38. If the capitalization requirements of IAS 38 are not met, research and development costs are recognized as expenses in the period in which they were incurred. If the capitalization requirements of IAS 38 are met, development costs are recognized as intangible assets.

Income taxes

In accordance with Article 50 (2) of the Federal Railways Act as amended by BGBl. No. 95/2009, ÖBB-Infrastruktur AG has been exempt from federal taxes as of 2005, except for sales tax, from federal administration fees and from court charges and juridical administration fees to the extent that such taxes and duties result from the execution of the respective tasks under the Federal Railways Act (partial tax exemption).

The following business areas of ÖBB-Infrastruktur AG were essentially categorized as subject to income tax:

- Income from energy power transactions
- The provision of services not related to railway infrastructure
- Management (incl. development and sale) of real estate not representing railway assets as defined in Article 10a of the Federal Railways Act
- Investment administration

In December 2005, a tax group contract was concluded with ÖBB-Holding AG as head of the tax group and the majority of the ÖBB Group companies as group members. At present, the corporate tax group does not include any foreign companies. Rules on tax equalization were agreed between the head of the tax group and the group companies. The positive tax assessments determined according to these provisions are calculated according to the "stand-alone" method (calculated from the tax independence of the individual group members for calculating the levy). As a matter of principle, a positive tax result is charged with the applicable corporate tax rate of the year of the consolidated financial statements. In the event of a negative result, the head of the tax group must pay a levy to the group member if the negative tax result of the group member can be used effectively. The financial claims and obligations arising from the tax group contract are based on the current financial result of each member of the group.

The primacy of sub-group consideration and the principle of equal treatment of all participants in the company group within the respective sub-group apply for the usage of financial losses; in addition, the principle of equal treatment of all participants in the company group applies for inter-sub-group usage of financial losses.

Deferred taxes

Deferred taxes are recognized – taking existing exception clauses into account – for all temporary differences between the tax base of the assets/liabilities and their carrying amounts in the IFRS financial statements (liability method), insofar as these assets and liabilities are related to the business operation that is not exempt from income taxes.

However, if deferred taxes arise from the initial recognition of an asset or a liability resulting from a transaction other than a business combination which neither affects the accounting profit or loss nor the taxable profit at the time of the transaction, no deferred taxes are recognized at the time of initial recognition and thereafter.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries and associated companies are recognized, unless the ÖBB Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future due to this influence.

Deferred taxes are measured at the tax rates (and under the tax regulations) that have been enacted or substantially enacted on the reporting date and that are expected to apply in the period when the deferred tax assets are realized or the deferred tax liabilities are expected to be settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or loss carry-forwards can be utilized.

Deferred taxes are offset directly with equity or credited to it when the tax relates to items that are offset or credited to equity in the same or another period.

Use of estimates and judgment

The preparation of the Consolidated Financial Statements requires the Board of Management to make estimates and assumptions that may affect the amounts of assets, liabilities, and contingent liabilities reported at the reporting date and the amounts of income and expenses of the period under review. Actual results may differ from these estimates. All estimates and assumptions are updated on a regular basis and are based on experience and other factors including expectations with respect to future events deemed to be reasonable under the given circumstances.

The Board of Management has made estimates in applying the accounting policies of the ÖBB Group. Additionally, as of the reporting date, the Board of Management made key assumptions concerning the future and identified key sources of estimation uncertainty at the reporting date which bear a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

The useful lives were reviewed. The economic risk was properly taken into account by carefully measuring the provisions in the required amount. The adequacy of allowances was reviewed. The parameters for the impairment test of the cash-generating units have been updated in accordance with interest rates and the industry standard benchmarks. The insurance and financial mathematics determinations for the measurement of severance payments and anniversary bonuses were determined responsibly. The activation of goodwill is exclusively based on external expertise.

a. Employee benefit plans

Obligations for severance payments and anniversary bonuses are measured by applying parameters such as the expected discount rate, long-term salary increases, and staff turnover. If the development of the relevant parameters differs significantly from the expectations, this can have a significant effect on the provisions and, as a result, on the net personnel expenses for severance payments and anniversary bonuses of the ÖBB Group. The impact of possible changes of parameters is disclosed in Note 26.1.

b. Impairments

Impairment testing of intangible assets and property, plant and equipment is generally based on discounted estimated future net cash flows that are expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Factors such as lower revenue and the resulting decreases in net cash flows and changes in the discount rates used can lead to impairments. Impairment tests were performed on the reporting dates which last led to impairment charges in 2010, as the value in use at that time was below the current carrying amounts in some cases.

The sensitivity analysis for 2016 and the previous year can be found in the table below. Positive values indicate a need for reversals and negative values indicate a need for impairment.

(-) Impairment required/ (+) Reversal required (sensitivity analysis)		Increase in the parameter			Decrease in the parameter		
CGU		RCC	RCW	TS	RCC	RCW	TS
Assumptions	Change in assumption in %	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million
Interest rate	+/-0.25	-33.4 (PY: 0.0)	-30.8 (PY: 0.0)	-19.2 (PY: 0.0)	42.5 (PY: 62.9)	15.0 (PY: 32.5)	25.1 (PY: 20.3)
Perpetual annuity	EBIT +/-2.5% and growth of +/-0.1%	0.0 (PY: 43.3)	0.0 (PY: 29.2)	10.6 (PY: 0.0)	0.0 (PY: 0.0)	-16.9 (PY: 0.0)	0.0 (PY: 0.0)

Of goodwill totaling EUR 189.2 million, (prior year: EUR 177.8 million) EUR 166.3 million (prior year: EUR 155.1 million) is attributable to the Segment RCC, EUR 22.4 million (prior year: EUR 22.4 million) is attributable to the Segment RCL and EUR 0.5 million (prior year: EUR 0.5 million) is attributable to the Segment RCO.

c. Estimated useful lives of property, plant and equipment and intangible assets

The estimated useful lives are determined according to the circumstances of the company with usual maintenance costs. Actual use may differ from these estimates. According to a sensitivity analysis, a change in the useful life of +/- 1 year would increase the depreciation by EUR 118.4 million (prior year: EUR 128.8 million) or decrease it by EUR 108.9 million (prior year: EUR 91.4 million), respectively. The appropriateness of the useful lives is reviewed annually or on an ad hoc basis.

In the 2016 financial year, the "Tunnel" investment group was divided into *bored tunnels* and *tunnels built using the cut-and-cover construction method (including galleries and protective roofs)* and the useful life of cut-and-cover tunnels (including galleries and protective roofs) was reduced from 150 years to 80 years. This reduction of the useful life was necessary in 2016 due to the necessary maintenance measures and resulting status analyses. As a result, amortization increased by EUR 4.4 million in 2016. An annual impact of a similar magnitude is expected for the following years.

In the financial year, carrying amounts were reduced to calculated values in accordance with various expert opinions, resulting in an additional depreciation amounting to EUR 4.3 million (prior year: EUR 2.5 million). In financial year 2015, useful lives for certain assets were also shortened to the expected remaining useful lives, with unscheduled impairments and adjustments to estimates on residual values carried out and carrying amounts reduced to calculated values in accordance with various expert reports, resulting in additional depreciation amounting to EUR 2.6 million.

During the years 2016-2020 Cityjet-E-railcars will be acquired for local transport and Railjet coaches will be acquired for long-distance transport. As a result, intermediate push-pull control cars, 4855 and 4020 coaches and coaches with seats, couchettes and sleeper compartments used in long-distance transport will be replaced. The value in use of these control cars and coaches can be estimated as essentially their fair value less costs of disposal, which in financial year 2015 resulted in an impairment in the amount of EUR 35.8 million. The assets are in the segment "Passenger Transport" under "Transport fleet".

d. Provisions

Provisions are measured according to the best estimate, i.e. at the amount that the Company would have to pay, under reasonable consideration, to settle the obligation as of the reporting date or to transfer the obligation to a third party on the balance sheet date. Reliable statements on a sensitivity analysis, especially regarding the likelihood of occurrence, are not possible. The measurement of the provision for decommissioning costs was based on the assumption that the Company will continue to exist and that the Company and therefore the tracks will continue to operate. Decommissioning costs are estimated and a respective provision is recognized only when the closure of individual tracks is expected in the foreseeable future or when such closure has already been initiated. In 2016, the expected costs for the decommissioning provision were adjusted, resulting in an increase in the provision of EUR 1.1 million. For the amount of provisions, see Note 26.2.

Proceedings initiated by the Austrian Bundeswettbewerbsbehörde [Federal Competition Authority] ("BWB")

Corresponding provisions were formed for legal risks. These also include provisions for risks from the current ongoing competition law investigations against group companies. These investigations are expected to continue for some time. The amount of any financial penalties and claims that may have to be paid is subject to uncertainty. A further breakdown for the purpose of minimizing litigation risk remains to be done.

e. Deferred taxes

Deferred tax assets were recognized for temporary differences between the tax base and the carrying amounts of assets and liabilities and for losses carried forward. If the tax assessment regarding the qualification of the segments of ÖBB-Holding AG changes from "exempt from taxes" and "taxable" or if future taxable profits should be insufficient, this may

have a significant impact on the amount of deferred tax assets. When assessing deferred tax assets, the Board of Management evaluates the prospective usage within the five-year tax planning period (see Note 13).

f. Cross-border leasing

In respect of contractual parties to investments with at least an AA+ rating or for which a subsidiary guarantor liability is assumed by the government for their performance, the default risk is still regarded as extremely low, so that no need for any change is seen at present and these transactions can continue to be disclosed "off balance." Should there be unexpected defaults on these investments or should requirements for the minimum rating no longer be fulfilled, the obligations from the transactions and the investments will be recognized in the Statement of Financial Position, and allowances for these investments will be recognized or the repayment vehicle will be exchanged (see Note 30.3).

g. Financial obligations and reimbursement claims

Various proceedings, lawsuits and other claims against or by ÖBB-Holding AG and its subsidiaries are pending in the ordinary course of business. These issues are subject to a large number of uncertainties, and the outcome of the negotiations or processes cannot be predicted with certainty. Consequently, as of December 31, 2016, the Board of Management is unable to determine the total amount of financial liabilities or claims, or their impact on the ÖBB-Holding Group's financial position with final certainty. These procedures could materially affect the results when they are finalized. However, the Board of Management believes that after final settlement of such cases, the financial obligations or impacts will not significantly exceed the provisions recognized, and therefore will not have any material impact on the Consolidated Financial Statements. Receivables are recognized when all the necessary issues have been identified.

In connection with federal taxes, ÖBB-Holding AG is engaged in proceedings, the outcome of which is uncertain. It is not likely that any resulting economic benefits from this refund procedure in the context of the relevant legal provisions on the granting of federal subsidies in accordance with the Austrian Federal Railways Act will finally remain with ÖBB-Holding AG.

Differentiation of maturities

Deferred taxes are recognized as long-term in accordance with IAS 12. The short-term portion is therefore correspondingly disclosed in the Notes (Note 13). Development projects are recognized in inventories, although their realization is not expected within the next twelve months. The long-term portion is disclosed in the Notes (Note 21). Long-term trade receivables and trade payables are recognized as short-term items in accordance with IAS 1 ("Presentation of Financial Statements"), with disclosure of the long-term portion in the Notes.

Concentration of risks

As of the reporting dates, no significant dependence on particular non-group suppliers or creditors whose sudden default might significantly affect business operations existed. Furthermore, there is no concentration of labor services, providers of other services, franchising or licensing rights or other rights that the ÖBB Group is dependent on and that could, if suddenly eliminated, severely affect business operations. The ÖBB Group invests its funds with various banks with good credit ratings. For information on the grants and subsidies agreements provided by the Republic of Austria, see Note 32.

Capital management

The objective of the financial management of the ÖBB Group is to sustainably increase the shareholder value and to maintain a capital structure appropriate for upholding the excellent credit rating. Due to the Company's special situation and its statutory mission, and also as a result of the government's commitment to subsidize infrastructure expenses (both construction, and operation and maintenance) not covered by the Company's income from current operations, the control of the capital structure focuses mainly on debt ratios and on the following ratios, which are compared to the respective budgeted values: Number of employees, EBIT margin, equity ratio, net working capital. The Company defines equity as share capital, capital reserves and other reserves as well as retained earnings and non-controlling interests, if any. Managed equity as of December 31, 2016 amounts to EUR 2,093.1 million (prior year: EUR 1,921.9 million).

B. NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND THE CONSOLIDATED INCOME STATEMENT

4. Revenue

	2016 in EUR million	2015 in EUR million
Passenger and baggage transport	1,895.9	1,877.8
<i>thereof traffic service orders by the federal government</i>	<i>660.7</i>	<i>644.8</i>
<i>thereof traffic service orders by the provinces and communities</i>	<i>339.7</i>	<i>285.8</i>
Goods transport	1,712.9	1,740.4
<i>thereof public services contracted by the federal government</i>	<i>80.6</i>	<i>81.9</i>
Government grant pursuant to Article 42 Bundesbahngesetz for operation of the infrastructure	1,109.8	1,099.5
Rent and lease	201.4	194.7
Infrastructure usage charge	51.1	47.1
Maintenance / repair	38.3	43.4
Real estate recovery projects	47.1	32.0
Energy	25.3	29.0
Traction services	26.8	23.6
Other revenue	138.2	133.4 *)
Total	5,246.8	5,220.9 *)

*) adjusted comparative amounts

The government grant pursuant to Article 42 Federal Railways Act is granted for the provision, operation and maintenance of the railway infrastructure and for the fulfillment of the statutory tasks insofar as the revenues that can be achieved by the users of the railway infrastructure (infrastructure usage charge) do not cover the expenses incurred with economical and efficient management. Further information on the grant contract is provided in Note 32.

The traffic services ordered by the federal government result from the public service contracts concluded with the federal government or the Schieneninfrastruktur-Dienstleistungsgesellschaft mbH (SCHIG) pursuant to Article 48 of the Federal Railways Act on the basis of Regulation (EC) 1370/2007 for 2016.

Advance payments received in connection with construction contracts amount to EUR 11.6 million (prior year: EUR 13.6 million).

After periodic evaluation of other operating income, it has been shown that certain income (in particular other rent and leasing, sale of scrap, etc.) is to be reported under other revenue as this results in a more accurate presentation of the earnings situation. In order to achieve better comparability, the previous year's level of other revenues was increased by EUR 48.6 million and other operating income was reduced by the same amount.

For the composition of revenue per business unit and according to geographic aspects see the segment reporting.

5. Other own work capitalized

Directly attributable personnel expenses and expenses for materials as well as appropriate parts of material and production overhead were taken into account in determining the own work capitalized in connection with the construction of assets. This item also comprises own work capitalized that was provided by a subsidiary to other affiliated companies. Capitalized own work relates mainly to the construction or expansion of the railway infrastructure.

6. Other operating income

	2016 in EUR million	2015 in EUR million
Grant from the Federal Government pursuant to Article 42 Federal Railways Act for infrastructure	691.6	634.5
Proceeds from the disposal of property, plant and equipment, intangible assets, investment property and non-current assets held for sale	55.0	46.0
Compensation received	11.9	14.6
Exchange rate differences	5.0	4.6
Miscellaneous other operating income	35.1	49.8 *)
Total	798.6	749.5 *)

*) adjusted comparative amounts, see Note 4

The proportional contribution of the government grant pursuant to Article 42 of the Federal Railways Act for expansion and reinvestment is reported in other operating income. Further information on the grant contract is provided in Note 32.

Miscellaneous other operating income includes, among other things, income from penalties, apprenticeship subsidies, and derecognition of old liabilities.

7. Costs of materials and purchased services

	2016 in EUR million	2015 in EUR million
Cost of materials and purchased services		
Raw materials and supplies	166.3	174.7
Power	78.0	76.1
Other expenses for materials	100.5	104.2
Subtotal expenses for materials	344.8	355.0
Third-party transport services	684.5	770.7 *)
Rent for rail and road vehicles	160.8	107.1
Infrastructure usage charge	68.9	61.0
Other services received	471.4	457.7 *)
Subtotal expenses for services received	1,385.6	1,396.5
Total	1,730.4	1,751.5

The other cost of materials mainly comprise expenses for liquid fuels. Expenses for other services received mainly comprise freight forwarding services, incoming and customs duties, and goods and services which cannot be capitalized in connection with repairs, maintenance, cleaning, and other services. The cost of the real estate recovery projects recognized in expense amounts to EUR 5.9 million (prior year: EUR 7.2 million).

8. Personnel expenses and employees

	2016 in EUR million	2015 in EUR million
Wages and salaries	1,912.9	1,805.0
Statutory social security contributions	517.9	486.1
Pension costs	28.0	27.5
Expenses for severance payments	14.3	14.0
Other social expenses	5.4	4.9
Total	2,478.5	2,337.5

In 2015, effects from the reversal of the provision for the recalculation of the advance recognition date in the amount of EUR 85.4 million reduced the personnel expenses of the previous year.

The employee structure is composed as follows:

Number of employees (headcount)	Dec 31, 2016	Dec 31, 2015	Change		Average	
			Reporting date	in %	2016	2015
Employees	11,518	11,110	408	4%	11,189	10,884
Workers	6,273	5,733	540	9%	6,032	5,344
Tenured employees	22,474	23,188	-714	-3%	22,865	23,448
Total (excl. apprentices)	40,265	40,031	234	1%	40,085	39,676
Apprentices	1,689	1,572	117	7%	1,495	1,474
Total (incl. apprentices)	41,954	41,603	351	1%	41,581	41,150

Number of employees (FTE)	Dec 31, 2016	Dec 31, 2015	Change		Average	
			Reporting date	in %	2016	2015
Employees	11,285.6	10,900.0	385.6	4%	10,962.7	10,674.3
Workers	6,213.8	5,686.7	527.1	9%	5,980.8	5,302.5
Tenured employees	22,184.7	22,975.0	-790.3	-3%	22,615.1	23,260.0
Total (excl. apprentices)	39,684.1	39,561.7	122.4	0%	39,558.6	39,236.8
Apprentices	1,689.0	1,572.0	117.0	7%	1,495.3	1,475.2
Total (incl. apprentices)	41,373.1	41,133.7	239.4	1%	41,053.9	40,712.0

9. Depreciation and amortization

	2016 in EUR million	2015 in EUR million
Depreciation on property, plant and equipment	1,086.9	1,078.4
<i>thereof low-value assets</i>	6.3	5.3
Amortization of intangible assets	56.4	54.7
Depreciation on investment property	5.9	4.0
<i>thereof impairment (Note 16)</i>	1.6	0.0
less amortization of investment grants	-181.5	-188.1
Total depreciation and amortization	967.7	949.0

10. Other operating expenses

The other operating expenses of the ÖBB Group are composed as follows:

	2016 in EUR million	2015 in EUR million
Operating costs	100.6	110.3
Compensation for travel and other expenses	48.7	47.1
Non-income taxes	46.1	44.9
Rent, lease and license expenses	31.6	31.9
Marketing, sales and customer service	30.7	31.7
Loss on disposal of property, plant and equipment and intangible assets	27.4	43.1
Legal and consultancy fees	12.2	14.2
Miscellaneous other operating expenses	130.5	127.7
Total	427.8	450.9

Other operating expenses include, in particular, expenses for office requirements, training, postal, bank and telephone charges, insurance and maintenance by third parties.

The expenses for services of the auditors of the Consolidated Financial Statements and the separate financial statements are also included in the miscellaneous operating expenses and are as follows:

	2016 in kEUR	2015 in kEUR
Total auditors' fees		
Annual financial statements and consolidated financial statements audit	1,572	1,493
Other auditing services	16	19
Consulting services	4	0
Other services	59	76
Total	1,651	1,588

The expenses for the auditors indicated above include the fee for all the auditors working in the Group. The auditor of the ÖBB Group accounts for the following expenses:

	2016 in kEUR	2015 in kEUR
Fee of the auditor of the consolidated annual financial statements		
Annual financial statements and consolidated financial statements audit	452	439
Other auditing services	11	0
Other services	14	42
Total	477	481

As in the previous year, the annual and consolidated financial statements for the financial year 2016 were audited by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (auditing company).

11. Interest income and interest expense

The interest income and expenses of the ÖBB Group are composed as follows:

	2016 in EUR million	2015 in EUR million
Interest income/expenses		
Interest income	46.8	44.0
Interest expenses	-698.6	-718.9
Total	-651.8	-674.9

The interest received from swap agreements is offset against the interest expenses from the respective original financial instruments in order to provide a better overview of the financial position. The interest income mainly comprises interest income from marketable deposits made in connection with cross-border leasing transactions. Interest expenses in the amount of EUR 523.7 million (prior year: EUR 531.6 million) relate to bonds (before capitalizing interest on borrowings, Note 14). Interest expense is also incurred for EUROFIMA or bank loans, cross-border leasing transactions and for derivative financial instruments.

12. Other financial result

The other financial result of the ÖBB Group is made up as follows:

	2016 in EUR million	2015 in EUR million
Other financial result		
Other financial income	34.9	62.1
<i>thereof from measurement/foreign currency translation differences</i>	<i>17.9</i>	<i>48.1</i>
<i>thereof income from investments</i>	<i>0.7</i>	<i>0.4</i>
Other financial expenses	-30.8	-53.3
<i>thereof from measurement/foreign currency translation differences</i>	<i>-13.7</i>	<i>-45.9</i>
Total	4.1	8.8

Measurement gains/losses from the hedged items in connection with cash flow hedge and fair value hedge accounting are offset against the results from derivatives in order to provide a better overview of the results of operations.

Other financial income includes, in addition to price differences, in particular valuation gains from derivatives as well as, in particular in 2016, income from the measurement of power derivatives held for trading purposes.

The other financial expenses result, in addition to foreign exchange differences, in particular from fair value changes of derivative financial instruments.

13. Income taxes

The item income taxes is composed as follows:

	2016 in EUR million	2015 in EUR million
Current income tax	-4.7	-7.1
Deferred tax expense/tax benefit	-0.5	19.9
Income taxes	-5.2	12.8

Domestic income taxes are calculated at 25% of the estimated taxable profit in the financial year. Taxes abroad are calculated at the respective rates applicable there.

The changes in deferred taxes are composed as follows:

	2016 in EUR million	2015 in EUR million
<i>Recognized amounts as of Jan 01</i>	<i>77.8</i>	<i>62.9</i>
Change in deferred taxes		
<i>thereof in profit and loss</i>	<i>-0.5</i>	<i>19.9</i>
<i>thereof in other comprehensive income</i>	<i>-2.1</i>	<i>-5.0</i>
Recognized amounts as of Dec 31	75.2	77.8
<i>thereof deferred tax assets</i>	<i>89.1</i>	<i>90.6</i>
<i>thereof deferred tax liabilities</i>	<i>-13.9</i>	<i>-12.8</i>

The following table shows the main reasons for the difference between the income taxes calculated by applying the statutory tax rate of 25% to the annual taxable income and the income taxes indicated in profit or loss.

	2016 in EUR million	2015 in EUR million
Income before income tax according to IFRS	166.2	192.8
Adjustment of tax-exempt portion pursuant to Article 50 (2) Bundesbahngesetz	49.5	57.1
Taxable portion of the income	215.7	249.9
Group tax rate	25%	25%
Expected income/ expense from taxes in the financial year	-53.9	-62.5
Tax rate differences between foreign companies and the corporate tax rate	-0.7	0.1
Other tax-exempt income and other reductions	15.3	20.9
Non-deductible operating expenses and other additions	-4.0	-3.2
Effects of taxes from previous years recognized in the financial year	0.0	-2.2
Effects of tax rate changes	1.1	2.0
Offsetting from consolidation	21.2	28.1
Effects of changes in recognition	9.2	31.9
Other effects	6.6	-2.4
Accounted income taxes	-5.2	12.8
Effective corporate tax rate	2.4%	-5.1%

Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as of December 31, 2016 and December 31, 2015 are the result of the following temporary differences between the carrying amounts in the IFRS financial statements and the relevant tax bases, insofar as they do not relate to the tax-exempt portion according to Article 50 (2) of the Federal Railways Act:

The deferred taxes are allocated to the following items in the statement of financial position, losses carried forward and tax credits:	Deferred tax		Deferred tax	
	assets	liabilities	assets	liabilities
	Dec 31, 2016 in EUR million	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million	Dec 31, 2015 in EUR million
Non-current assets				
Property, plant and equipment	48.7	-26.4	43.2	-31.8
Intangible assets	7.9	-9.1	8.4	-7.0
Investment property	0.8	-0.1	0.8	0.0
Financial assets	13.0	-4.8	25.9	-2.2
Other receivables and assets	0.0	0.0	0.0	-0.1
	70.4	-40.4	78.2	-41.1
Current assets				
Inventories	5.8	-0.4	10.8	-0.4
Trade receivables	0.3	0.0	1.0	-1.6
Other receivables and assets	0.0	0.0	0.5	0.0
Financial assets	0.0	-2.0	0.0	-2.8
	6.1	-2.4	12.2	-4.8
Non-current liabilities				
Financial liabilities	24.7	-5.1	26.2	-27.0
Provisions	21.9	-2.7	17.9	-3.3
Other liabilities	6.7	0.0	8.5	0.0
	53.3	-7.8	52.7	-30.4
Current liabilities				
Financial liabilities	6.1	0.0	19.8	0.0
Provisions	5.4	-16.4	11.5	-19.9
Trade payables	0.0	-1.0	0.0	-0.8
Other liabilities	3.1	-1.2	3.0	-2.8
	14.6	-18.6	34.2	-23.5
Deferred tax assets/deferred tax liabilities	144.4	-69.2	177.4	-99.6
Offsetting	-55.3	55.3	-86.8	86.8
Accumulated deferred tax assets/deferred tax liabilities	89.1	-13.9	90.6	-12.8

With respect to seventh-part depreciations of investments not yet claimed as operational expense for tax purposes, there were depreciations in accordance with Article 12 (3) Körperschaftsteuergesetz (Corporate Tax Act) as of December 31, 2016 in an amount of EUR 51.1 million (prior year: EUR 77.0 million)

When assessing deferred tax assets, the Board of Management evaluates the prospective usage within the five-year tax planning period. The use of deferred tax assets requires sufficient taxable income during the periods in which the temporary differences or tax losses can be utilized. The Board considers the scheduled reversal of deferred tax assets and the projected taxable income for this assessment. The temporary differences in the items property, plant and equipment and intangible assets result mainly from the different depreciation/amortization start (pro rata temporis in accordance with IFRS compared to the half-year rule in accordance with the tax code) as well as from different acquisition costs. The temporary differences from the financial assets and liabilities mainly arise due to the different measurement of derivatives under IFRS (fair value measurement) and tax law (provision for onerous contracts).

As a result of this planning statement, for the Austrian corporate tax group the utilization of active temporary differences amounting to EUR 87.3 million (prior year: EUR 88.7 million) and deferred tax liabilities in the amount of EUR 0.0 million (prior year: EUR 0.0 million) is probable. In addition, deferred tax assets in the amount of EUR 1.8 million (prior year: EUR 1.9 million) and deferred tax liabilities in the amount of EUR -13.9 million (prior year: EUR -12.8 million) originate from foreign subsidiaries. The deferred taxes are the result of surplus on the assets or liabilities side following netting operations at the corporate level.

Tax loss carry forwards amounting to EUR 5,621.9 million (prior year: EUR 5,684.6 million) stem from Austrian companies and may be carried forward without restriction under the current law. Annual usage of losses carried forward is limited to 75% of the respective taxable income in Austria, however, EUR 3,797.0 million (prior year: EUR 3,896.3 million) result from pre-tax group losses and can therefore be utilized in their entirety against taxable income generated in future periods.

14. Property, plant and equipment

2016 in EUR million	Land and buildings		Lease of land and buildings	Automo- biles and trucks	Automo- biles and trucks leased	Technical equipment and machinery	Leasing technical equipment and machinery	Other plant, furniture and fixtures	Assets under construc- tion and prepay- ments	Total
Cost										
Cost as of Jan 01, 2016	26,213.9	*)	10.8	6,443.6	392.6	9,199.9	1.7	319.1	3,030.6	45,612.2 *)
Translation differences	0.0		0.0	5.4	0.5	0.1	0.0	0.1	0.0	6.1
Additions	25.2		0.0	58.8	0.1	3.5	0.0	12.6	2,039.1	2,139.3
Business acquisition	0.0		0.0	0.0	13.3	0.0	0.0	0.2	0.0	13.5
Disposals	-106.3		-3.4	-152.6	-0.2	-43.4	0.0	-28.3	-11.9	-346.1
Transfers	759.1		0.0	451.1	-14.6	322.6	0.0	19.5	-1,564.3	-26.6
Cost as of Dec 31, 2016	26,891.9		7.4	6,806.3	391.7	9,482.7	1.7	323.2	3,493.5	47,398.4
Accumulated depreciation as of Jan 01, 2016 (incl. impairment)										
Translation differences	-8,184.6		-7.6	-3,568.3	-149.3	-4,886.6	-1.4	-233.9	-1.6	-17,033.3
Depreciation and amortization	0.1		0.0	-1.9	-0.2	-0.1	0.0	-0.1	0.0	-2.2
Business acquisition	-499.2		0.0	-211.7	-14.7	-322.5	-0.1	-38.7	0.0	-1,086.9
Disposals	0.0		0.0	0.0	-5.3	0.0	0.0	-0.2	0.0	-5.5
Transfers	79.9		0.2	140.2	0.2	36.4	0.0	27.3	0.5	284.7
Appreciations	2.1		0.0	45.1	-45.4	0.4	0.0	0.0	0.0	2.2
Accumulated depreciation as of Dec 31, 2016	0.3		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Accumulated depreciation as of Dec 31, 2016	-8,601.4		-7.4	-3,596.6	-214.7	-5,172.4	-1.5	-245.6	-1.1	-17,840.7
Accumulated depreciation as of Dec 31, 2016										
Carrying amounts before invest- ment grants as of Jan 01, 2016	18,029.3	*)	3.2	2,875.3	243.3	4,313.3	0.3	85.2	3,029.0	28,578.9 *)
Carrying amounts before invest- ment grants as of Jan 01, 2016	18,290.5		0.0	3,209.7	177.0	4,310.3	0.2	77.6	3,492.4	29,557.7
Investment grants										
As of Jan 01, 2016	-9,570.3	*)	0.0	-414.7	0.0	-2,955.2	0.0	-8.9	-398.4	-13,347.5 *)
Additions	-67.2		0.0	-13.8	0.0	-11.3	0.0	-0.1	-93.6	-186.0
Disposals	47.9		0.0	0.8	0.0	18.5	0.0	0.0	0.3	67.5
Transfers	-11.5		0.0	0.0	0.0	-5.7	0.0	0.0	19.0	1.8
Cost as of Dec 31, 2016	-9,601.1		0.0	-427.7	0.0	-2,953.7	0.0	-9.0	-472.7	-13,464.2
Accumulated depreciation as of Jan 01, 2016										
Depreciation and amortization	5,448.3		0.0	328.1	0.0	2,401.7	0.0	6.7	0.0	8,184.8
Disposals	115.5		0.0	11.0	0.0	47.6	0.0	0.4	0.0	174.5
Transfers	-44.7		0.0	-5.6	0.0	-16.2	0.0	0.0	0.0	-66.5
Accumulated depreciation as of Dec 31, 2016	-0.6		0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
Investment grant as of Jan 01, 2016	5,518.5		0.0	333.5	0.0	2,433.1	0.0	7.1	0.0	8,292.2
Investment grants as of Dec 31, 2016	-4,122.0	*)	0.0	-86.6	0.0	-553.5	0.0	-2.2	-398.4	-5,162.7 *)
Investment grants as of Dec 31, 2016	-4,082.6		0.0	-94.2	0.0	-520.6	0.0	-1.9	-472.7	-5,172.0
Carrying amounts after investment grants as of Jan 01, 2016	13,907.3	*)	3.2	2,788.7	243.3	3,759.8	0.3	83.0	2,630.7	23,416.2 *)
Carrying amounts after investment grants as of Dec 31, 2016	14,207.9		0.0	3,115.5	177.0	3,789.7	0.2	75.7	3,019.7	24,385.7

*) adjusted comparative amounts

2015 in EUR million	Land and buildings	Lease of land and buildings	Automo- biles and trucks	Automo- biles and trucks leased	Technical equipment and machinery	Leasing technical equipment and machinery	Other plant, furniture and fixtures	Assets under construc- tion and prepay- ments	Total
Cost									
<i>Cost as of Jan 01, 2015</i>	25,377.0 *)	10.8	6,094.7	778.5	8,864.4	1.7	316.4	2,773.1	44,216.5 *)
Translation differences	0.3	0.0	0.2	0.0	0.0	0.0	0.1	0.1	0.7
Additions	27.4	0.0	45.9	17.4	3.5	0.0	12.5	1,766.7	1,873.5
Business acquisition	0.0	0.0	0.1	0.0	3.4	0.0	0.1	0.0	3.5
Disposals	-135.0	0.0	-186.7	-1.4	-77.3	0.0	-36.7	-21.5	-458.6
Transfers	944.2	0.0	489.4	-401.9	405.9	0.0	26.7	-1,487.8	-23.4
Cost as of Dec 31, 2015	26,213.9 *)	10.8	6,443.6	392.6	9,199.9	1.7	319.1	3,030.6	45,612.2 *)
<i>Accumulated depreciation as of Jan 01, 2015 (incl. impairment)</i>									
Translation differences	-0.2	0.0	-0.2	0.0	0.0	0.0	-0.1	0.0	-0.5
Depreciation and amortization	-482.0	-0.1	-227.9	-17.0	-314.1	-0.2	-37.0	0.0	-1,078.3
Business acquisition	0.0	0.0	0.0	0.0	-0.4	0.0	0.0	0.0	-0.4
Disposals	111.3	0.0	162.6	0.4	60.5	0.0	36.0	0.0	370.9
Transfers	-0.2	0.0	-157.6	165.8	-0.2	0.0	0.7	0.0	8.5
Appreciations	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3
Accumulated depreciation as of Dec 31, 2015	-8,184.6	-7.6	-3,568.3	-149.3	-4,886.6	-1.4	-233.9	-1.6	-17,033.3
Carrying amounts before investment grants as of Jan 01, 2015	17,562.2 *)	3.3	2,749.5	480.1	4,232.0	0.5	82.9	2,771.5	27,881.8 *)
Carrying amounts before investment grants as of Dec 31, 2015	18,029.3 *)	3.2	2,875.3	243.3	4,313.3	0.3	85.2	3,029.0	28,578.9 *)
Investment grants									
<i>As of Jan 01, 2015</i>	-9,562.4 *)	0.0	-437.8	0.0	-2,955.2	0.0	-8.8	-331.9	-13,296.1 *)
Additions	-47.4	0.0	-5.5	0.0	-14.0	0.0	-0.1	-106.4	-173.5
Business acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	71.5	0.0	3.6	0.0	20.6	0.0	0.0	0.9	96.7
Transfers	-32.0	0.0	25.0	0.0	-6.6	0.0	0.0	39.0	25.4
Cost as of Dec 31, 2015	-9,570.3 *)	0.0	-414.7	0.0	-2,955.2	0.0	-8.9	-398.4	-13,347.5 *)
<i>Accumulated depreciation as of Jan 01, 2015</i>									
Depreciation and amortization	114.4	0.0	14.9	0.0	51.3	0.0	0.4	0.0	181.1
Business acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	-63.4	0.0	-7.4	0.0	-17.8	0.0	0.0	0.0	-88.7
Change in reporting entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	-0.7	0.0	-8.2	0.0	0.3	0.0	0.0	0.0	-8.6
Accumulated depreciation as of Dec 31, 2015	5,448.3	0.0	328.1	0.0	2,401.7	0.0	6.7	0.0	8,184.8
Investment grants as of Jan 01, 2015	-4,164.3 *)	0.0	-109.0	0.0	-587.4	0.0	-2.5	-331.9	-5,195.1 *)
Investment grants as of Dec 31, 2015	-4,122.0 *)	0.0	-86.6	0.0	-553.5	0.0	-2.2	-398.4	-5,162.7 *)
Carrying amounts after investment grants as of Jan 01, 2015	13,397.9 *)	3.3	2,640.4	480.1	3,644.6	0.5	80.4	2,439.6	22,686.7 *)
Carrying amounts after investment grants as of Dec 31, 2015	13,907.3 *)	3.2	2,788.7	243.3	3,759.8	0.3	83.0	2,630.7	23,416.2 *)

*) adjusted comparative amounts

In 2016, it became known that expiring building rights within the scope of IAS 40 (Investment Property) with a carrying value of EUR 37.2 million (acquisition and production costs of EUR 45.5 million less cost contributions of EUR 8.3 million) were reported incorrectly in the item property, plant and equipment (land and buildings). This error was corrected in the financial statements for 2016 by adjusting the relevant items in the consolidated financial statements. The building rights, which were acquired well before 2015, did not include write-downs, which means that the carrying amounts correspond to the historical acquisition costs. In order to increase comparability:

- In the Consolidated Statement of Financial Position, the carrying amount of property, plant and equipment as of December 31, 2015, was reduced by kEUR 37,248.9, and the carrying amount of the investment properties is increased by kEUR 37,248.9.
- In the schedule of property, plant and equipment the cost of land and buildings as of January 1, 2015, December 31, 2015, as of January 1, 2016 (Note 14) was reduced by kEUR 45,502.1 and the cost contributions as of January 1, 2015, as of December 31, 2015 and as of January 1, 2016 were reduced by kEUR 8,253.3, and
- In the presentation of the change in investment property (Note 16), the carrying amount as of January 1, 2015, as of December 31, 2015 and as of January 1, 2016 was increased by the net amount of EUR 37.2 million.

The schedule above shows the structure of the property, plant and equipment, the changes in the financial year, and the development of investment grants for property, plant and equipment.

ÖBB Group received non-refundable investment grants for property, plant and equipment that were deducted from the cost as per IAS 16.28 in conjunction with IAS 20. These investment grants are indicated in the schedule of intangible assets. The depreciation of these assets and the corresponding amortization of the investment grants are recognized in profit or loss under depreciation and amortization.

Additions to property, plants and equipment due to first-time consolidated companies or disposal due to deconsolidation are presented in separate lines in the schedule of property, plant and equipment.

Reclassifications include both amounts reclassified from "Assets under construction and prepayments" to the specific accounts for completed property, plant and equipment, and intangible assets, and assets reclassified to the items "Assets held for sale" and "Inventories" (see Note 21). For details of changes in accounting estimates, see Note 3 "Estimated useful lives of property, plant and equipment and intangible assets". The reclassifications from "Automobiles and trucks leased" to "Transport fleet" in the previous year results from the addition of Rondo Leasing GmbH.

In accordance with IAS 23, the ÖBB Group capitalized interest on the cost of qualifying assets amounting to EUR 65.7 million (prior year: EUR 56.2 million). The underlying interest rate for borrowed capital was 3.08 - 3.18%, (prior year: 3.44 - 3.64%). Of the federal subsidies, the amount of EUR 62.0 million (prior year: EUR 53.6 million) was recognized as investment grants for capitalized interest.

Losses were incurred from disposals of property, plant and equipment of EUR 27.4 million (prior year: EUR 43.1 million), resulting from scrapping and demolishing assets, the sale of vehicles and other equipment, and the disposal of planning project costs.

Property, plant and equipment with the following carrying amounts are pledged as collateral for financial liabilities or are subject to restrictions on their disposal rights:

	Restrictions on disposal rights		Pledged as collateral	
	2016 in EUR million	2015 in EUR million	2016 in EUR million	2015 in EUR million
Land and buildings	0.0	0.0	0.0	0.8
Automobiles and trucks	197.7	439.9	1,390.4	1,459.9
Other technical equipment and machinery	187.9	203.4	0.0	0.0

In addition, there were financial lease assets of EUR 172.2 million (prior year: EUR 242.2 million) subject to restrictions on disposal rights. Purchase obligations amounting to EUR 2,551.8 million (prior year: EUR 2,519.6 million) exist for certain assets, especially in connection with finance lease agreements, and open order commitments. For further details on changes in accounting estimates, see Note 3.

Investment grants

ÖBB Group received non-repayable investment grants for property, plant and equipment – mainly from public authorities or companies closely related to the state – that were deducted from cost in accordance with IAS 16.28 in conjunction with IAS 20. The amortization of these assets and the corresponding amortization of all grants are recognized in profit or loss under "depreciation and amortization". If assets to which the investment grants were allocated are disposed of, the investment grants are recognized together with the sold or retired carrying amounts as other operating income or other operating expenses. The development of the investment grants is shown in the asset schedules. The main providers of investment grants for property, plant and equipment and intangible assets are:

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Republic of Austria	2,822.8	2,648.8
former Eisenbahn-Hochleistungsstrecken AG	1,300.6	1,328.5
Schieneninfrastrukturfinanzierungs GmbH	1,221.1	1,276.5
ASFINAG	83.2	88.6
Other third parties	107.8	111.0
Total	5,535.5	5,453.4

Investment grants for intangible assets made by these providers total EUR 363.5 million (prior year: EUR 290.7 million) and are included in this list.

Leased and rented assets

Property, plant and equipment include leased assets that are reported separately in the schedule of property, plant and equipment. The leased property, plant and equipment is classified as finance lease due to the structure of the underlying lease agreements and therefore ÖBB Group is the beneficial, but not legal, owner of these assets. These assets primarily comprise technical equipment, machinery, and road vehicles. See Note 30 for further details.

Impairment

Testing for impairment on property, plant and equipment and intangible assets based on current planning data did not result in any need for impairment in either financial year. See Note 3 for the parameters used to calculate the value in use.

15. Intangible assets

2016 in EUR million	Concessions, property rights, licenses	Investment grants to third parties	Goodwill	Down payments on intangible assets	Total
Cost					
<i>Cost as of Jan 01, 2016</i>	<i>331.9</i>	<i>1,034.4</i>	<i>269.5</i>	<i>19.2</i>	<i>1,655.0</i>
Translation differences	0.1	0.0	4.9	0.0	5.0
Additions	12.3	174.7	9.7	44.2	240.9
Business acquisition	5.7	0.0	0.0	0.0	5.7
Disposals	-11.5	-0.7	0.0	-0.3	-12.5
Transfers	33.0	13.0	0.0	-32.3	13.7
Cost as of Dec 31, 2016	371.5	1,221.4	284.1	30.8	1,907.8
Accumulated amortization as of Jan 01, 2016 (incl. impairment)					
Translation differences	-229.2	-455.1	-91.7	0.0	-776.0
Depreciation and amortization	-0.1	0.0	-1.8	0.0	-1.9
Disposals	-28.4	-26.3	-1.7	0.0	-56.4
Transfers	8.2	0.5	0.0	0.0	8.7
Accumulated amortization as of Dec 31, 2016 (incl. impairment)	-249.5	-480.9	-95.2	0.0	-825.6
Carrying amounts before investment grants as of Jan 01, 2016	102.7	579.3	177.8	19.2	879.0
Carrying amounts before investment grants as of Dec 31, 2016	122.0	740.5	188.9	30.8	1,082.2
Investment grants					
<i>As of Jan 01, 2016</i>	<i>-32.0</i>	<i>-594.9</i>	<i>0.0</i>	<i>0.0</i>	<i>-626.9</i>
Additions	-0.2	-78.5	0.0	0.0	-78.7
Transfers	1.1	-2.0	0.0	0.0	-0.9
As of Dec 31, 2016	-31.1	-675.4	0.0	0.0	-706.5
<i>Accumulated amortization as of Jan 01, 2016</i>	<i>15.7</i>	<i>320.5</i>	<i>0.0</i>	<i>0.0</i>	<i>336.1</i>
Depreciation and amortization	1.6	5.4	0.0	0.0	7.0
Transfers	0.0	-0.1	0.0	0.0	-0.1
Accumulated amortization as of Dec 31, 2016	17.3	325.8	0.0	0.0	343.0
Investment grants as of Jan 01, 2016	-16.3	-274.4	0.0	0.0	-290.7
Investment grants as of Dec 31, 2016	-13.8	-349.6	0.0	0.0	-363.5
Carrying amounts after investment grants as of Jan 01, 2016	86.4	304.9	177.8	19.2	588.2
Carrying amounts after investment grants as of Dec 31, 2016	108.2	390.9	188.9	30.8	718.7

With regard to the additions to intangible assets in 2016, see Note 2 "Business Acquisition". Acquired framework agreements amounting to EUR 9.4 million were reported as additions to concessions, trademark rights, licenses, and development costs.

2015 in EUR million	Concessions, property rights, licenses	Investment grants to third parties	Goodwill	Down payments on intangible assets	Total
Cost					
<i>Cost as of Jan 01, 2015</i>	<i>329.4</i>	<i>928.0</i>	<i>267.8</i>	<i>17.9</i>	<i>1,543.1</i>
Translation differences	-0.8	0.0	0.5	0.0	-0.3
Additions	4.4	115.3	1.2	34.6	155.4
Disposals	-20.6	-31.7	0.0	-0.3	-52.6
Transfers	19.5	22.8	0.0	-33.0	9.3
Cost as of Dec 31, 2015	331.9	1,034.4	269.5	19.2	1,655.0
<i>Accumulated amortization as of Jan 01, 2015 (incl. impairment)</i>					
Translation differences	0.8	0.0	-0.7	0.0	0.1
Depreciation and amortization	-29.8	-25.0	0.0	0.0	-54.7
Disposals	19.4	27.2	0.0	0.0	46.6
Accumulated amortization as of Dec 31, 2016 (incl. impairment)	-229.2	-455.1	-91.7	0.0	-776.0
Carrying amounts before investment grants as of Jan 01, 2015	109.9	470.9	176.7	17.9	775.5
Carrying amounts before investment grants as of Dec 31, 2015	102.7	579.3	177.8	19.2	879.0
Investment grants					
<i>As of Jan 01, 2015</i>	<i>-31.6</i>	<i>-498.7</i>	<i>0.0</i>	<i>0.0</i>	<i>-530.3</i>
Additions	-1.2	-116.4	0.0	0.0	-117.6
Disposals	0.0	21.4	0.0	0.0	21.4
Transfers	0.8	-1.2	0.0	0.0	-0.4
As of Dec 31, 2015	-32.0	-594.9	0.0	0.0	-626.9
Accumulated depreciation as of Jan 01, 2015	14.0	335.8	0.0	0.0	349.8
Depreciation and amortization	1.7	5.4	0.0	0.0	7.1
Disposals	0.0	-21.1	0.0	0.0	-21.2
Accumulated amortization as of Dec 31, 2015	15.7	320.5	0.0	0.0	336.1
Investment grants as of Jan 01, 2015	-17.6	-162.9	0.0	0.0	-180.5
Investment grants as of Dec 31, 2015	-16.3	-274.4	0.0	0.0	-290.7
Carrying amounts after investment grants as of Jan 01, 2015	92.3	308.0	176.7	17.9	595.0
Carrying amounts after investment grants as of Dec 31, 2015	86.4	304.9	177.8	19.2	588.2

The development of the intangible assets is shown in the table above.

The ÖBB Group received non-repayable investment grants for intangible assets that were deducted from the cost according to IAS 16.28 in conjunction with IAS 20. These investment grants are indicated in the schedule of intangible assets. The amortization of these assets and the corresponding amortization of all grants are recognized in profit or loss under depreciation and amortization. See Note 14 for details of the investment grant providers.

Research and development expenses totaled more than EUR 1.8 million (prior year: EUR 1.4 million) and are recognized in profit or loss since a clear distinction between the development phases and the research phases of the projects is not possible, and the ability of the development to generate future benefits was considered uncertain. Expenses for research and development amounting to more than EUR 4.2 million (prior year: EUR 2.0 million) were capitalized as assets under the item "Concessions, industrial property rights, licenses, and development costs".

The additions in the item "Cost contributions to third parties" mainly result from contributions paid to the Galleria di Base del Brennero - Basistunnel BBT SE.

Goodwill

The development of goodwill is shown in the table above. This goodwill is attributed to the Segment Rail Cargo Austria and is subject to impairment testing with respect to future economic benefit. The amortization of goodwill relates to

differences arising from the initial consolidation of subsidiaries which were not recoverable and were derecognized in income. Further details on this are provided in Notes 2 and 3.

16. Investment property

This category only includes properties that do not qualify as railway assets (Section 10a Railway Act [Eisenbahngesetz]) and can therefore be leased to third parties or sold. Accordingly, investment property comprises mainly properties held for lease, building leases, and agricultural land. These properties have the same useful lives as the real estate assets recognized under property, plant and equipment.

Impairments pursuant to IAS 36 in the amount of EUR 1.6 million (prior year: EUR 0.0 million) had to be recognized; they are presented under depreciation. The assets developed as follows:

	2016 in EUR million	2015 in EUR million
Cost		
<i>As of Jan 01</i>	339.9 *)	341.7 *)
Additions	1.5	0.5
subsequent acquisition cost	0.0	0.1
Disposals	-2.4	-2.8
Transfers	1.2	0.4
As of Dec 31	340.2	339.9 *)
Accumulated depreciation		
<i>As of Jan 01</i>	-176.0	-174.7
Depreciation and amortization	-4.3	-4.0
Impairments	-1.6	0.0
Disposals	2.2	2.7
Transfers	-0.5	0.0
As of Dec 31	-180.2	-176.0
Net carrying amounts as of Jan 01	163.9 *)	167.0 *)
Net carrying amounts as of Dec 31	160.0	163.9 *)

*) adjusted comparative amounts, see Note 14

All investment property held by ÖBB Group is leased under operating lease agreements. Rental income from these leases (excluding operating costs) amounted to EUR 19.7 million (prior year: EUR 19.5 million), which is associated with direct attributable expenses (including repairs and maintenance, but excluding operating costs) in the amount of EUR 6.8 million (prior year: EUR 7.2 million without operating costs). In addition, operating expenses of EUR 0.5 million (prior year: EUR 0.2 million) were incurred for property that does not generate rental income. ÖBB Group has not entered into any contracts for the maintenance of its investment properties that lead to a related obligation.

The fair value totals EUR 559.1 million (prior year: EUR 596.4 million). For 71% (prior year: 51%) of the properties, the valuation is carried out using the assessments of external experts based on market data. The fair values for the remaining investment properties were determined by ÖBB-Immobilienmanagement GmbH's internal experts using a discounted cash flow calculation based on the actual rents for the respective rental property. The fair value determined in this way was assigned to hierarchy level 3 in accordance with IFRS 13.

The previous year's fair value was adjusted by the fair value of the reclassified building rights in the amount of EUR 247.2 million.

17. Investments recorded using the equity method of accounting

Investments that are measured using the equity method include investments in a joint venture – Galleria di Base del Brennero – Brenner Basistunnel BBT SE – and in several associated companies.

	2016 in EUR million	2015 in EUR million
Interest in one joint venture	40.6	40.6
Interest in associated companies	20.6	26.3
As of Dec 31	61.2	66.9

The following table reconciles the summarized financial information of the joint venture to the carrying amount of the Group's investment. The figures for Galleria di Base del Brennero – Brenner Basistunnel BBT SE are provisional and adjusted to the accounting methods in the Group.

	Galleria di Base del Brennero - Brenner Basistunnel BBT SE	
	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Revenue	0.0	0.0
Depreciation	-1.2	-1.0
Interest income	0.4	0.4
Interest expenses	0.0	0.0 *)
Tax expense or income	0.0	0.0 *)
Annual profit/loss from continuing operations	0.0	0.0
Other comprehensive income	0.0	0.0
Overall result	0.0	0.0
other non-current assets	286.5	36.0
Non-current assets	13.9	13.0
Cash and cash equivalents	98.7	151.4
Current liabilities	80.9	48.1
<i>thereof current financial liabilities</i>	<i>78.8</i>	<i>47.1</i>
Non-current liabilities	237.1	71.2
<i>thereof non-current financial liabilities</i>	<i>0.0</i>	<i>0.0</i>
Net assets 100%	81.1	81.1
Interest of the Group in the net assets of the investee as of 01/01	40.6	40.6
Overall result attributable to the Group	0.0	0.0
Dividends received from associated companies	0.0	0.0
Carrying amount of the interest in the investee as of Dec 31	40.6	40.6

*) small amount

Galleria di Base del Brennero – Brenner Basistunnel BBT SE (BBT SE) is the only joint venture operated by the Group. BBT SE is an independent legal entity. Since the Group holds a residual interest in the net assets, it classifies its investment as a joint venture. The purpose and task of BBT SE is to plan and build the Brenner base tunnel. The overall project comprises the construction of the railway tunnel between Tulfes/Innsbruck and Franzensfeste, consisting of the main, inspection and access tunnels; the multifunction stations, engineering equipment, control center, necessary landfills, and the bridges and stations needed to perform the construction work; and putting the tunnel into service. Under the provisions of the State Treaty dated April 30, 2004, Italy and Austria each hold 50% of the share capital of BBT SE. Austria's 50% is entirely owned by ÖBB-Infrastruktur AG and Italy's 50% by TFB Società di Partecipazioni S.p.A. ÖBB-Infrastruktur-AG has committed to funding 50% of the cost of building the Brenner base tunnel, for which it has received a 100% investment grant from the government. Italy and Austria have contractually agreed to invest additional amounts in proportion to their investments to compensate for any losses, if necessary.

In its provisional annual financial statements, BBT SE reported total income, in addition to the figures mentioned above, of EUR 16.8 million (prior year: EUR 15.1 million) and total expenses of EUR 17.2 million (prior year: EUR 15.5 million). BBT SE received investment grants of EUR 173.0 million (prior year: EUR 112.5 million). In both reporting years, the Austrian government refunded EUR 73.7 million (prior year: EUR 106.5 million) of this amount, while EUR 1.0 million (prior year: EUR 6.0 million) were refunded by the province of Tyrol on the basis of the share purchase agreement dated April 18, 2011. Non-current liabilities are cost contributions received which have not yet been spent in the project.

The following table summarizes the financial results of all companies reported using the equity method. The direct and indirect investments held by ÖBB Group are indicated in the schedule of investments (Note 35).

	2016 in EUR million	2015 in EUR million
Development of investments in associated companies		
<i>As of Jan 01</i>	<i>26.3</i>	<i>18.6</i>
Change in consolidation type, initial and final consolidation, increase in shareholding	-0.8	5.5
<i>thereof goodwill</i>	<i>0.0</i>	<i>2.2</i>
Share of income	2.5	2.3
Distributions and other changes	-7.4	-0.1
As of Dec 31	20.6	26.3

The results recognized in the Income Statement from companies reported using the equity method correspond to the share of annual results attributable to the ÖBB Group.

18. Other non-current financial assets

	Current in EUR million	Non-current in EUR million	Total in EUR million
2016			
Investments	0.0	13.8	13.8
Financial assets - leasing	113.6	200.3	313.9
Other financial assets	127.7	98.4	226.1
Total	241.3	312.5	553.8

	Current in EUR million	Non-current in EUR million	Total in EUR million
2015			
Investments	0.0	15.1	15.1
Financial assets - leasing	44.4	450.7	495.1
Other financial assets	51.2	190.0	241.2
Total	95.6	655.8	751.4

Investments

See Note 35 for a full schedule of all investments. In accordance with IAS 39, these investments are classified as available for sale, but measured at cost less impairment as fair values cannot be reliably determined since the investments are not listed shares.

Financial assets – leasing

Financial lease assets mainly consist of non-current loans and deposits and relate almost entirely to cross-border leasing transaction. Their purpose is to cover future payment obligations (lease installments and acquisition costs). Capital gains on accumulating investments increase the amount, while servicing payment obligations reduces it. These financial assets are matched by financial liabilities in the same amounts. Differences result from allowances in the year under review, and in previous years.

The figure for (non-current) financial lease assets includes EUR 81.8 million (prior year: EUR 81.8 million), which reflects the residual value of leased assets held in the form of bank deposits. Restrictions on disposal rights apply for financial lease assets of EUR 105.9 million (prior year: EUR 252.1 million). In addition, financial assets amounting to EUR 119.8 million (prior year: EUR 166.2 million), which are reported under other financial assets, have been pledged as collateral for a lease liability. For further information see Notes 30.1 and 30.3.

Other financial assets

This item mainly includes short-term securities, investment certificates, derivatives in connection with energy transactions and other derivatives with a positive present value that are not part of a hedging relationship.

19. Non-current assets held for sale

	2016 in EUR million	2015 in EUR million
Non-current assets held for sale		
<i>As of Jan 01</i>	<i>0.9</i>	<i>1.8</i>
Disposals by sale	-0.9	-0.9
Reclassification from tangible fixed assets	7.8	0.0
As of Dec 31	7.8	0.9
<i>of which reported at amortized cost</i>	<i>7.8</i>	<i>0.1</i>
<i>of which reported at fair value less costs to sell</i>	<i>0.0</i>	<i>0.8</i>

In 2016, the assets reported under this item are primarily properties located in Vienna, Upper Austria and Tyrol as well as ancillary railway lines. The fair values correspond to the agreed acquisition cost or the expected outcome of negotiations with the contractual parties, and are therefore allocated to hierarchy level 3 pursuant to IFRS 13. Assets held for sale are only recognized if a Board of Management resolution has been issued and the sale is likely to take place in the following financial year.

The expected proceeds on assets held for sale in 2017 are all in excess or equal to the current carrying amounts of the assets. In the year under review, the ÖBB Group recorded gains of EUR 6.6 million (prior year: EUR 5.2 million) from the sale of assets held for sale, which were recognized in other operating income, together with the result from the sale of other assets.

The following table shows the development of assets recognized at fair value less cost to sell.

	2016 in EUR million	2015 in EUR million
Development of fair value		
<i>As of Jan 01</i>	<i>0.8</i>	<i>1.2</i>
Disposal/Reclassification	-0.8	-0.4
As of Dec 31	0.0	0.8

As of December 31, 2016 and December 31, 2015 no further assets were reclassified between the reporting date and the date of preparation of the Consolidated Financial Statements as held for sale.

20. Trade and other receivables

	Current in EUR million	Non-current in EUR million	Total in EUR million
Dec 31, 2016			
Trade receivables	555.0	0.0	555.0
<i>thereof from construction contracts</i>	<i>10.8</i>	<i>0.0</i>	<i>10.8</i>
Other receivables and deferrals	290.8	149.7	440.5
Income tax receivables	0.7	0.0	0.7
Total	846.5	149.7	996.2

	Current in EUR million	Non-current in EUR million	Total in EUR million
Dec 31, 2015			
Trade receivables	491.4	0.0	491.4
<i>thereof from construction contracts</i>	<i>4.8</i>	<i>0.0</i>	<i>4.8</i>
Other receivables and deferrals	269.3	158.6	427.9
Income tax receivables	0.4	0.0	0.4
Total	761.1	158.6	919.7

In both the year under review and the prior year, no receivables were secured by bills of exchange.

Trade receivables relate mainly to transport services and receivables from transport revenue and from invoicing of public services. Due to their short terms, the carrying amounts of the trade and other receivables approximate their respective fair values.

Construction contracts in connection with services provided to third parties that are not yet completed are recognized as trade receivables. For construction contracts, contract revenue of EUR 58.8 million (prior year: EUR 56.5 million) was realized.

Other receivables and deferrals include receivables from the sales tax with respect to the Austrian tax authorities. Other receivables also include receivables payable by the Republic of Austria with respect to subsidies for apprentices.

Other receivables also include deferrals of EUR 247.9 million (prior year: EUR 257.9 million). These deferrals relate primarily to prepaid guarantee premiums amounting to EUR 161.6 million (prior year: EUR 169.4 million) and salaries including fees for January, which were paid in December, amounting to EUR 59.2 million (prior year: EUR 59.7 million).

The allowances mainly refer to trade receivables and developed as follows:

	2016 in EUR million	2015 in EUR million
<i>As of Jan 01</i>	<i>41.3</i>	<i>44.4</i>
Increase due to changes in basis of consolidation	0.0	0.2
Utilization	-2.9	-6.0
Release	-8.6	-5.9
Additions	5.9	8.6
As of Dec 31	35.7	41.3

Past due receivables and impaired receivables that are not overdue are presented as follows:

	Gross carrying amount (before impairment)	thereof not individually impaired	thereof impaired (gross)	Allowance	thereof individual allowance	thereof portfolio allowance	Net carrying amount
Dec 31, 2016	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million
Analysis of past due/ impaired receivables							
Receivables not past due but impaired	35.1	0.0	35.1	3.1	2.7	0.4	32.0
up to 90 days past due	67.4	57.8	9.6	1.4	0.9	0.5	66.0
90 to 180 days past due	5.7	4.0	1.7	1.0	0.9	0.1	4.7
180 to 360 days past due	20.1	16.1	4.0	3.5	3.4	0.1	16.6
more than 360 days past due	49.7	19.5	30.2	26.7	22.8	3.9	23.0
Total exposure	178.0	97.4	80.6	35.7	30.7	5.0	142.3

	Gross carrying amount (before impairment)	thereof not individually impaired	thereof impaired (gross)	Allowance	thereof individual allowance	thereof portfolio allowance	Net carrying amount
Dec 31, 2015	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million
Analysis of past due/ impaired receivables							
Receivables not past due but impaired	15.7	0.0	15.7	3.1	2.6	0.5	12.6
up to 90 days past due	60.5	51.7	8.8	2.5	1.8	0.7	58.0
90 to 180 days past due	28.9	24.1	4.8	4.2	3.8	0.4	24.7
180 to 360 days past due	17.1	12.2	4.9	3.7	2.9	0.8	13.4
more than 360 days past due	36.5	6.6	29.9	27.8	24.6	3.2	8.7
Total exposure	158.7	94.6	64.1	41.3	35.7	5.6	117.4

Overdue unimpaired receivables amounting to EUR 97.4 million (prior year: EUR 94.6 million) are monitored regularly.

Based on experience, the management of the ÖBB Group estimates that no additional allowances other than the ones detailed above are required, even if the receivables are past due by more than 30 days.

More information is provided in Note 29.1.c.

21. Inventories

This line item is composed as follows:

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Inventories	219.1	200.2
Finished goods	1.3	2.1
Prepayments	0.3	0.7
Total	220.7	203.0
<i>thereof measured at cost</i>	<i>189.6</i>	<i>187.8</i>
<i>thereof measured at net realizable value</i>	<i>31.1</i>	<i>15.2</i>

Inventories comprise, among other things, material and spare parts for the expansion and maintenance of railway network operations, as well as for vehicles and equipment and real estate recovery projects. See Note 7 for the recognized cost of materials. Cost of materials includes expenses relating to the impairment of inventories of EUR 1.2 million (prior year: EUR 1.6 million) and is recognized in costs of materials and purchased services. Write-downs were made totaling EUR 0 million (prior year: EUR 1.7 million). Real estate recovery projects were recognized under inventories in the amount of EUR 51.6 million (prior year: EUR 32.5 million).

22. Cash and cash equivalents

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Cash on hand and cash	3.9	3.6
Cash in banks	147.1	271.0
Total	151.0	274.6

This item includes investments, cash in banks and cash on hand that are classified as current (terms of less than 3 months) based on their residual terms at the time of acquisition. The carrying amounts of these assets are equivalent to their fair values. ÖBB Group can freely dispose of all cash and cash equivalents. The composition of the cash and cash equivalents is described in Note 34.

23. Share capital and other equity

The development of the shareholders' equity is shown in the Consolidated Statement of Changes in Shareholders' Equity.

Share capital and capital reserves

The share capital is unchanged, made up of 190,000 ordinary shares with a nominal value of 10,000 euros each and is fully paid in. The share capital is stipulated by Article 2 (1) of the Bundesbahngesetz [Austrian Federal Railways Act] and constitutes the share capital of the parent company. The share capital was raised pursuant to Article 2 (2) of the Federal Railways Act by contribution of all shares of the federal government in Austrian Federal Railways. The shares were to be recognized as equity within the meaning of Article 224 (3) UGB in accordance with the Statement of Financial Position of Austrian Federal Railways as of December 31, 2003. The shares in ÖBB-Holding AG are reserved for the Republic of Austria in their entirety pursuant to Article 2 (1) of the Federal Railways Act, and may not be traded publicly.

Unchanged from the previous year, capital reserves total about EUR 260.8 million.

Shares of non-controlling interests in equity

This item reflects the portion of the equity of any fully consolidated subsidiary that does not belong ÖBB-Holding AG. The development of this item is shown in the Consolidated Statement of Changes in Shareholders' Equity.

24. Reserves, retained earnings

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Additional paid-in capital	260.8	260.8
Other reserves	-130.6	-146.3
<i>thereof cash flow hedge reserve</i>	-94.7	-107.7
<i>thereof available for sale reserve</i>	6.9	8.4
<i>thereof translation differences</i>	-42.8	-47.0
Retained earnings	57.4	-98.3

Further information on the changes in shareholders' equity is provided in the Consolidated Statement of Changes in Shareholders' Equity. Actuarial gains and losses in the Statement of Comprehensive Income include income taxes in the amount of EUR 0.6 million (prior year: EUR -0.2 million).

Differences resulting from capital consolidation prior to the transition to IFRS are recognized in retained earnings.

The cash-flow-hedge reserve and the available-for-sale reserve developed as follows:

	Cash flow hedge reserve		Available for sale reserve	
	Development of carrying amount in EUR million	Income taxes included therein in EUR million	Development of carrying amount in EUR million	Income taxes included therein in EUR million
<i>As of Jan 01, 2015</i>	-126.4	32.8	10.7	0.0
Realized gains and losses	35.1	-3.7	0.0	0.0
Changes in the fair values	-16.4	-1.1	-2.2	0.0
As of Dec 31, 2015	-107.7	28.0	8.4	0.0
Realized gains and losses	32.5	-2.3	1.3	0.0
Changes in the fair values	-19.5	-1.2	-2.8	0.0
As of Dec 31, 2016	-94.7	24.5	6.9	0.0

The transition reserve amounting to EUR -402.3 million, which resulted from the IFRS opening Statement of Financial Position as of January 1, 2006, and includes all the effects of the transition from UGB to IFRS, was recognized in the retained earnings in both years. See the Consolidated Statement of Changes in Shareholders' Equity for further explanation.

25. Financial liabilities

	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million	Total in EUR million
Dec 31, 2016				
Bonds	431.0	3,887.7	9,973.2	14,291.9
Liabilities to banks	314.7	602.3	3,606.7	4,523.7
Financial liabilities leasing	124.9	173.2	166.2	464.3
Other financial liabilities	1,377.7	1,313.0	828.3	3,519.0
Total	2,248.3	5,976.2	14,574.4	22,798.9

	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million	Total in EUR million
Dec 31, 2015				
Bonds	1,371.0	3,271.0	10,670.8	15,312.8
Liabilities to banks	254.5	689.0	3,017.9	3,961.4
Financial liabilities leasing	43.3	321.1	273.7	638.1
Other financial liabilities	426.2	974.1	1,004.4	2,404.7
Total	2,095.0	5,255.2	14,966.8	22,317.0

The total amount of liabilities with a maturity of more than five years mainly relates to bonds, bank loans with EUROFIMA or banks and liabilities from cross-border lease agreements.

Issued bonds

Fair value	Currency	Term	ISIN / CUSIP	Interest rate
1,000,000,000.00	EUR	2005 - 2020	XS0232778083	3.5000%
300,000,000.00	EUR	2010 - 2020 ²⁾	XS0232778083	3.5000%
100,000,000.00	EUR	2006 - 2036	XS0243862876	3.4200%
100,000,000.00	EUR	2006 - 2036	XS0244522396	3.4800%
100,000,000.00	EUR	2006 - 2036	XS0252697130	3.5000%
50,000,000.00	EUR	2006 - 2036	XS0252721450	3.5000%
100,000,000.00	EUR	2006 - 2036	XS0275973278	3.4900%
80,000,000.00	EUR	2006 - 2036	XS0275974599	3.4900%
1,300,000,000.00	EUR	2007 - 2022	XS0307792159	4.8750%
200,000,000.00	EUR	2008 - 2022 ²⁾	XS0307792159	4.8750%
100,000,000.00	EUR	2007 - 2037 ¹⁾	XS0321318163	4.1715%
100,000,000.00	EUR	2007 - 2037 ¹⁾	XS0324893626	4.3975%
50,000,000.00	EUR	2007 - 2037 ¹⁾	XS0324895670	4.3975%
100,000,000.00	EUR	2007 - 2037 ¹⁾	XS0328866982	4.2270%
50,000,000.00	EUR	2007 - 2037 ¹⁾	XS0331427905	4.1950%
50,000,000.00	EUR	2007 - 2037	XS0336043517	3.9900%
1,250,000,000.00	EUR	2009 - 2019	XS0436314545	4.5000%
100,000,000.00	EUR	2010 - 2019 ²⁾	XS0436314545	4.5000%
50,000,000.00	EUR	2011 - 2019 ²⁾	XS0436314545	4.5000%
100,000,000.00	EUR	2009 - 2019	XS0463371236	3MoEURIBOR +0.46%
40,000,000.00	EUR	2009 - 2019	XS0475835863	3.7500%
50,000,000.00	EUR	2010 - 2030	XS0497430172	4.2100%
70,000,000.00	EUR	2010 - 2030	XS0503724642	4.2000%
100,000,000.00	EUR	2010 - 2030	XS0512125849	3.9000%
1,500,000,000.00	EUR	2010 - 2025	XS0520578096	3.8750%
1,000,000,000.00	EUR	2011 - 2021	XS0648186517	3.6250%
50,000,000.00	EUR	2011 - 2021 ²⁾	XS0648186517	3.6250%
1,000,000,000.00	EUR	2011 - 2026	XS0691970601	3.5000%
200,000,000.00	EUR	2011 - 2031	XS0717614951	4.0000%
1,350,000,000.00	EUR	2012 - 2032	XS0782697071	3.3750%
1,000,000,000.00	EUR	2013 - 2023	XS0949964810	2.2500%
75,000,000.00	EUR	2013 - 2033	XS0954197470	2.1250%
1,000,000,000.00	EUR	2013 - 2033	XS0984087204	3.0000%
1,000,000,000.00	EUR	2014 - 2024	XS1138366445	1.0000%
500,000,000.00	EUR	2014 - 2029	XS1071747023	2.2500%

1) Right of early cancellation by the investor in 2017 2) Increase

From 2005 to 2014, ÖBB-Infrastruktur AG initiated a Euro medium-term note ("EMTN") program. Payments relating to bonds issued under this framework agreement are guaranteed unconditionally and irrevocably by the Republic of Austria. All bonds listed above were issued by ÖBB-Infrastruktur AG as part of this program.

In 2015, six bonds with an amount of (USD 108.5 million) were issued, of which five in the amount of USD 85.7 million CUSIP number A5790#AB4 (maturing in 2017), A5790#AC2 (maturing in 2017), A5790#AD0 (maturing in 2026), A5790#AE8 (maturing in 2025), and A5790#AF5 (maturing in 2025) are still outstanding.

In 2016, a loan from the Republic of Austria in the amount of EUR 1 billion with a maturity <1 year, which is to be refinanced over the long term in 2017, was taken out with the Austrian Treasury (OeBFA) to refinance a redeemed bond.

As of December 31, 2016, the Group has fulfilled all obligations under the loan and credit agreements.

Liabilities due to banks include EUR 3,775.9 million (prior year: EUR 3,163.3 million) in loans from the European Investment Bank (EIB). Liabilities in the amount of EUR 94.5 million (prior year: EUR 70.0 million) are collateralized in rem.

Financial liabilities leasing

Lease liabilities result primarily from non-linked CBL transactions and from finance leases. With one exception, the cross-border lease liabilities are matched by assets in the same amount (financial assets, such as loans to banks and leasing institutes or securities, or compensation claims from payment undertaking agreements). Differences regularly result from allowances required in the year under review and in previous years.

Other financial liabilities

Other financial liabilities essentially comprise EUROFIMA loans amounting to EUR 1,931.2 million (prior year: EUR 1,778.3 million), of which in 2016, EUR 1.8 million (prior year: EUR 92.5 million) had a residual term of less than one year. Negative present values of derivative financial instruments are also recognized under this item.

Financial lease liabilities of EUR 140.8 million (prior year: EUR 276.7 million) are secured by financial assets, and other financial liabilities of EUR 1,318.4 million (prior year: EUR 1,390.6 million) are collateralized in rem, mainly in the form of vehicles. See Note 30 for details on lease transactions, and Note 29 for information pursuant to IFRS 7.

Guarantees of the federal government

The federal government has guaranteed bonds and liabilities to banks amounting to EUR 14,208.6 million (prior year: EUR 15,207.6 million). Additionally, liabilities to EUROFIMA of EUR 1,931.2 million (prior year: EUR 1,778.3 million) are also secured by federal government guarantees. Financial liabilities of EUR 75.1 million (prior year: EUR 71.6 million) are guaranteed by Österreichische Kontrollbank Aktiengesellschaft.

26. Provisions

ÖBB Group records provisions when an outflow of resources is probable, and the amount of the provision can be reliably estimated. The provision is recognized in the amount of the probable obligation. In the event of scenarios with equal probabilities, the expected value determined according to the probability is recognized as provision.

26.1. Provisions for personnel

Provisions for personnel

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Statutory severance payments	68.1	60.2
Pensions	1.3	1.1
Anniversary bonuses	230.0	227.7
Other provisions for personnel	0.7	4.6
Total	300.1	293.6
<i>thereof long-term</i>	<i>300.0</i>	<i>289.7</i>

Other provisions for personnel are the main component of short-term provisions. With the exception of the actuarial gains or losses from the provision for statutory severance payments and pensions, all changes to personnel provisions that affect profit or loss are recognized in personnel expenses.

Actuarial assumptions

The following table shows the assumptions used in measuring the obligations for anniversary bonuses, severance payments, and pensions:

	Dec 31, 2016	Dec 31, 2015
Discount rate severance payments and pensions	1.80%	2.40%
Discount rate anniversary bonuses	1.30%	1.80%
Rate of compensation increase	3.80%	3.80%
Rate of pension payment increases	2.00%	2.00%
Employee turnover rate anniversary bonuses of tenured employees	0.00 - 3.03%	0.00 - 2.99%
Employee turnover rate anniversary bonuses of other workers and employees	0.00 - 7.93%	0.00 - 7.57%

The Group is usually exposed to the following actuarial risks with respect to severance payments and anniversary bonuses: Interest rate risk and salary risk.

Interest rate risk: A decrease in the interest rate leads to an increase in provisions.

Salary risk: The present value of the provisions is determined on the basis of the planned future salaries of the beneficiary employees. As a result, increases in the salaries of the beneficiary employees lead to an increase in provisions.

Statutory severance payments

A provision for severance payments is made for severance claims arising from statutory and contractual regulations for those employees who are not tenured employees within the meaning of Article 21 (3) Bundesbahngesetz [Austrian Federal Railways Act] as amended by federal law BGBl I no. 71/2003. As required by IAS 19, actuarial calculation of the provision is based on the projected unit credit (PUC) method. Measurement is based on the biometric actuarial bases of the Aktuarvereinigung Österreichs (the Actuarial Association of Austria) (AVO) 2008-P by Pagler & Pagler.

Severance obligations to employees hired before January 1, 2003, are covered by defined benefit plans as described below. Following legal amendment, employees hired in Austria after January 1, 2003 are covered by a defined contribution plan. In this connection, in both reporting years, ÖBB Group paid EUR 7.3 million (prior year: EUR 6.6 million) into the defined contribution plan (VBV Vorsorgekasse AG and APK-PENSIONS KASSE AG).

Upon retirement, eligible employees receive a severance payment equal to a multiple of their monthly base salary – based on their period of service – but no more than twelve monthly salaries. Upon termination of employment, up to three months' salaries are paid immediately, any benefit in excess of that amount being paid over a period not exceeding ten months. In the event of death, the heirs of an eligible employee are entitled to 50% of the severance benefits.

The following table shows the components of net periodic severance cost and the development of the severance provisions:

	2016 in EUR million	2015 in EUR million
<i>Defined benefit commitments as of Jan 01</i>	<i>60.2</i>	<i>60.2</i>
Service cost	2.9	3.3
Interest cost	1.4	1.2
Subtotal recorded in the net income	4.3	4.6
Actuarial losses (+) / gains (-) from changes in demographic assumptions	0.0	1.2
Actuarial losses (+) / gains (-) from changes in financial assumptions	5.8	-3.7
Experience adjustments	-0.7	-0.9
Recognized in other comprehensive income	5.1	-3.3
Severance payments	-2.0	-1.6
Company sales and acquisitions	0.5	0.4
Defined benefit commitments as of Dec 31	68.1	60.2

Severance provisions amounting to EUR 4.4 million (prior year: EUR 1.6 million) will be due in 2017, in the amount of EUR 7.6 million (prior year: EUR 8.8 million) in 2018–2021 and in the amount of EUR 56.1 million (prior year: EUR 49.8 million) after 2021. The duration is 16 (prior year: 16) years. The following sensitivity analysis for the provision of severance payments outlines the effect on the obligations of changes in key actuarial assumptions. In each case, one significant factor was changed, while the others were held constant. In reality, however, it is unlikely that these factors will not correlate. In accordance with IAS 19, the projected unit credit (PUC) method is used to measure both the modified and actual obligations through the application of changed parameters.

A change in the actuarial assumptions would have the following effect:

Sensitivity analysis of the provisions for severance payments	Change in assumption	Increase of the parameter / change DBO				Decrease of the parameter/ Change in DBO	
		in %		2016 in EUR million		2015 in EUR million	
		2016 in EUR million	2015 in EUR million	2016 in EUR million	2015 in EUR million	2016 in EUR million	2015 in EUR million
Interest rate	+/-0.5	-5.2	-4.6	5.1	4.5		
Salary increase	+/-0.5	5.0	4.4	-5.1	-4.5		

Anniversary bonuses

Tenured and certain other employees (together "employees" in this context) are entitled to anniversary bonuses. In accordance with statutory and contractual provisions, entitled employees receive two months' salary after 25 years of service and four months' salary after 40 years of service. Employees who have at least 35 years of service when they retire also receive an anniversary bonus equivalent to four months' salary. As required by IAS 19, actuarial calculation of the provision is based on the PUC method. Measurement is based on the biometric actuarial bases of the Aktuarvereinigung Österreichs (the Actuarial Association of Austria) (AVO) 2008-P by Pagler & Pagler. The provision is accrued over the period of service with a deduction to reflect employees who leave the company prematurely. Actuarial gains and losses are recognized immediately in profit or loss in the period in which they occur.

A provision for anniversary bonuses for the other employees is made in accordance with the stipulations of the applicable collective wage agreement or internal company agreements.

The following table shows the components and the development of the anniversary bonus provision:

	2016 in EUR million	2015 in EUR million
<i>Defined benefit commitments as of Jan 01</i>	<i>227.7</i>	<i>245.5</i>
Service cost	10.1	10.6
Interest cost	4.0	4.0
Anniversary bonuses	-19.9	-19.7
Actuarial losses (+) / gains (-)	8.0	-21.0
Experience adjustments	0.1	8.3
Defined benefit commitments as of Dec 31	230.0	227.7

The average maturity is 8.9 (prior year: 8.7) years. A change in the actuarial assumptions would have the following effect:

Sensitivity analysis of the provisions for anniversaries	Change in assumption in %	Increase of the parameter / change DBO		Reduction of the parameter / change DBO	
		2016 in EUR million	2015 in EUR million	2016 in EUR million	2015 in EUR million
Interest rate	+/-0.5	-9.7	-9.5	10.4	10.0
Salary increase	+/-0.5	10.1	9.8	-9.5	-9.4

Pensions

The provisions for pensions include only pension obligations arising from individual contracts.

Defined contribution plans

In Austria, pension benefits for employees are generally provided by the social security institutions, and for railway employees by the Versicherungsanstalt für Eisenbahn und Bergbau (Austrian insurance institution for railway and mining) or the federal government pursuant to Article 52 of the Federal Railways Act. ÖBB Group is required to pay pension and health care contributions for current tenured employees to Versicherungsanstalt für Eisenbahn und Bergbau. In addition, ÖBB Group offers all ÖBB Group employees in Austria a defined contribution plan. Contributions by ÖBB Group are calculated as a percentage of salary and may not exceed 1.2%. Expenses relating to this plan totaled EUR 17.7 million (prior year: EUR 17.7 million).

Defined benefit plans

A defined benefit plan is provided for one former member of the Board of Management (payments beginning on the 60th birthday), under which ÖBB Group has been making payments since 2010. This unfunded plan provides for pension payments calculated as a percentage of the salary based on the years of service. The pension amounts to a maximum of 13.2% of the last salary, including pension payments received from the statutory social security institution. The valuation is based on actuarial principles assuming a discount factor of 2.0% (prior year: 2.3%) and a retirement age of 60.

26.2. Other provisions

in EUR million	As of Jan 01, 2016	Change in scope of consolidation	Utilization	Release	Transfers	Accretion expenses	Additions	As of Dec 31, 2016
Asset retirement commitment	88.6	0.0	-0.2	-12.1	0.0	0.1	1.1	77.5
Public services according to EU Directive 1370/2007	46.5	0.0	-1.5	0.0	0.0	-0.6	0.0	44.4
Environmental protection measures	43.9	0.0	-1.7	-2.4	0.0	0.0	0.3	40.1
Reimbursement of travel expenses	39.7	0.0	-2.3	-1.7	0.0	-1.0	4.0	38.7
Bad debts and public services	17.8	0.0	-0.6	-2.8	-0.2	-0.2	7.7	21.7
Loss set aside	26.8	0.0	-18.2	-9.5	3.4	0.0	14.8	17.3
Demolition cost and similar obligations	14.8	0.0	-2.1	-1.4	0.0	0.0	6.0	17.3
Litigations	22.0	0.0	-2.6	-8.6	0.0	0.0	3.6	14.4
Reorganization	9.6	0.0	-3.0	-1.4	0.0	0.0	4.0	9.2
Non-income taxes and fees	4.4	0.2	-2.4	-0.9	0.0	0.0	1.0	2.3
Others	96.7	0.5	-14.4	-11.0	-5.6	-1.4	35.3	100.1
Total	410.7	0.7	-49.0	-51.8	-2.4	-3.1	77.8	383.0
<i>thereof long-term</i>	<i>238.8</i>	<i>*)</i>						<i>175.9</i>

*) adjusted comparative amounts

The amounts in the column transfers represent transfers to the liabilities.

The provision for asset retirement costs relates to future expenses in connection with the demolition, dismantling, and removing of assets and the restoration of sites. This refers to already or in the near future retired railway lines and newly added railway line segments. This provision was recognized only for routes whose decommissioning is sufficiently certain. In the reporting year, interest and cost rate adjustments resulted in additions to provisions in the amount of EUR 1.1 million (prior year: EUR 19.1 million). The reversal of the provision in 2016 relates to sold lines for which the purchaser has assumed the restoration obligation. In addition, part of the obligation for one line has been eliminated.

A provision of EUR 44.4 million (prior year: EUR 46.5 million) is recognized for any possible reimbursement demanded by the federal government arising from the settlement of the VDV (Association of German Transport Undertakings) and for obligations arising from the liberalization of European rail transport in connection with EU-RL1370/2007.

The provision for environmental protection measures relates to anticipated restoration measures for contaminated sites. As dictated by law, it was recognized in the amount of the anticipated expenditure. Unchanged from the previous year, reimbursement claims for environmental protection measures exist in an amount of EUR 9.3 million and are recognized under other receivables.

Appropriate provisions are made for uncertainties with respect to the settlement of the free student and apprentice tickets (SLF) with the individual transport associations.

The provision for contingent losses is mainly composed of expenses for other legal matters and for onerous contracts from the individual business units in the Freight Transport and Technical Services divisions.

The provision for litigation was measured based on management's best estimate and based on all litigation risks that were identifiable when the financial statements were prepared. The provision relates to numerous legal disputes arising from the company's business operations.

The provision for demolition costs and similar obligations includes demolition costs in connection with the sale of real estate.

Miscellaneous other provisions mainly include probable recoveries on infrastructure usage fees in respect of current Supreme Court decisions, expenses for geotechnical analyses in connection with the damages to railway embankments, as well as provisions for indemnity pensions.

Anticipated cash outflow for the provisions

Non-current provisions were discounted at interest rates of 0.2 to 1.3% (prior year: 0.1 to 2.1%). Adjustments due to changes in the discount rate were insignificant.

Of the other provisions, EUR 175.9 million (prior year: EUR 238.8 million) are classified as non-current. The payment for these provisions is anticipated later than 2017. Cash outflows relating to provisions classified as current are expected in 2017. Provisions with uncertain payment dates were mainly classified as current. After an in-depth evaluation of other

provisions, it emerged that uncertainties about the maturities no longer existed in 2016, with the result that in the reporting year other provisions amounting to kEUR 89,014.7 had to be reclassified from current to non-current provisions. In order to increase comparability with the prior year, non-current provisions were increased by kEUR 88,984.0 in the Consolidated Statement of Financial Position as of 12/31/2015 and current provisions were reduced by the same amount.

27. Trade payables and other liabilities

	Current in EUR million	Non-current in EUR million	Total in EUR million
Dec 31, 2016			
Trade payables	937.2	0.0	937.2
Other liabilities	755.5	62.6	818.1
<i>thereof deferral of federal subsidies</i>	395.5	0.0	395.5
<i>thereof accrued personnel liabilities</i>	161.3	0.0	161.3
<i>thereof other deferrals</i>	68.4	60.6	129.0
<i>thereof taxes</i>	45.8	0.0	45.8
<i>thereof social security</i>	33.7	0.0	33.7
Total	1,692.7	62.6	1,755.3
	Current in EUR million	Non-current in EUR million	Total in EUR million
Dec 31, 2015			
Trade payables	857.5	0.0	857.5
Other liabilities	584.2	77.7	661.9
<i>thereof accrued personnel liabilities</i>	190.4	0.0	190.4
<i>thereof deferral of federal subsidies</i>	155.2	0.0	155.2
<i>thereof other deferrals</i>	61.2	75.2	136.4
<i>thereof taxes</i>	53.7	0.0	53.7
<i>thereof social security</i>	28.3	0.0	28.3
Total	1,441.7	77.7	1,519.4

The management estimates that the carrying amounts of the trade payables approximate their respective fair values. Trade payables include payables with a remaining maturity of more than 1 year in the amount of EUR 26.0 million (prior year: EUR 13.6 million), but are nevertheless recognized as current in accordance with IAS 1.70.

In deferrals for staff, the items "overtime" and "vacation days not yet taken" are recognized.

Accrued expenses and deferred income in the amount of EUR 16.7 million (prior year: EUR 20.2 million) arose from two sale and leaseback transactions, and was recognized in other deferrals. The sales income from these finance leases is reversed over the term of the lease. Other liabilities also comprise the tax benefit from CBL transactions amounting to EUR 5.6 million (prior year: EUR 12.9 million), advance ticket sales of EUR 30.3 million (prior year: EUR 25.7 million) and accrued income from earnings from land lease agreements amounting to EUR 40.1 million (prior year: EUR 45.0 million).

C. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Other guarantees and contingent liabilities

	2016 in EUR million	2015 in EUR million
Contingent liabilities from lease transactions	237.7	396.0
Other guarantees	28.0	10.2
Total	265.7	406.2

Contingent liabilities from lease transactions (CBL transactions)

Contingent liabilities from lease transactions relate to cross-border lease transactions that have no economic substance, pursuant to the provisions of SIC 27, and thus the related investments and lease obligations are not reported in the Statement of Financial Position. With respect to these transactions, ÖBB Group assumes that the relevant contracting parties of the underlying investments will continue to fulfill their payment obligations in line with the agreement – as in previous periods – and that no outflows of cash exceeding the payments upon conclusion of the transaction are to be expected. The relevant contracting parties of the affected investments are rated at least AA+ by Standard & Poor's or are subsidiary guaranteed by the federal government. Due to the existing contractual obligation of ÖBB Group under the cross-border lease agreements, the obligations related to the unredeemed lease liabilities are disclosed as contingent liabilities. Unredeemed lease obligations are collateralized by pledged assets.

The other contingent liabilities relate to guarantees and bad debts, whereby the amount of cash outflows depends on the future course of business.

Other contingent liabilities

Of the other contingent liabilities, EUR 1.5 million (prior year: EUR 2.6 million) are contingent liabilities from investments.

For further information on the contractual terms of the CBL transactions see Notes 30.3 and 29.3.

29. Financial instruments

29.1. Risk management

The financial assets and liabilities of ÖBB Group are exposed, in particular, to exchange rate risks, interest rate risks and risks arising from the creditworthiness of its contractual partners (credit risk). The Group views financial risk management as the management of market risks and the business management of the individual companies' portfolios with respect to interest rate, currency, and commodity price trends. ÖBB Group uses derivative financial instruments to hedge these risks. Derivative financial instruments are concluded only with reference to a hedged item.

One core task of risk management is to identify, assess, and mitigate financial risks. Risk mitigation does not mean completely eliminating financial risks, but rather the reasonable management within a precisely defined framework of risks that can be quantified at any time.

ÖBB-Holding AG, which only enters into financial transactions on behalf and for the account of its subsidiary companies with their consent and upon their instruction, has created a risk-oriented monitoring environment that includes guidelines and procedures for risk assessment, and for approving, reporting, and monitoring financial instruments. The protection of ÖBB Group assets is the first priority for any and all financial activities.

Most of the derivatives within the Group (98% [prior year: 95%] of the nominal value) are non-structured standard hedges ("plain vanilla" interest rate swaps and cross-currency interest rate swaps). A structured derivative accounts for 2% (prior year: 5%) of the nominal value in 2016 (2015: two structured derivatives). This (prior year: two) structured derivative has a total nominal volume of EUR 20.0 million (prior year: EUR 50.0 million) with a term through 2022.

Financial risks are defined as follows:

- 29.1.a. Interest rate risk
- 29.1.b. Foreign exchange rate risk
- 29.1.c. Credit risk
- 29.1.d. Liquidity risk

29.1.a. Interest rate risk

Risks from the exposure to changes of interest rates are risks to the profitability and the value of the ÖBB Group and may occur in the following forms:

- interest payment risk (increased interest expense due to the market development)
- present value risk (change in value of the portfolio)

Risks arising from changes in market interest rates may affect the financial result of the ÖBB Group due to the structure of its Statement of Financial Position. Fluctuations in market interest rates that exceed a certain level agreed with the Group companies therefore need to be limited (e.g. by using derivative financial instruments), in order to minimize their effect on earnings performance.

The conclusion of appropriate derivative financial instruments to manage interest risks (interest swaps) is based on portfolio analyses and recommendations by ÖBB-Holding AG and the related decisions of the subsidiaries.

ÖBB Group is exposed to interest rate risks mainly in the Eurozone. In order to implement the risk strategy as effectively as possible, it uses interest rate derivatives contracts taking the present debt structure into account.

Financial instruments (current and non-current)	Fixed interest financial instruments in EUR million	Variable interest financial instruments in EUR million
Dec 31, 2016		
Financial assets	459.9	0.0
Trade receivables	0.9	0.0
Other receivables and assets	0.6	0.0
Cash and cash equivalents	54.7	77.8
Total	516.1	77.8
Financial liabilities	21,812.5	446.1
Total	21,812.5	446.1

Financial instruments (current and non-current)	Fixed interest financial instruments in EUR million	Variable interest financial instruments in EUR million
Dec 31, 2015		
Financial assets	675.2	55.5
Trade receivables	2.4	0.0
Other receivables and assets	1.8	0.0
Cash and cash equivalents	204.1	59.9
Total	883.5	115.4
Financial liabilities	21,248.2	493.5
Total	21,249.2	493.5

The hedged items were classified as financial instruments at fixed or variable interest, taking the concluded derivatives into account.

Sensitivity analysis for interest rate risk

IFRS 7 requires a sensitivity analysis for market risks, showing how profit or loss and equity would be affected by hypothetical changes in market interest rates. The effects in each period are determined by applying the hypothetical changes in the risk variables to the portfolio of financial instruments at the reporting date. For the purpose of the sensitivity analysis, the portfolio at the reporting date is assumed to be representative for the entire year.

Fluctuations in the market interest rates levied on original fixed interest financial instruments only affect profit or loss if measured at fair value. Accordingly, fixed interest financial instruments measured at amortized cost are not exposed to any interest rate risks.

In the case of fair value hedges designated to hedge interest rate changes, the change in the fair value of the hedged item and the hedging instrument resulting from changes in interest rates in the same period are offset in the Income Statement. Consequently, these financial instruments are also not exposed to interest rate risk.

Market interest rate fluctuations of financial instruments designated as cash flow hedges against interest-related cash flow fluctuations affect the cash flow hedge reserve in equity and are therefore considered in equity-related sensitivity calculations.

Market interest rate fluctuations of original variable interest financial instruments for which interest payments are not hedged against interest rate risks with cash flow hedges are included in the calculation of profit-related sensitivities.

Market interest rate fluctuations of derivative financial instruments not designated as hedging instruments in accordance with IAS 39 affect the other financial expenses or income (changes of the fair value of the financial assets) and are therefore included in profit-related sensitivity calculations.

Sensitivity analysis interest rate risk as of Dec 31, 2016	Effect in income statement		Effect in shareholders' equity	
	in EUR million	in EUR million	in EUR million	in EUR million
	+ 100 base points	- 100 base points	+ 100 base points	- 100 base points
Assets				
Financial assets	0.0	0.0	-0.3	0.3
Cash and cash equivalents	1.2	-0.1	0.1	-0.1
Liabilities				
Financial liabilities	-3.4	3.4	38.6	-40.0
Consolidated effect 2016	-2.2	3.3	38.4	-39.8

Sensitivity analysis interest rate risk as of Dec 31, 2015	Effect in income statement		Effect in shareholders' equity	
	in EUR million	in EUR million	in EUR million	in EUR million
	+ 100 base points	- 100 base points	+ 100 base points	- 100 base points
Assets				
Financial assets	0.6	-0.6	0.0	0.0
Cash and cash equivalents	1.2	-1.2	0.0	0.0
Liabilities				
Financial liabilities	-4.9	4.9	46.6	-50.3
Consolidated effect 2015	-3.1	3.1	46.6	-50.3

29.1.b. Foreign exchange rate risk

ÖBB Group is exposed to exchange rate risks resulting primarily from original financial liabilities denominated in foreign currencies. Most of these risks are hedged. As of the reporting date, ÖBB Group was not exposed to any material risks relating to foreign currency liabilities. Cross currency swaps are used to convert financial liabilities in foreign currencies to EUR. Accordingly, changes in exchange rates do not materially affect the result. Residual currency risks mainly relate to financial liabilities in euros of the Hungarian companies, which prepare their financial statements in Hungarian forints.

All cash flows (lease payments and returns on assets) relating to cross-border leases are settled with matching maturities in US dollars. Notwithstanding default on the investments, therefore, the Group is not exposed to any currency risk in connection with these transactions.

Foreign currencies are hedged as follows:

Currency-sensitive financial instruments 2016	USD in mil.
Trade receivables	10.0
Other financial assets	401.0
Trade payables	-8.0
Other financial liabilities	-406.0
Net exchange rate risk	-3.0

	USD in mil.	CHF in mil.
Currency-sensitive financial instruments 2015		
Trade receivables	10.0	0.0
Other financial assets	632.0	35.0
Trade payables	-7.0	0.0
Other financial liabilities	-629.0	0.0
	6.0	35.0
less forward foreign exchange contracts/currency swaps	3.0	0.0
Net exchange rate risk	9.0	35.0

Sensitivity analysis for exchange rate risk

In financial year 2015, one derivative existed which completely hedged against the exchange risk of the hedged item (basis swaps), but for which hedge accounting was not applied.

If the EUR had gained (lost) 10% against the USD, the result in the two reporting years would have been EUR 1.0 million higher or lower. If the EUR had gained (lost) 10% against the CHF, the result as of December 31, 2015 would have been EUR 3.5 million higher (EUR 3.5 million lower).

29.1.c. Credit risk

Counterparty credit risk describes the potential loss from failure by finance partners to honor their financial commitments (mainly money market transactions, investments, funds, positive present value swap transactions). ÖBB-Holding AG checks adherence to the credit risk limits, which are specified individually for each financial partner, on a daily basis. ÖBB Group conducts business only with financial partners with a defined rating and objective risk classification by the capital market.

ÖBB Group manages credit risk by calculating and setting limits based primarily on the assessment of financial partners' credit default swap statistics. This ensures the Group's ability to respond rapidly to any changes in the capital markets' risk assessment of the financial partner. The applicable limits and their utilization are monitored daily in order to ensure timely, risk-focused response to market disruptions.

Apart from the original transactions with finance partners, counterparty risk also exists in connection with cross-border leases. For cross border leasing transactions, security deposits, payment undertaking agreements, and swaps were concluded with financial partners for lease payments during the term and the acquisition cost at the end of the term. See Note 30.3 for more information on cross-border leases.

The financial assets of ÖBB Group mainly comprise cash in banks, trade receivables, and receivables from finance leases and securities. These items represent the maximum loss exposure of ÖBB Group with respect to its financial assets. In extreme circumstance, this credit risk therefore constitutes the equivalent of all assets less property, plant and equipment, intangible assets, investments in associated companies, inventories, and other receivables that do not constitute financial instruments.

The credit risk comprises the following:

	Gross exposure (carrying amount plus impairments) in EUR million	less collateral (FV) in EUR million	Net exposure in EUR million
Credit risk from financial instruments			
Total exposure 2016			
Financial assets	563.6	0.0	563.6
Trade receivables	579.1	-12.0	567.1
Other receivables and assets	49.6	-0.8	48.8
Cash and cash equivalents	151.0	0.0	151.0
Risk current and non-current assets	1,343.3	-12.8	1,330.5
<i>thereof neither past due nor impaired</i>			1,250.7
<i>thereof not past due because renegotiated or impaired</i>			35.1
<i>thereof past due</i>			44.7
Contingent liabilities from lease transactions	237.7	0.0	237.7
Other guarantees	28.0	0.0	28.0
Credit risk from issued guarantees	265.7	0.0	265.7
Total credit risk as of Dec 31, 2016	1,609.0	-12.8	1,596.2
Total exposure 2015			
Financial assets	752.9	0.0	752.9
Trade receivables	526.9	-3.0	523.9
Other receivables and assets	61.6	-2.7	58.9
Cash and cash equivalents	274.6	0.0	274.6
Risk current and non-current assets	1,616.0	-5.7	1,610.3
<i>thereof neither past due nor impaired</i>			1,394.8
<i>thereof not past due because renegotiated or impaired</i>			168.1
<i>thereof past due</i>			47.4
Contingent liabilities from lease transactions	396.0	0.0	396.0
Other guarantees	10.2	0.0	10.2
Credit risk from issued guarantees	406.2	0.0	406.2
Total credit risk as of Dec 31, 2015	2,022.2	-5.7	2,016.5

With respect to maturities, see Note 20.

29.1.d. Liquidity risk

The primary goal of ÖBB Group in financial terms is to secure the necessary cash flow flexibility for all ÖBB Group business operations. For ÖBB Group, liquidity risk also means any restrictions in terms of volume or conditions on the Group's ability to borrow or raise capital (e.g. if downgraded by a ratings agency or in-house by a bank) that might hinder the implementation of Group strategy or limit financial scope.

The task thus consists of analyzing the liquidity risk and consistently securing liquidity (mainly by liquidity planning, agreement of sufficient credit lines, and sufficient diversification of creditors).

The following tables show the contractually agreed (undiscounted) interest and redemption payments on original and derivative financial liabilities. Actually expected maturities do not deviate from the contractually agreed maturities.

	Cash flows 2017			Cash flows 2018-21		Cash flows 2022 et seq.	
	Carrying amount Dec 31, 2016 in EUR million	Interest*) 2017 in EUR million	Redemption*) 2017 in EUR million	Interest 2018-2021 in EUR million	Redemption 2018-2021 in EUR million	Interest 2022 et seq. in EUR million	Redemption 2022 et seq. in EUR million
Original financial liabilities							
Bonds	14,291.9	489.0	431.0	1,712.5	3,887.7	1,981.0	9,973.2
Liabilities to banks	4,523.7	118.6	314.7	445.7	602.3	940.5	3,606.7
Finance leasing, sub-lease and CBL liabilities	464.3	20.6	124.9	60.3	173.2	51.8	166.2
Other financial liabilities	3,519.0	50.5	1,118.3	131.9	1,339.9	22.3	828.3
Trade payables	925.6	0.0	899.6	0.0	26.0	0.0	0.0
Other liabilities	70.0	0.0	68.5	0.0	1.5	0.0	0.0

*) Other financial liabilities from deferred interest payments for bonds and liabilities to banks. The actual interest payments from these accrued liabilities in 2017 are shown in the row "Bonds" and "Liabilities to banks" and not in other financial liabilities.

	Cash flows 2017			Cash flows 2018-21		Cash flows 2022 et seq.	
	Carrying amount Dec 31, 2016 in EUR million	Interest 2017 in EUR million	Redemption 2017 in EUR million	Interest 2018-2021 in EUR million	Redemption 2018-2021 in EUR million	Interest 2022 et seq. in EUR million	Redemption 2022 et seq. in EUR million
Derivative financial receivables							
Other derivatives not designated as hedges	13.7	0.0	58.9	0.0	26.5	0.0	0.0
Interest rate derivatives with cashflow hedges	0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Power derivatives with cashflow hedges	2.2	0.0	12.4	0.0	9.9	0.0	0.0
<i>Cash paid</i>		<i>0.0</i>	<i>12.4</i>	<i>0.0</i>	<i>9.9</i>	<i>0.0</i>	<i>0.0</i>
Derivate financial liabilities							
Interest rate derivatives not designated as hedges	3.4	0.3	0.0	1.3	0.0	0.3	0.0
Interest rate derivatives designated as hedges	130.1	27.6	0.0	81.8	0.0	45.2	0.0
Power derivatives - Cash flow hedges	0.1	0.0	3.2	0.0	0.0	0.0	0.0
Other derivatives not designated as hedges	13.4	0.0	36.8	0.0	9.1	0.0	4.1
Financial guarantees							
Guarantees from cross-border leasing	237.7	11.3	175.9	16.3	14.0	8.9	47.8
Other contingent liabilities	28.0	0.0	8.8	0.0	9.8	0.0	9.4

	Cash flows 2016			Cash flows 2017-20		Cash flows 2021 et seq.	
	Carrying amount Dec 31, 2015 in EUR million	Interest*) 2016 in EUR million	Redemption*) 2016 in EUR million	Interest 2017-2020 in EUR million	Redemption 2017-2020 in EUR million	Interest 2021 et seq. in EUR million	Redemption 2021 et seq. in EUR million
Original financial liabilities							
Bonds	15,312.8	528.7	1,371.0	1,795.6	3,271.0	2,163.0	10,670.8
Liabilities to banks	3,961.4	115.2	254.5	436.6	689.0	910.6	3,017.9
Finance leasing, sub-lease and CBL liabilities	638.1	25.8	43.3	105.6	321.1	65.0	273.7
Other financial liabilities	2,228.2	43.1	141.2	148.7	869.6	36.2	978.7
Trade payables	843.9	0.0	830.3	0.0	13.6	0.0	0.0
Other liabilities	54.2	0.0	51.8	0.0	2.4	0.0	0.0

*) Other financial liabilities from deferred interest payments for bonds and liabilities to banks. The actual interest payments from these accrued liabilities in 2016 are shown in the row "Bonds" and "Liabilities to banks" and not in other financial liabilities.

		Cash flows 2016		Cash flows 2017-20		Cash flows 2021 et seq.	
	Carrying amount Dec 31, 2015 in EUR million	Interest 2016 in EUR million	Redemption 2016 in EUR million	Interest 2017-2020 in EUR million	Redemption 2017-2020 in EUR million	Interest 2021 et seq. in EUR million	Redemption 2021 et seq. in EUR million
Derivative financial receivables							
Other derivatives not designated as hedges	5.6	0.0	57.1	0.0	0.8	0.0	0.0
Cross currency swaps not designated as cash flow hedges	0.3	0.0	0.3	0.0	0.0	0.0	0.0
Other derivatives designated as hedges	0.2	0.0	0.2	0.0	0.0	0.0	0.0
Cash paid		0.0	0.2	0.0	0.0	0.0	0.0
Derivate financial liabilities							
Interest rate derivatives not designated as hedges	6.8	3.4	0.0	3.3	0.0	1.6	0.0
Interest derivate designated as hedges	137.9	31.6	0.0	88.4	0.0	59.5	0.0
Power derivatives - Cash flow hedges	9.5	0.0	21.9	0.0	25.0	0.0	0.0
Other derivatives not designated as hedges	22.3	0.0	99.2	0.0	54.2	0.0	4.1
Financial guarantees							
Guarantees from cross-border leasing	396.0	12.1	43.4	49.2	168.4	72.4	184.2
Other contingent liabilities	10.2	0.0	7.4	0.0	1.0	0.0	1.8

The table includes all financial instruments held in the portfolio as of the reporting date for which payments have already been contractually agreed. Estimated payments for future new liabilities were not taken into account in future cash flows. Amounts in foreign currencies were translated at the rate applicable on the reporting date. Variable interest payments from financial instruments were determined based on the interest rates applicable on the reporting date.

Guarantees of the federal government

As explained in Note 25, bonds, certain liabilities to banks and liabilities to EUROFIMA are guaranteed by the federal government.

29.2. Hedging transactions

Hedge Accounting

ÖBB Group applies the hedge accounting regulations of IAS 39 relating to hedges of assets and liabilities and future cash flows. This reduces volatilities in the Consolidated Income Statement. A distinction is made between fair value hedges and cash flow hedges, depending on the hedged item. The ÖBB Group only uses cash flow hedges.

A cash flow hedge mitigates the exposure to fluctuation of future anticipated cash flows from the financial assets and liabilities recognized in the Statement of Financial Position, and from planned transactions. For cash flow hedges, the effective portion of the change in the fair value of the hedging instrument is recognized under other comprehensive income in equity (cash flow hedge reserve) until the cash flow resulting from the hedged item affects profit or loss; the ineffective portion of the change in the fair value of the hedging instrument is recognized in the Consolidated Income Statement.

For cross currency swaps designated as cash flow hedges, the hedged risk comprises only the exchange rate risk, that is, the risk of a change in the fair value of the hedged item due to changes in the spot rate. In accordance with IAS 39.100, the corresponding amount is transferred from the cash flow hedge reserve to the Consolidated Income Statement.

When hedging currency risks of floating interest assets and liabilities, ÖBB Group does not apply hedge accounting in accordance with IAS 39 for basis swaps because –according to IAS 21 – the currency translation gains and losses from the underlyings must be recognized in profit or loss in the Consolidated Income Statement in the same period as the gains and losses resulting from the derivatives used as hedging instruments. However, when fixed-interest underlyings denominated in a foreign currency are hedged, the option to designate this as a cash flow hedge is used.

The ÖBB Group meets the requirements of IAS 39 for hedge accounting as follows:

At the inception of the hedge, the relationship between hedging instrument and hedged item, and the reason for the hedge are documented. The documentation includes allocation of the hedging instruments to the respective hedged

assets and liabilities, and an assessment of the effectiveness of the hedging instruments. The effectiveness of current hedges is monitored on an ongoing basis; if a hedge becomes ineffective, the hedging relationship is discontinued.

The ÖBB Group also enters into hedges which do not comply with the formal requirements of IAS 39 but which contribute to economically effective hedging of financial risks in accordance with the principles of the risk management.

Cash flow hedges

Interest rate and currency risks

ÖBB Group has entered into payer interest swaps (receive variable – pay fixed) to hedge interest payment risks. The changes in cash flows of the hedged item resulting from changes in the EURIBOR rate are offset by the changes in cash flows of the interest rate swaps. The objective of these hedges is to transform the variable interest rate bonds into fixed interest rate debts, thus hedging the cash flow from the financial liabilities.

The following table shows the range of maturities of the cash flow hedges:

Dec 31, 2016		Nominal volume in
Maturity	Number of swaps	EUR million
Portfolio	34	867.3
<i>thereof maturing 2017</i>	7	146.5
<i>thereof maturing 2018</i>	4	77.0
<i>thereof maturing 2019</i>	1	100.0
<i>thereof maturing 2020</i>	6	93.9
<i>thereof maturing 2021 et seqq.</i>	16	449.9

Dec 31, 2015		Nominal volume in
Maturity	Number of swaps	EUR million
Portfolio	43	999.3
<i>thereof maturing 2016</i>	9	128.2
<i>thereof maturing 2017</i>	7	150.3
<i>thereof maturing 2018</i>	4	77.0
<i>thereof maturing 2019</i>	1	100.0
<i>thereof maturing 2020 et seqq.</i>	22	543.8

The effectiveness of the hedging relationship is assessed on a prospective basis using the Critical Terms Match method. Effectiveness is tested retrospectively at each reporting date using the dollar offset method. A hypothetical financial derivative serves as the hedged item. All hedging relationships of this type were effective as of the reporting date. As a result of changes in the fair value of the hedging transactions recognized in other comprehensive income, an amount of EUR 13.0 million (prior year: EUR 18.7 million) was recognized in the cash flow hedge reserve in the financial year. See Note 24 for further information.

Changes in the fair value of interest rate swaps designated as hedging instruments with respect to future interest payments for variable interest liabilities are recognized in equity through other comprehensive income (see Consolidated Statement of Changes in Shareholders' Equity). These amounts are recognized as finance costs in the period in which the corresponding interest payments from the hedged item affect profit or loss (EUR 30.2 million [prior year: EUR 31.3 million]). Further, ineffective portions of hedge accounting relationships amounting to EUR 0.2 million (prior year: EUR 0.4 million expense) were recognized through profit or loss. As of the reporting date, EUR 1.4 million (prior year: EUR 1.8 million from the expiry of cash flow hedges) is recognized in equity through other comprehensive income, which will materialize as follows: 2017: EUR 0.1 million, 2018-2021: EUR 0.6 million, 2022 and after: EUR 0.7 million.

Power forwards

a) Cash flow hedges

ÖBB-Infrastruktur Group has entered into power derivative contracts (long-term procurement agreements, power purchase and sale forwards) aimed primarily at hedging the power purchase price and managing the portfolio of power suppliers and long-term purchase and sales agreements. The forward contracts are concluded on the OTC market. Changes in the cash flows for the planned power purchases due to changes in the power price are compensated by the changes in the cash flows of the forwards, which are classified as derivatives in compliance with IAS 39. The purpose of the hedging transactions is to fix the variable prices of planned power purchases. Where purchase and sales contracts are offset by matching counter-transactions, both transactions are recognized at fair value through profit or loss.

Power derivatives designated as hedges	Dec 31, 2016			Dec 31, 2015	
	Number of swaps	Nominal volume in EUR million		Number of swaps	Nominal volume in EUR million
Portfolio	21	23.8	Portfolio	40	46.9
<i>thereof maturing 2017</i>	<i>11</i>	<i>14.4</i>	<i>thereof maturing 2016</i>	<i>23</i>	<i>21.9</i>
<i>thereof maturing 2018</i>	<i>4</i>	<i>4.0</i>	<i>thereof maturing 2017</i>	<i>12</i>	<i>18.8</i>
<i>thereof maturing 2019</i>	<i>5</i>	<i>4.1</i>	<i>thereof maturing 2018</i>	<i>5</i>	<i>6.2</i>
<i>thereof maturing 2020</i>	<i>1</i>	<i>1.3</i>			

In general, the effectiveness of every derivative designated as a hedging instrument is tested prospectively within the framework of its designation and retrospectively at each reporting date. In the course of this effectiveness test, proof must be provided that the change in the fair value of the derivative is between 80% and 125% of the change in the fair value of the designated hedged item resulting from the hedged risk. The hedging relations established are micro-hedges for which all parameters of the hedged item and the hedging transaction that determine the scope of the hedged change in the value are identical but opposed. This indicates an entirely efficient hedging relation, both from a prospective and from a retrospective point of view. The effectiveness was determined retrospectively using the Change in Fair Value method, thus the change in the fair value of the hedging instrument was compared to the change in the value of the hedged item.

The fair value of the power purchase and power sales forwards as of the reporting date is determined based on the EEX (European Energy Exchange) futures rates discounted on the basis of current yield curves. In the financial year 2016, the recognition of power purchase and power sale forwards as hedging transactions resulted in an amount of EUR 10.1 million (prior year: EUR 1.1 million) less income taxes in the amount of EUR 2.6 million (prior year: EUR 0.3 million) being recognized in the cash flow hedge reserve through other comprehensive income.

b) Other derivatives

The following table shows the range of maturities of those forwards that were concluded for hedging purposes but do not fulfill the formal requirements for cash flow hedge accounting according to IAS 39 due to the fluctuations of the quantity actually consumed, among other reasons.

Dec 31, 2016				
Power derivatives not designated as hedges	Number of swaps	Nominal volume	Number of swaps	Nominal volume
Maturity	Purchases	in EUR million	Sale	in EUR million
Portfolio	70	83.0	59	48.1
<i>thereof maturing 2017</i>	<i>44</i>	<i>57.2</i>	<i>48</i>	<i>38.4</i>
<i>thereof maturing 2018</i>	<i>24</i>	<i>25.2</i>	<i>11</i>	<i>9.7</i>
<i>thereof maturing 2019</i>	<i>2</i>	<i>0.7</i>	<i>0</i>	<i>0.0</i>

Dec 31, 2015				
Power derivatives not designated as hedges	Number of swaps	Nominal volume	Number of swaps	Nominal volume
Maturity	Purchases	in EUR million	Sale	in EUR million
Portfolio	64	102.1	49	57.2
<i>thereof maturing 2016</i>	<i>41</i>	<i>72.9</i>	<i>40</i>	<i>47.9</i>
<i>thereof maturing 2017</i>	<i>13</i>	<i>15.9</i>	<i>5</i>	<i>3.8</i>
<i>thereof maturing 2018</i>	<i>10</i>	<i>13.2</i>	<i>4</i>	<i>5.5</i>

In addition, diesel hedges were concluded at a small amount.

29.3. Additional disclosures according to IFRS 7

Financial assets and liabilities held for trading (FAHfT) are measured at fair value. This category consists of derivative financial instruments that are not designated as hedges in accordance with IAS 39 and are therefore required to be classified as held for trading. Gains or losses from the subsequent measurement are recognized in the Consolidated Income Statement.

Loans and Receivables (LaR) comprise financial assets with fixed or determinable payments which are not traded in an active market and are not held for sale.

Available-for-sale financial assets (AFS) are financial assets which are not allocated to any other category. Equity instruments, if not carried at fair value through profit and loss, are required to be classified to this category. Investments are allocated to this category as well.

Financial liabilities (FLAC) are initially measured at their fair value and subsequently at amortized cost.

Derivative financial instruments are used by The ÖBB Group for the purpose of hedging its exposure to interest rate and exchange rate risks resulting from financial transactions. All derivative financial instruments are recognized either as assets or liabilities in the Statement of Financial Position and measured at their fair value in accordance with IAS 39. Changes in the fair value of derivative financial instruments designated as hedging instruments in accordance with IAS 39 are recognized through profit or loss in the Consolidated Income Statement or in other comprehensive income (cash flow hedge reserve), depending on whether the derivative financial instrument is hedging the fair value of an item recognized in the Statement of Financial Position (fair value hedge) or cash flows (cash flow hedge).

Additional disclosures regarding the financial instruments

Cash and cash equivalents, trade receivables and other receivables, as far as they are financial instruments, mainly have a short residual term. Therefore, their carrying amounts as of the reporting date approximate their fair value. The fair values of other non-current receivables correspond to the present values of the payments associated with these assets discounted at the respective interest rates.

Trade payables and other liabilities, as well as other financial liabilities, are mainly short-term; the amounts reported approximate the fair values. The fair values of bank loans and other financial liabilities to banks are determined as the present values of future interest payments and principal redemption based on the applicable yield curve. The following reconciliation shows non-financial instruments and financial instruments from hedge accounting in a separate column in order to enable reconciliation to the carrying amount of the items reported in the Statement of Financial Position.

The fair values in the following tables indicated for each balance sheet item only refer to the financial instruments and also include the carrying amounts of the instruments in the available-for-sale (at cost) category. All financial assets and liabilities, except the available-for-sale assets shown under 29.5 and cash and cash equivalents as well as bonds with an ISIN number, which are reported in the financial liabilities, are measured at fair value pursuant to level 2. Level-2 measurements are based on input parameters – other than the quoted prices included at level 1 – that are either directly or indirectly observable on the market for the asset or liability. The fair value of long-term financial instruments is based on discounted cash flows.

Market prices are used for the indicated fair values of bonds issued with an ISIN in the amount of EUR 17,384.0 million (prior year: EUR 18,116.6 million), for which a level-1 measurement exists. Level-1 measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The sources of the quotations are Bloomberg and Reuters. The bonds were issued on the exchanges in Luxembourg and Vienna. The fair value of bonds with CUSIP numbers that were issued for the first time in 2015 is EUR 84.4 million (prior year: EUR 103.2 million). These were valued based on input parameters in accordance with level 2.

Financial assets Dec 31, 2016 in EUR million	Carrying amounts as of Dec 31, 2016	Less non- financial instru- ments	Financial instruments	Available for Sale (at Fair Value)	Available for Sale (at Cost)	At Fair Value through Profit and Loss (Held for Trading)	Loans and Receiv- ables	Cash	Hedge Account- ing	Fair value as of Dec 31, 2016
Non-current assets										
Financial assets	312.5	0.0	312.5	68.8	13.8	0.0	228.3	0.0	1.3	339.5
Other receivables and assets	149.7	146.5	3.2	0.0	0.0	0.0	3.2	0.0	0.0	3.2
Current assets										
Financial assets	241.3	0.0	241.3	104.8	0.0	13.7	121.8	0.0	1.0	241.3
Trade receivables	555.0	10.8	544.2	0.0	0.0	0.0	544.2	0.0	0.0	544.2
Other receivables and assets	290.9	245.3	45.6	0.0	0.0	0.0	45.6	0.0	0.0	45.6
Cash and cash equivalents	151.0	0.0	151.0	0.0	0.0	0.0	0.0	151.0	0.0	151.0
Total carrying amount per category				173.6	13.8	13.7	943.1	151.0	2.3	

Financial liabilities as of Dec 31, 2016 in EUR million	Carrying amounts as of Dec 31, 2016	Less non- financial instruments	Financial instruments	At Amortized Cost	At Fair Value through Profit and Loss (Held for Trading)	Hedge Accounting	Finance Lease	Fair value as of Dec 31, 2016
Non-current liabilities								
Financial liabilities	20,550.6	0.0	20,550.6	20,331.4	6.8	103.3	109.1	24,597.2
Other liabilities	62.6	61.1	1.5	1.5	0.0	0.0	0.0	1.5
Current liabilities								
Financial liabilities	2,248.3	0.0	2,248.3	2,202.3	10.0	26.9	9.1	2,323.5
Trade payables	937.2	11.6	925.6	925.6	0.0	0.0	0.0	925.6
Other liabilities	755.6	687.1	68.5	68.5	0.0	0.0	0.0	68.5
Total carrying amount per category				23,529.3	16.8	130.2	118.2	

Financial assets Dec 31, 2015 in EUR million	Carrying amounts as of Dec 31, 2015	Less non- financial instru- ments	Financial instruments	Available for Sale (at Fair Value)	Available for Sale (at Cost)	At Fair Value through Profit and Loss (Held for Trading)	Loans and Receiv- ables	Cash	Hedge Account- ing	Fair value as of Dec 31, 2015
Non-current assets										
Financial assets	655.8	0.0	655.8	178.8	15.1	0.0	461.9	0.0	0.0	712.6
Other receivables and assets	158.6	154.2	4.4	0.0	0.0	0.0	4.4	0.0	0.0	4.4
Current assets										
Financial assets	95.6	0.0	95.6	39.1	0.0	5.9	50.4	0.0	0.2	96.4
Trade receivables	491.4	4.8	486.6	0.0	0.0	0.0	486.6	0.0	0.0	486.6
Other receivables and assets	269.4	213.2	56.2	0.0	0.0	0.0	56.2	0.0	0.0	56.2
Cash and cash equivalents	274.6	0.0	274.6	0.0	0.0	0.0	0.0	274.6	0.0	274.6
Total carrying amount per category				217.9	15.1	5.9	1,059.5	274.6	0.2	

Financial liabilities as of Dec 31, 2015 in EUR million	Carrying amounts as of Dec 31, 2015	Less non- financial instruments	Financial instruments	At Amortized Cost	At Fair Value through Profit and Loss (Held for Trading)	Hedge Account- ing	Finance Lease	Fair value as of Dec 31, 2015
Non-current liabilities								
Financial liabilities	20,222.0	0.0	20,222.0	19,986.5	12.8	112.0	110.7	23,844.0
Other liabilities	77.7	75.3	2.4	2.4	0.0	0.0	0.0	2.4
Current liabilities								
Financial liabilities	2,095.0	0.0	2,095.0	2,035.6	16.3	35.4	7.7	2,502.7
Trade payables	857.5	13.6	843.9	843.9	0.0	0.0	0.0	843.9
Other liabilities	584.0	532.2	51.8	51.8	0.0	0.0	0.0	51.8
Total carrying amount per category				22,920.2	29.1	147.4	118.4	

Offsetting of financial instruments

In accordance with the regulations set forth in IFRS 7.13C, balancing and potential offsetting that is actually performed in the Statement of Financial Position must be presented. Because there are no agreements regarding actual balancing, the following tables only present the potential offset amounts from power derivatives due to netting agreements and other agreements with contractual partners.

	Gross carrying amount reported in EUR million	Potential offset amount not reported in the financial statement in EUR million	Net amount after potential offsetting in EUR million
as of Dec 31, 2016			
Power derivative assets	13.7	-6.8	6.9
Power derivative liabilities	-9.1	0.0 *)	-9.1
as of Dec 31, 2015			
Power derivative assets	5.6	-0.4	5.2
Power derivative liabilities	-13.2	5.2	-8.0

Net financial results by category

The net financial result by category is presented below:

Result of subsequent measurement Dec 31, 2016	Interest income/expenses in EUR million	At fair value in EUR million	Foreign currency translation in EUR million	Result from disposal in EUR million	Result from investments in EUR million
Loans and Receivables (LaR)	30.2	-0.1	9.4	-1.6	0.0
Available for Sale Financial Assets (AfS)	5.7	0.2	3.6	0.0	0.9
Financial Instruments Held for Trading (FAHfT, FLHfT)	0.0	12.6	0.2	0.0	0.0
Financial Liabilities Measured at Amortized Cost (FLAC)	-662.4	0.0	-12.5	0.0	0.0
Hedge Accounting	-31.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	0.2	0.0	0.0	0.0	0.0

Result of subsequent measurement Dec 31, 2015	Interest income/expenses in EUR million	At fair value in EUR million	Foreign currency translation in EUR million	Result from disposal in EUR million	Result from investments in EUR million
Loans and Receivables (LaR)	29.8	0.0	42.0	0.1	0.1
Available for Sale Financial Assets (AfS)	4.7	0.0	0.0	-0.6	1.1
Financial Instruments Held for Trading (FAHfT, FLHfT)	0.0	5.8	1.0	0.0	0.0
Financial Liabilities Measured at Amortized Cost (FLAC)	-685.3	0.0	-41.0	0.0	0.0
Hedge Accounting	-31.7	0.0	-0.1	0.0	0.0
Cash and cash equivalents	0.2	0.0	0.0	0.0	0.0

The interest result from financial liabilities classified as “Financial liabilities measured at amortized cost” (expenses in the net amount of EUR 662.4 million [prior year: EUR 685.3 million]) mainly comprises interest expenses from bonds and loans. Furthermore, interest income from the compounding and discounting of trade payables is subsumed under this classification. The net financial results do not include any expenses arising from allowances on receivables.

Valuation losses are recognized in equity at the end of the financial year as part of the determination of changes in the value of financial assets classified as available for sale through other comprehensive income. From the amounts recognized in equity, there were no transfers to the Income Statement in financial years. For information regarding these financial instruments see Note 24.

29.4. Derivative financial instruments

The following table shows the reported fair values of all derivative financial instruments. They are divided into those that are part of an effective hedging relationship in accordance with IAS 39 (fair value hedge, cash flow hedge) and those that are not.

	Assets		Shareholders' equity and liabilities	
	Carrying amounts Dec 31, 2016 in EUR million	Carrying amounts Dec 31, 2015 in EUR million	Carrying amounts Dec 31, 2016 in EUR million	Carrying amounts Dec 31, 2015 in EUR million
Interest rate swaps				
without hedge relation	0.0	0.0	3.4	6.8
with cash flow hedges	0.1	0.0	130.1	137.9
Cross currency swaps				
without hedge relation	0.0	0.3	0.0	0.0
Power forwards				
without hedge relation	13.7	5.6	9.1	13.2
with cash flow hedges	2.2	0.2	0.1	9.5
Other derivatives				
Derivatives without a hedging relationship	0.0	0.0	4.3	9.1
Total	16.0	6.1	147.0	176.5

Fair value hierarchy

The following table shows how the fair values of the assets and liabilities recognized at fair value were determined, with categorization into a three-level hierarchy reflecting the proximity to the market of the data included in the determination.

Dec 31, 2016	Level 1	Level 2	Total
Derivatives designated as hedge instrument	0.0	2.3	2.3
Derivatives held for trading	0.0	13.7	13.7
Available for sale	119.8	53.8	173.6
Financial assets	119.8	69.8	189.6
Derivatives held for trading	0.0	16.8	16.8
Derivatives designated as hedge instrument	0.0	130.2	130.2
Financial liabilities	0.0	147.0	147.0

Dec 31, 2015	Level 1	Level 2	Total
Derivatives designated as hedge instrument	0.0	0.2	0.2
Derivatives held for trading	0.0	5.9	5.9
Available for sale	166.4	51.5	217.9
Financial assets	166.4	57.6	224.0
Derivatives held for trading	0.0	29.1	29.1
Derivatives designated as hedge instrument	0.0	147.4	147.4
Financial liabilities	0.0	176.5	176.5

The levels were determined as follows:

Level 1: Quoted prices (unadjusted) are available from an active market for identical financial instruments.

Level 2: Other parameters than those stated for level 1 were used which are observable for the financial instrument (either directly, i.e. as price, or indirectly, i.e. derived from prices).

Level 3: Parameters were used which are not exclusively based on observable market data.

Transfers between the individual levels did not occur.

For further details on these financial instruments see Note 29.3.

30. Leasing transactions

30.1. Lessor

The assets leased to third parties are investment properties (IAS 40) and buildings that are partially leased out; however, the share of the latter is not predominant, which means that it does not fall under the scope of IAS 40, and cannot be recognized separately. The vast majority of the leases can be terminated. The infrastructure provided for usage to other railway operators against payment of a usage fee (including compensation of the federal government) is charged based on a current price list (mileage or gross tons transported), and is therefore not classified as a lease but as services provided.

There are 26,000 (prior year: 26,700) lease agreements, predominantly with indefinite terms, which can be terminated with a notice period of six months maximum. These include 6,700 (prior year: 6,800) external lease agreements that will end between 2017 and 2059. The long-term agreements refer to building leases granted for property. Contingent lease payments relate exclusively to lease agreements.

As the leased assets, with the exception of investment property, constitute indivisible parts of buildings such as train stations, a disclosure of the carrying amounts is neither meaningful nor possible.

The minimum lease payments from the non-cancelable operating lease agreements as of December 31, 2016 amount to:

Dec 31, 2016	Total in EUR million	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million
Land and buildings	249.6	25.8	52.4	171.4
Other technical equipment and machinery	0.5	0.0	0.1	0.4
Other plant, furniture and fixtures	1.7	1.1	0.6	0.0
Automobiles and trucks	4.7	4.2	0.5	0.0

Dec 31, 2015	Total in EUR million	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million
Land and buildings	239.7	25.4	49.7	164.7
Other technical equipment and machinery	0.8	0.0	0.2	0.6
Other plant, furniture and fixtures	1.1	0.8	0.3	0.0
Automobiles and trucks	1.6	1.4	0.2	0.0

Contingent lease payments were recognized in the period under review as income from land and buildings at an amount of EUR 2.2 million (prior year: EUR 1.6 million) and from the automobiles and trucks at an amount of EUR 1.9 million. Details on the cross-border leasing agreements are provided in Note 30.3.

The ÖBB Group leases out equipment that is classified either as an operating lease or as a cross-border lease. The agreements have different contractual terms customary in the market, depending on the leased object.

30.2. Lessee

Finance leases

The ÖBB Group procured certain items of its property, plant and equipment by means of finance lease agreements. As of the reporting dates, the average effective interest rate was based on the six-month EURIBOR rate, including a contractually agreed premium. The interest rates are fixed upon conclusion of the contracts. The terms of all leases are stipulated in writing.

The net carrying amounts of the finance lease assets by asset category and their respective development are shown in the schedule of property, plant and equipment (Note 14). As of the reporting date, the ÖBB Group had contractually agreed the following minimum lease payments with lessors for the non-terminable finance leases:

Dec 31, 2016	Minimum lease payments in EUR million	Interest expense included in EUR million
2017	26.7	12.5
2018 - 2021	170.4	43.4
after 2021	182.8	32.0
Total of minimum lease payments	379.9	87.9
less interest	-87.9	
Present value of lease payments	292.0	

Dec 31, 2015	Minimum lease payments in EUR million	Interest expense included in EUR million
2016	24.8	12.7
2017 - 2020	104.9	47.7
after 2020	267.2	39.8
Total of minimum lease payments	396.9	100.2
less interest	-100.2	
Present value of lease payments	296.7	

Contingent lease payments were made in the amount of EUR 0.3 million (prior year: EUR 0.3 million).

Operating leases

Payments of minimum lease payments amounting to EUR 70.0 million (prior year: EUR 65.5 million) were recognized as expenses in the respective reporting periods.

Future minimum lease payments from non-cancelable operating lease agreements in each of the subsequent periods are as follows:

2016	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million
Land and buildings	23.2	76.6	185.6
Automobiles and trucks	28.9	49.1	0.0
Other technical equipment and machinery	0.0	0.1	0.0
Other plant, furniture and fixtures	0.0	0.1	0.0
Total	52.2	126.1	185.6

2015	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million
Land and buildings	17.9	64.7	187.8
Automobiles and trucks	14.7	38.2	2.9
Other technical equipment and machinery	4.8	19.4	0.0
Other plant, furniture and fixtures	0.1	0.2	0.0
Total	37.5	122.5	190.7

The operating lease agreements mainly refer to buildings, automobiles and trucks as well as furniture and fixtures. Contingent lease payments have not been agreed. The term of the lease agreements ends in 2040 (signaling and control center). In the reporting years 2016 and 2015, no significant future minimum lease payments from non-terminable sub-lease agreements were recognized.

Sale and leaseback transactions

A sale and leaseback transaction was completed for 150 freight cars in 2014. This resulted in a gain of EUR 1.3 million. Of this amount, EUR 1.2 million is deferred and amortized in profit or loss over the remaining term of the contract. EUR 0.2 million is released in the income statement annually. The contract ends in 2020.

In the fourth quarter of 2015, 1,066 container cars were sold for EUR 26.3 million and in the same period a leaseback contract for 800 cars was signed. This transaction gives rise to a sale-and-leaseback finance lease. The lease liability for 800 cars as of December 31, 2015, amounted to EUR 18.1 million. The sales income in the amount of EUR 19.8 million for the 800 cars is released over six years, distributed across the term of the lease.

30.3. Cross-border lease agreements

Between May 1995 and June 2006, Austrian Federal Railways (now ÖBB-Infrastruktur AG) entered into four (prior year: six) cross-border lease ("CBL") transactions, and ÖBB-Produktion Gesellschaft mbH and ÖBB-Personenverkehr AG each entered into one CBL transaction, both of which were still valid as of December 31, 2016.

Essentially two types of transactions were applied:

- Sale and leaseback:
In this transaction, the contractual partner is the buyer of the assets and leases them back to the respective companies of the ÖBB Group.
- Lease and leaseback:
The respective companies of The ÖBB Group lease assets under its legal ownership to the investor and simultaneously lease them back. Here, the contractual partner made upfront lease payments.

All leasing payment obligations, including the payments required when exercising the call option were hedged by entering into repayment vehicles with various banks and leasing institutions. In these payment undertaking agreements, the banks or leasing institutions agreed to make the contractual payments at the stipulated payment dates on behalf of ÖBB-Infrastruktur AG. In most CBL transactions, minimum ratings have been established for the banks and leasing institutions. If the minimum rating threshold is not met (rating trigger event), ÖBB-Infrastruktur must replace the liability, the relevant repayment vehicle, with U.S. treasury notes.

Assets subject to the CBL transactions (infrastructure assets and rolling stock) are maintained regularly in accordance with the provisions of the agreements and may, in principle, not be sold, leased, pledged as collateral, or decommissioned.

Premature termination of CBL transactions

In the reporting year 2016, one (prior year: one) CBL transaction was terminated prematurely, a second ended via purchase option. In the case of one tranche of a CBL transaction, a sub-tranche (trust) was also terminated prematurely. The second sub-tranche (trust) was ended by exercising the purchase option. In the case of two further sub-tranches (trusts) of this transaction, the exercise of the purchase option was contractually fixed. The trusts end with the date of purchase on January 3, 2017.

All CBL transactions affected by exercising the purchase option or premature termination have been or will be held by ÖBB-Infrastruktur AG and relate via sublease agreements to ÖBB-Personenverkehr AG, Rail Cargo Austria AG and ÖBB-Produktion GmbH.

In the case of the CBL transaction which is allocated directly to ÖBB-Infrastruktur AG, the purchase option was exercised and contractually fixed in December 2016. The transaction ended on January 15, 2017.

Remediation of the rating trigger for UniCredit Bank Austria

In June 2014, the rating of an equity repayment vehicle (Payment Undertaking Agreement, "PUA" for short, by the UniCredit Bank Austria with the city of Vienna acting as guarantor) was downgraded from AA- to BBB+, thereby causing the transaction to fall below the minimum creditworthiness specified in the contract. To remediate this rating trigger event, securities had to be provided to the investor in the form of a pledged deposit account with U.S. treasury notes amounting to USD 68.2 million as collateral for the period from October 2014 to December 2017. The deposit was financed by borrowing in the same currency. The existing PUA, which the investor no longer required as collateral after the establishment of the deposit account, is serving as a repayment instrument for the loan. This transaction relates in legal terms to ÖBB-Infrastruktur AG, but was recharged in its entirety internally to ÖBB-Personenverkehr AG due to an existing sub-leasing agreement. The transaction ended on January 3, 2017.

In April 2015, three further transactions were repaid as a result of the ratings downgrade in the 2014 financial year, for which appropriate provisions were formed. To remediate this rating trigger event, securities were provided in the form of six pledged deposit accounts with U.S. treasury notes in the CBL transactions, four of which still existed as of December 31, 2016. The purchase of the U.S. treasury notes was carried out via loans in the corresponding currencies (private placement). The existing PUAs, which ÖBB-Infrastruktur AG no longer required as collateral after the establishment of the deposit account, are serving to repay the private placements entered into for financing the purchase of the U.S. treasury notes. The securities swap legally relates in its entirety to ÖBB-Infrastruktur AG in its external relation. This also applies to the existing PUAs and the private placement. One (prior year: two) CBL transactions with two (prior year: four) securities accounts are recharged to ÖBB-Personenverkehr AG via the sublease agreements. One CBL transaction with two securities accounts affects ÖBB-Infrastruktur itself.

Accounting

General principles for all CBL transactions:

- **The ÖBB Group remains the beneficial owner of the assets:** Due to continuing beneficial ownership, property, plant and equipment sold and leased back is still recognized in the property, plant and equipment of the ÖBB Group.
- **Amortization of the net present value benefit:** The net present value benefit realized at the inception of the transaction is recognized in other liabilities and amortized pro rata temporis over the term of the contracts. As of December 31, 2016, the net present value benefit not yet amortized amounted to EUR 9.8 million (prior year: EUR 17.5 million). Income from the release of the tax benefit amounting in 2016 to EUR 7.7 million (prior year: EUR 9.4 million including EUR 9.3 million from the premature termination of a transaction) is recognized as interest income in the interest result.

Classification of lease transactions according to their substance

IAS 17 (Leases) provides detailed rules for the accounting of leases. The substance of the lease transaction is decisive for accounting.

The CBL transactions were classified in accordance with SIC 27 (Evaluating the Substance of Transactions in the Legal Form of a Lease). IAS 17 applies only when the substance of an agreement includes the conveyance of the right to use an asset for an agreed period. In consideration of the regulations of SIC 27, numerous financial assets in the legal ownership of the ÖBB Group (securities and bank deposits) and the corresponding lease liabilities do not meet the criteria of assets and liabilities ("linked transactions"), respectively, due to the lack of substance of the agreements, and are therefore not accounted for ("off balance"). Thus, for some transactions ("non-linked transactions") in the Consolidated Financial Statements, a (partial) accounting is required in the Statement of Financial Position ("on balance").

In respect of contractual parties with at least an AA+ rating or for whose compliance a subsidiary guarantor liability is assumed by the government, and whose investments are pledged in favor of the investor, the default risk is still regarded

as extremely low, so that no need for any change is seen at present and these transactions continue to be disclosed “off balance.” However, the creditworthiness (measured by the rating) of contractual partners rated as safe in the past has in some instances significantly deteriorated. For this case, the contractual provisions prescribe, among other requirements, that the affected deposits or payment undertaking agreements shall be replaced or hedged. In this context, the existing repayment vehicle was collateralized by the acquisition of U.S. treasury notes in a tranche for one transaction. This transaction relates to ÖBB-Infrastruktur AG in its external relation, and is recharged in its entirety to ÖBB-Personenverkehr AG. All items are presented in the Statement of Financial Position.

Accounting for assets and lease liabilities (non-linked transactions)

If recognition in the Statement of Financial Position is required, the securities were classified as available for sale (securities) or loans and receivables (deposits with banks and payment undertaking agreements) and measured at fair value or amortized cost. The U.S. treasury notes in 2014 and 2015 for the remediation of the rating trigger were classified as available for sale. Initially, the financial assets are matched with lease liabilities in the same amount, and the U.S. treasury notes are also matched with credit financing in the same amount. Amounts denominated in foreign currencies are translated at the exchange rate applicable at the reporting date. Any changes in the value of the assets resulting from changes in exchange rates are offset by corresponding exchange rate effects on the lease liabilities, and credit financing in the event of a hedged repayment vehicle for one of the tranches of a transaction.

Higher credit risks were considered by recording allowances on investments with those contractual parties which have a Standard & Poor's rating below AA and for which no additional collaterals in the form of a guarantor liability or pledged marketable securities of the highest rating (AAA) in favor of the ÖBB Group exist. The amount of the respective allowance is determined using portfolio allowance based on historical probabilities of default, measured by the rating of the contractual parties and the residual term of the transaction in consideration of the individual circumstances. As of December 31, 2016, there were allowances on investments in the amount of EUR 0.1 million (prior year: EUR 2.9 million).

In the Consolidated Financial Statements as of December 31, 2016, financial assets associated with non-linked leasing transactions amounted to EUR 314.0 million (prior year: EUR 495.1 million). On December 31, 2016, related financial liabilities amounted to EUR 416.1 million (prior year: EUR 591.4 million). These lease liabilities include finance lease liabilities in the amount of EUR 173.8 million (prior year: EUR 178.3 million).

Accounting for transactions without substance (linked transactions)

In accordance with SIC 27, the Company did not recognize any assets or liabilities for these transactions. Therefore, the deposits made and marketable securities purchased in connection with the payment undertaking agreements and the lease prepayments received under the master lease agreement are not recognized in the Statement of Financial Position. Legal obligations under the lease agreements resulting from the failure of the banks or leasing institutes to comply with their payment obligation to the investors, which they assumed for the ÖBB Group companies in return for a single payment, are recognized as contingent liabilities. As of December 31, 2016, contingent liabilities from CBL transactions amounted to EUR 237.7 million (prior year: EUR 396.0 million). All underlying investments have at least an AA+ rating or are collateralized by a guarantor liability issued by the government, and are not associated with hedges of existing repayment vehicles.

31. Service concession arrangements (SIC 29)

The following explanations and disclosures refer to the requirements of SIC 29 (Service Concession Arrangements). These are agreements between enterprises for the provision of services that give the public access to major economic and public facilities.

Liechtenstein concession

Service concession arrangements in the sense of SIC 29 concern the railway infrastructure business area. On June 13, 1977, ÖBB-Infrastruktur Bau AG (now ÖBB-Infrastruktur AG) was granted a concession to operate a railway in the Principality of Liechtenstein that is valid until December 31, 2017. On December 3, 1968 a license was granted for the operation of the railway on the Swiss sections of the route from the Swiss border to Buchs and St. Margrethen, which expires on December 31, 2017. ÖBB-Infrastruktur AG is therefore authorized and obligated to maintain the uninterrupted and proper operation of this railway, which serves for public transportation, throughout the entire duration of the concession. Infrastructure assets in Liechtenstein are the property of ÖBB-Infrastruktur AG. As of December 31, 2016, these assets had a carrying amount of EUR 14.7 million (prior year: EUR 15.5 million). The concessionaire assumes responsibility for the conveyance of people, luggage, and freight.

An extension of the concession is pursued. The new Liechtenstein Railways Act came into effect in 2011. This change in the legal situation, with which even Liechtenstein law has implemented free network access, is relevant for the decision regarding the application for a license. There is a draft of the concession in Liechtenstein, but Austria's suggestion that – analogous to domestic routes – the countries across whose territory the route leads will be asked to pay contributions to the maintenance and operation of the respective national segments will be rejected by the Principality of Liechtenstein. The progress of the negotiations on this issue has significant influence on the timeframe of the concession proceedings.

A request for the renewal of the concession for the Swiss section of the line has now been made to the Swiss Federal Office of Transport, which due to these circumstances is limited to five years. It is not certain that the Swiss concession procedure will be concluded before the expiry of the concession (also at the end of 2017), but the current view is that this is likely to happen.

Because in recent meetings of the Trilateral Steering Committee the Liechtenstein delegation consistently had no negotiating power granted by the government of Liechtenstein and has now given notice that it will no longer participate in the meetings of the Steering Committee (explicit reference was made to the period of activity of the current government, which ends in 2017), it is necessary to clarify the further procedure of political talks at the level of at least the competent ministries of the three countries bordering the route. The talks on the project, and thus the extension of the concession, are currently underway at the political and government level between BMVIT and the Liechtenstein government; ÖBB-Infrastruktur AG must await the outcome of these discussions.

In an accompanying effort, ÖBB-Infrastruktur AG received the commitment of the Principality of Liechtenstein that during the open concession procedure following the formal expiry of the concession at the end of 2017 the Liechtenstein section of the line can continue to operate and no decisions and measures will be taken by the Principality of Liechtenstein that would make it impossible for ÖBB-Infrastruktur AG to meet the usage conditions of the railway network. A similar declaration was also provided by the Swiss representatives in the steering committee for the sections of the routes there should the Swiss concession proceedings take longer than expected.

Although upon expiration of the concession in 2017, the assets would be transferred to Liechtenstein and Switzerland, the property, plant and equipment concerned are depreciated over the anticipated longer useful life. This is because, on the one hand, an extension of the concession is likely to be granted due to the scheduled new construction of the track (which is the subject matter of international agreements) and due to the fact that ÖBB-Infrastruktur AG is the only applicant for the concession; and because, on the other hand, the provision of reversion of the assets without compensation provided in the Railways Act at least requires reconsideration from a legal point of view and waiver by the government is provided for in the law.

Independently of this, in the framework of the Steering Committee, the three states have agreed to obtain an independent evaluation of the current status of the facilities and the issue of whether conservation measures are overdue. The required EIA (environmental impact assessment) permits for the expansion of the Liechtenstein section of the line were received in December 2014 (FL) and June 2015 (A). At present only conservation measures are planned in the Swiss sections. On this basis, negotiations at government level on the financing and extension of the concession are now a condition for the issue of whether this project should be implemented, the segments should only be maintained and operated, or if ÖBB Infrastruktur AG will withdraw its application for a license.

32. Related party transactions

Supplies to or from related parties

Related parties consist of affiliated, not fully consolidated companies of the ÖBB Group, associated companies, the shareholder of ÖBB-Holding AG (Republic of Austria) and their major subsidiaries and key management personnel (members of the Board of Management and the Supervisory Board of ÖBB-Holding AG).

The Company maintains business relationships at arm's length with companies in which the Republic of Austria directly or indirectly holds an interest (e.g. Österreichische Bundes- und Industriebeteiligungen GmbH, OMV Aktiengesellschaft, Telekom Austria AG, Autobahnen- und Schnellstraßen- Finanzierungs-Aktiengesellschaft, Schieneninfrastruktur-Dienstleistungsgesellschaft mbH, Verbund AG) and which are also classified as related parties in accordance with IAS 24. The transactions in the sense of IAS 24 that were carried out with these companies during the two reporting years, and that concerned ordinary transactions in the course of the operating business, were insignificant in overall terms and amounted to less than 0.5% of cost of materials and purchased services and less than 2.0% of revenue. Unpaid invoices from or to these companies on the reporting date are disclosed as trade receivables and trade payables and at this point are no longer treated separately.

Purchases were made at market prices less standard volume discounts and other discounts based on the scope of the business relationship. The following table presents the volume of the transactions carried out between companies included in the Consolidated Financial Statements and related parties during the financial year, and the receivables or liabilities resulting from these transactions at the end of the financial year:

in EUR million, rounded	Members of the Supervisory Board and persons related to other bodies		Associated companies		Subsidiaries, not consolidated	
	2016	2015	2016	2015	2016	2015
Sale of goods/ rendering of services (total revenue)	0.0 *)	0.0	38.9	32.0	12.8	3.0
Purchase of goods/ services (total expenditure)	0.1	0.0 *)	38.4	41.3	28.6	5.1
Receivables as of Dec 31			4.3	48.0	0.4	1.8
Liabilities as of Dec 31	0.0 *)	0.0	6.9	33.8	0.6	1.8

*) small amount

No guarantees or investment grants were issued to or accepted from affiliated, not fully consolidated companies. There were no transactions carried out in both financial years with board members that required disclosure. No guarantees were given to associated companies in the two reporting years. The liabilities and guarantees assumed by the Republic of Austria and the Österreichische Kontrollbank AG are presented in Note 25.

Transactions with members of the Supervisory Board relate to sales concluded with companies in which the members of the Supervisory Board of the ÖBB Group also exercised a controlling interest.

Transactions with and benefits from the Republic of Austria, master plan for investments in the infrastructure and guarantees provided by the Republic of Austria

ÖBB-Personenverkehr and Rail Cargo Austria sub-groups

In accordance with the Federal Railways Act, public service contracts are concluded with the Republic of Austria on local and long-distance passenger transport by railway. ÖBB-Personenverkehr AG accordingly provides public services. The services charged to the Republic of Austria amount to EUR 660.7 million (prior year: EUR 644.8 million). On the basis of transport service agreements, services are provided for the federal provinces and the communities that were charged at EUR 339.7 million for the financial year (prior year: EUR 285.8 million).

Rail Cargo Austria AG, like all other railway operators that provide services in the form of single-car transport, unaccompanied transportation or rolling highway (combined road/railway transport), receives subsidies in accordance with the aid program for rail freight granted by the European Commission to the Republic of Austria. The subsidies guaranteed to the Republic of Austria for Rail Cargo Austria AG amounted in 2016 to EUR 80.6 million (prior year: EUR 81.9 million).

ÖBB-Infrastruktur sub-group

General

ÖBB-Infrastruktur AG is a railway infrastructure company whose activities are of public interest and are further defined in Article 31 of the Federal Railways Act. The basis for the financing of the Company is given in Article 47 of the Federal Railways Act, according to which the federal government is responsible for ensuring that ÖBB-Infrastruktur AG has the funds required to fulfill its tasks and maintain its liquidity and equity, insofar as the tasks are included in the business plan pursuant to Article 42 (6) of the Federal Railways Act. The commitment regulated by the federal government in this provision is implemented by the grant agreements pursuant to Article 42 (1) and (2) of the Federal Railways Act.

It is the understanding of the contractual parties that the objective of the grant agreements, irrespective of their respective terms, is to permanently guarantee the value of the assets of ÖBB-Infrastruktur AG used for the tasks pursuant to Article 31 of the Federal Railways Act, which also conforms to the official task according to the Federal Railways Act.

ÖBB-Infrastruktur AG bears the costs incurred for the fulfillment of its tasks. The federal government grants ÖBB-Infrastruktur AG

- a grant pursuant to Article 42 (1) of the Federal Railways Act, at the request of ÖBB-Infrastruktur AG, in particular for the operation of the railway infrastructure and the provision of the same to its users insofar and for as long as the revenues that can be achieved by the users of the railway infrastructure under the respective market conditions do not cover the expenses incurred with economical and efficient management, and
- grants pursuant to Article 42 (2) of the Federal Railways Act for the maintenance, planning, and construction of the railway infrastructure.

Two separate agreements on the grants pursuant to Article 42 (1) and (2) of the Austrian Federal Railways Act shall be concluded between ÖBB-Infrastruktur AG and the Federal Ministry of Transport, Innovation and Technology (BMVIT) in coordination with the Federal Ministry of Finance (BMF), each with a term of six years, and these agreements shall determine the objective of the grant, the amounts to be granted for this purpose, the general and specific terms and conditions and the payment terms.

Schieneninfrastruktur-Dienstleistungsgesellschaft mbH. (SCHIG mbH) monitors compliance with the obligations assumed by ÖBB-Infrastruktur AG in the grant agreements according to Article 42 of the Federal Railways Act. The monitoring is related to the economic, efficient and appropriate use of funds in the planning, construction, maintenance, deployment, and operation of a demand-oriented and safe rail infrastructure.

In August 2015, the Republic of Austria, represented by the Federal Ministry of Transport, Innovation and Technology in coordination with the Federal Ministry of Finance, ÖBB-Infrastruktur AG and ÖBB-Holding AG formally concluded the subsidies agreements pursuant to Article 42 of the Austrian Federal Railways Act that regulates the subsidies from 2015 onwards. The subsidies agreement is valid for 2016.

The master plan for 2017 to 2022 was approved by the Republic of Austria on October 12, 2016 and by the ÖBB-Infrastruktur AG Supervisory Board on December 13, 2016.

Infrastructure financing

The grant agreement pursuant to Article 42 (2) of the Austrian Federal Railways Act is based on the business plan to be prepared by ÖBB-Infrastruktur AG pursuant to Article 42 (6) of the Federal Railways Act. One component of the business plan is the six-year master plan to be prepared by ÖBB-Infrastruktur AG pursuant to Article 42 (7) of the Austrian Federal Railways Act, which has to comprise the annual funds for maintenance (in particular repairs and reinvestments) and for investments in expansion. Both the business plan and the master plan shall be amended each year by one year and adapted to the new six-year period.

According to the grant agreement 2014-2019, the federal government shall bear 75% of the annual investments in expansion and reinvestments according to the master plan 2014-2019 (with the exception of the Brenner base tunnel) until 2016 and 80% for the years 2017 and 2018; for these investments, subsidies are granted in the form of an annuity allocated over 30 years. For the Brenner base tunnel project, the federal government provides a 100% grant in the form of an annuity allocated over 50 years. The interest rate corresponds to the rate respectively applicable for long-term financing measures of ÖBB-Infrastruktur AG.

The share of the investments for expansion (with the exception of the Brenner base tunnel) and reinvestments to be assumed by the federal government is continuously reviewed and adjusted as necessary to the current requirements for future grants.

The federal government also grants a subsidy for inspection and maintenance, elimination of malfunctions and repair of the railway infrastructure operated by ÖBB-Infrastruktur AG. The amount of the grant is fixed with consideration of the

liquidity requirements based on the business plan of ÖBB-Infrastruktur AG, the limit of the total grant prescribed by Article 42 of the Federal Railways Act and the objectives (performance and output objectives) according to the grant agreement pursuant to Article 42 (1) of the Federal Railways Act. Changes of the functionality and/or the extent of the railway infrastructure operated by ÖBB-Infrastruktur AG result in a corresponding increase or decrease of the grant. Therefore, ÖBB-Infrastruktur AG has to obtain the consent of the BMVIT and the BMF prior to any such change.

In 2016, based on the valid subsidies agreement for 2014 to 2019, an amount of EUR 767.6 million (prior year: EUR 678.2 million) was granted for investments in expansion and reinvestments (with the exception of the Brenner base tunnel); for inspection, maintenance and elimination of malfunctions, an amount of EUR 514.3 million (prior year: EUR 501.0 million) were granted.

ÖBB-Infrastruktur AG has provided investment grants for the construction costs of the Brenner base tunnel in the amount of EUR 173.0 million (prior year: EUR 112.5 million) that were reimbursed to the company by the federal government after deduction of the payments agreed contractually with the federal state of Tyrol in the course of acquisition in the amount of EUR 73.7 million (prior year: EUR 106.5 million).

Infrastructure operation and apprenticeship costs

The federal government grants a subsidy pursuant to Article 42 (1) of the Federal Railways Act, at the request of ÖBB-Infrastruktur AG, in particular for the operation of the railway infrastructure and the provision of the same to its users insofar and for as long as the revenues that can be achieved by the users of the railway infrastructure under the respective market conditions do not cover the expenses incurred with economical and efficient management.

ÖBB-Infrastruktur AG has to submit an annual rationalization and savings plan with a forecast statement to the Federal Ministry of Transport, Innovation and Technology and the Federal Ministry of Finance.

The agreement on the grant pursuant to Article 42 (1) of the Federal Railways Act is based in particular on the six-year business plan to be prepared by ÖBB-Infrastruktur AG pursuant to Article 42 (6) Austrian Federal Railways Act, which comprises a detailed description of the measures required to fulfill its tasks of providing a secure railway infrastructure corresponding to requirements, including time schedules, budgets, rationalization plans, and a forecast with respect to usage fees and other fees and charges. The business plan pursuant to Article 42 (6) Federal Railways Act shall be amended each year by one year and adapted to the new six-year period.

Pursuant to Article 45 Federal Railways Act, the BMVIT charged SCHIG with monitoring the fulfillment of the obligations assumed by ÖBB-Infrastruktur AG under the grant agreement.

This grant agreement defines the objectives to be achieved by ÖBB-Infrastruktur AG in connection with this grant pursuant to Article 42 Federal Railways Act.

The specific objectives to be achieved by ÖBB-Infrastruktur AG are categorized in particular in general, quality, safety and efficiency objectives agreed with consideration of the statutory tasks of ÖBB-Infrastruktur AG and stipulated in the business plan agreed between the federal government and ÖBB-Infrastruktur AG pursuant to Article 42 (6) Federal Railways Act.

The compliance with the obligation for ÖBB-Infrastruktur AG to guarantee and constantly improve the quality and safety of the operated railway infrastructure, which results from the Federal Railways Act, is assessed by means of certain ratios in connection with the grant.

Unless otherwise agreed between ÖBB-Infrastruktur AG and the federal government, the annual grant shall be reduced by the portion of operating expenses incurred for railway infrastructure that is transferred to other operators or no longer operated by ÖBB-Infrastruktur AG, contrary to the provisions of the business plan pursuant to Article 42 (6) Federal Railways Act.

The entire grant for 2016 according to Article 42 of the Federal Railways Act amounts to EUR 2,068.5 million (prior year: EUR 1,850.4 million). The grant for expansion and reinvestment in the amount of EUR 767.6 million (prior year: EUR 678.2 million) was reduced by EUR 76.0 million (prior year: EUR 43.7 million) to EUR 691.6 million (prior year: EUR 634.5 million) due to the investment measures carried out and more favorable interest rate developments and is presented in other operating income. The grant for operation, inspection, maintenance, fault clearance and repair amounting to EUR 1,300.9 million (prior year: EUR 1,172.2 million) was reduced due to an improvement in operating transaction settlement and more favorable interest rates by a total of EUR 130.1 million and is recognized in sales revenue. The amount of EUR 1.0 million recognized in deferred income in the 2015 financial year was realized and is recognized in revenues.

The subsidy in the amount of EUR 62.0 million (prior year: EUR 53.6 million) attributable to capitalized interest under IAS 23 is considered to be an investment grant and is used to cover future expenses incurred in the form of depreciation and amortization. Consequently only EUR 1,109.8 million (prior year: EUR 1,099.5 million) of the subsidy pursuant to Article 42 (1) of the Federal Railways Act was recognized through profit or loss for operation, inspection, maintenance, fault

clearance, and repair. The deferred amounts in connection with grants for expansion and reinvestment amounting to EUR 76.0 million (prior year: EUR 43.7 million) and in connection with operations and apprenticeship programs of EUR 129.1 million (prior year: EUR 20.6 million) are recognized under other liabilities; the capitalized interest accruing to the subsidies in the amount of EUR 62.0 million (prior year: EUR 53.6 million) is recognized as an investment grant. The peak account of the annuity of the Brenner base tunnel resulted in a principal portion for ÖBB-Infrastruktur AG of EUR 0.8 million (prior year: EUR 0.0 million), which are recognized in deferred income.

The development of grants in 2016 is as follows:

in EUR million	Total grant	Accruals	Recognized in income 2016
§ 42 (1) Operation	786.6	-211.7	574.9
§ 42 (2) Inspection/maintenance/disposal and repair	514.3	20.6	534.9
Revenue	1,300.9	-191.1	1,109.8
§ 42 (2) Expansion and reinvestment	767.6	-76.0	691.6
Other operating income	767.6	-76.0	691.6
Total	2,068.5	-267.1	1,801.4

The development of grants in 2015 is as follows:

in EUR million	Total grant	Accruals	Recognized in income 2015
§ 42 (1) Operation	671.2	-74.1	597.1
§ 42 (2) Inspection/maintenance/disposal and repair	501.0	1.4	502.4
Revenue	1,172.2	-72.7	1,099.5
§ 42 (2) Expansion and reinvestment	678.2	-43.7	634.5
Other operating income	678.2	-43.7	634.5
Total	1,850.4	-116.4	1,734.0

As of December 31, 2016 the guarantees made by the federal government for the liabilities of the company amounted to EUR 14.2 billion (prior year: EUR 15.2 billion).

In addition, the federal states and municipalities regularly provide investment grants to the company in connection with investment projects which in the reporting year amounted to EUR 34.9 million (prior year: EUR 50.8 million) (federal states) and EUR 23.3 million (prior year: EUR 13.2 million) (municipalities). Furthermore, EU subsidies amounting to EUR 62.5 million (prior year: EUR 39.0 million) were granted. The investment grants and EU grants are grants from the public authorities or the EU, and are recognized as a reduction of cost in the related assets.

Remuneration of members of the Board of Management

The Board of Management of ÖBB-Holding AG consisted on the reporting date of two members (prior year: two). In accordance with section 266 (2) UGB, the ÖBB-Holding AG Board compensation for Board members active in the reporting years amounted to kEUR 1,468 (prior year: kEUR 1,313). This includes claims from previous periods and benefits in kind. Furthermore, statutory contributions to the severance insurance scheme amounted to kEUR 14 in the year under review (prior year: kEUR 12), and contributions to a pension fund amounted to kEUR 52 (prior year: kEUR 83). Compared to the prior year's total of kEUR 77, provisions for vacations declined by kEUR 15 to kEUR 62. The severance provision was increased by kEUR 3 (prior year: increased by kEUR 28). The provision for MBO premiums declined by kEUR 216.

The total remuneration of the members of the Board of Management is composed of a fixed, variable, and in-kind component. The amount of the variable annual component is subject to the achievement of objectives agreed with the Executive Committee of the Supervisory Board at the beginning of each financial year.

The employment contracts with top executives (members of the Boards of Management of the parent companies and subsidiaries, and general managers of companies on comparable levels) include a performance-related component; thus, the success of the company is reflected by the remuneration to a considerable extent. In principle, two-thirds of the remuneration of top executives consists of a fixed base salary, and one-third is a variable performance-related component. At the beginning of each financial year, an individual score card is developed for each company for the

purpose of agreeing upon clearly defined, mainly quantitative objectives. These objectives are based on the Group's overall results, its strategy and the focus of the Group's activities. The variable components of the salaries that were paid out are included in the remuneration of the Board of Management indicated above.

The members of the Board of Management of ÖBB-Holding AG participate in an external defined-contribution pension fund scheme, except for members of the Board of Management who are seconded for the time of their activity in the Board within a definite ÖBB employment relation in accordance with the general terms and conditions for employment with Austrian Federal Railways (AVB). The Company itself assumes no pension commitments.

Remuneration of members of the Supervisory Board

In accordance with the rules of procedure of the Supervisory Board of ÖBB-Holding AG and the resolution of the annual general meeting, the ÖBB Group shall reimburse the actual invoiced expenses incurred by the members of the Supervisory Board in the course of performing their duty and pay compensation to the shareholders' representatives on the Supervisory Board.

The basic remuneration for a Supervisory Board member amounts to kEUR 9 per year. In addition, each Supervisory Board member receives an attendance fee of EUR 200 for each meeting of the Supervisory Board, the Executive Committee or any other committee. The chairperson of the Supervisory Board receives 200% of the basic remuneration, and a Vice Chair within ÖBB-Holding AG receives 150% of the basic remuneration. For any activity in another Supervisory Board of the ÖBB Group, the member receives an additional 50% of the amounts stipulated above. If several functions are accumulated in one person, the upper limit of kEUR 27 (plus attendance fees) may not be exceeded. Members of the Supervisory Board who are members of the Board of Management, employee representatives, general managers or employees of the ÖBB Group do not receive any Supervisory Board remuneration.

The compensation of the shareholders' representatives on the Supervisory Board for their activities in the ÖBB-Holding Group amounted to kEUR 127 (prior year: kEUR 130). The remuneration of the other members of the Supervisory Boards of the Group companies amounted to kEUR 63 (prior year: kEUR 44).

33. Segment reporting

A business segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses and whose operating results are reviewed regularly by the company's chief operating decision-maker with respect to the allocation of resources to the respective segment and the assessment of its performance. A business segment is a group of assets and operating activities providing products or services which are subject to risks and return that are different from those of other operating segments and for which discrete financial information is available.

Information on business segments

The structure of the ÖBB sub-groups according to the management structure is used for segment reporting. In addition, the "Others" unit comprises the direct subsidiaries of ÖBB-Holding AG. These units constitute the basis for segment reporting by business segment.

The ÖBB Group comprises the following segments (= sub-groups):

ÖBB-Personenverkehr

This sub-group comprises all the activities in the area of passenger transport and service. The business fields refer to long-distance railway transport, short-distance railway transport and bus transport, as well as the travel agency activities of Rail Tours Touristik GmbH.

Rail Cargo Austria

In order for the Rail Cargo Austria sub-group to position itself based on the needs of customers and markets and also be able to offer customized solutions in addition to binding service commitments, the purpose of the company is classified into five complementary, transnational railway services.

- Freight forwarders: Rail Cargo Logistics (RCL) – rail freight forwarding with industry expertise
- Operator: Rail Cargo Operator (RCO) – high-frequency long haul shuttles (intermodal, conventional, mix) between economic regions
- Carrier: Rail Cargo Carrier (RCC) – RO (railway operator = carrier service) for Group-owned traction stock (e.g. base load, single car transport)
- Cars: Rail Cargo Wagon (RCW) – wagon lessor
- TS: Technical Services (TS) – Maintenance of rolling stock

Infrastructure

The tasks of the ÖBB Infrastruktur sub-group comprise

- planning and construction of railway infrastructure including high-performance tracks, planning and construction of related projects and the provision of railway infrastructure including equipment and facilities
- provision, operation and maintenance of safe railway infrastructure corresponding to requirements (maintenance, inspection, repair, operational planning and shunting).

The key activities of the ÖBB-Infrastruktur sub-group furthermore comprise the purchase of power, power supply and power portfolio management as well as the rental and utilization of real estate.

Holding/Other activities

This segment comprises the various management, financing and service functions of ÖBB-Holding AG; its other investments (e.g. ÖBB-Business Competence Center GmbH, ÖBB-Finanzierungsservice GmbH, ÖBB-Werbung GmbH), and ÖBB-Produktion Gesellschaft mbH (provision of traction services). With Q Logistics GmbH, the storage and contracted logistics division (general cargo transport and food logistics) is presented in this segment.

The accounting policies of segment reporting correspond to the IFRS regulations used in the preparation of the Consolidated Financial Statements. The operating profit is used as a performance measure. Interest income and expenses are allocated.

The accounting principles for inter-segmental transactions with a reporting obligation are standardized and correspond to Note 3.

2016	Passenger transport in EUR million	Rail Cargo Austria in EUR million	Infrastructure in EUR million	Others in EUR million	Transition in EUR million	Total in EUR million
Total income						
Total income unconsolidated	2,108.3	3,176.1	3,405.1	1,359.5	0.0	10,049.0
<i>thereof revenue</i>	2,080.7	3,120.1	2,357.3	1,342.8	0.0	8,900.9
<i>thereof other income</i>	27.6	56.0	1,047.8	16.7	0.0	1,148.1
Elimination of income in the segment	-44.1	-1,052.1	-250.3	-40.5	-2,246.2	-3,633.2
<i>thereof revenue</i>	-43.4	-1,041.1	-249.5	-39.8	-2,280.3	-3,654.1
<i>thereof other income</i>	-0.7	-11.0	-0.8	-0.7	34.1	20.9
Total segment income	2,064.2	2,124.0	3,154.8	1,319.0	-2,246.2	6,415.8
<i>thereof revenue</i>	2,037.3	2,079.0	2,107.8	1,303.0	-2,280.3	5,246.8
<i>thereof other income</i>	26.9	45.0	1,047.0	16.0	34.1	1,169.0
Elimination of income between segments	-34.4	-479.5	-721.7	-1,010.6	2,246.2	0.0
<i>thereof revenue</i>	-33.4	-452.9	-719.6	-1,074.4	2,280.3	0.0
<i>thereof other income</i>	-1.0	-26.6	-2.1	63.8	-34.1	0.0
Total income from third parties	2,029.8	1,644.5	2,433.1	308.4	0.0	6,415.8
<i>thereof revenue</i>	2,003.9	1,626.1	1,388.2	228.6	0.0	5,246.8
<i>thereof other income</i>	25.9	18.4	1,044.9	79.8	0.0	1,169.0
Expenses for materials and services received	-1,262.2	-1,467.9	-378.7	-531.8	1,910.2	-1,730.4
Personnel expenses	-390.0	-378.6	-1,110.9	-599.0	0.0	-2,478.5
Depreciation and amortization	-121.5	-60.9	-725.7	-65.8	6.2	-967.7
Other operating expenses	-187.3	-156.4	-312.9	-90.4	319.2	-427.8
Earnings before income and tax (EBIT)	103.2	60.2	626.6	32.0	-10.6	811.4
Earnings of investments accounted for using the equity method	17.0	10.9	1.1	0.0	-26.5	2.5
Interest income	14.8	1.7	29.2	19.4	-18.4	46.7
Interest expenses	-43.8	-31.0	-618.1	-24.1	18.4	-698.6
Other financial result	-9.3	2.5	10.8	7.2	-7.0	4.2
Earnings before income taxes (EBT)	81.9	44.3	49.6	34.5	-44.1	166.2
Income taxes	4.1	2.0	7.7	-7.2	-11.8	-5.2

Dec 31, 2016	Passenger transport in EUR million	Rail Cargo Austria in EUR million	Infrastructure in EUR million	Others in EUR million	Transition in EUR million	Total in EUR million
Assets	2,952.6	1,840.7	22,654.3	5,325.5	-5,429.0	27,344.1
Investments recorded at equity	330.2	206.8	49.2	0.6	-525.6	61.2
Liabilities						
Liabilities unconsolidated	2,179.9	1,885.3	21,484.3	1,528.6	0.0	27,078.1
Elimination of liabilities in the segment	-48.2	-166.7	-98.6	-139.6	-1,374.0	-1,827.1
Liabilities of the segment	2,131.7	1,718.6	21,385.7	1,389.0	-1,374.0	25,251.0
Elimination of liabilities between segments	-150.1	-566.3	-136.2	-521.4	1,374.0	
Liabilities towards third parties	1,981.6	1,152.3	21,249.5	867.6	0.0	25,251.0

2016	Passenger transport in EUR million	Rail Cargo Austria in EUR million	Infrastructure in EUR million	Others in EUR million	Transition in EUR million	Total in EUR million
Other information						
Investment expenses (property, plant and equipment and intangible assets)	420.4	93.9	1,859.8	25.3	0.0	2,399.4

2015	Passenger transport in EUR million	Rail Cargo Austria in EUR million	Infrastructure in EUR million	Others in EUR million	Transition in EUR million	Total in EUR million
Total income						
Total income unconsolidated	2,071.6	3,144.1	3,283.1	1,379.4	0.0	9,878.2
<i>thereof revenue</i>	<i>2,045.0</i>	<i>3,035.4</i>	<i>2,301.3</i>	<i>1,317.7</i>	<i>0.0</i>	<i>8,699.4 *)</i>
<i>thereof other income</i>	<i>26.6</i>	<i>108.7</i>	<i>981.8</i>	<i>61.7</i>	<i>0.0</i>	<i>1,178.8 *)</i>
Elimination of income in the segment	-33.7	-985.0	-231.7	-39.5	-2,242.9	-3,532.8
<i>thereof revenue</i>	<i>-32.9</i>	<i>-977.3</i>	<i>-222.9</i>	<i>-63.3</i>	<i>-2,224.9</i>	<i>-3,521.3 *)</i>
<i>thereof other income</i>	<i>-0.8</i>	<i>-7.7</i>	<i>-8.8</i>	<i>23.8</i>	<i>-18.0</i>	<i>-11.5 *)</i>
Total segment income	2,037.9	2,159.1	3,051.4	1,339.9	-2,242.9	6,345.4
<i>thereof revenue</i>	<i>2,012.9</i>	<i>2,070.5</i>	<i>2,078.7</i>	<i>1,283.7</i>	<i>-2,224.9</i>	<i>5,220.9 *)</i>
<i>thereof other income</i>	<i>25.0</i>	<i>88.6</i>	<i>972.7</i>	<i>56.2</i>	<i>-18.0</i>	<i>1,124.5 *)</i>
Elimination of income between segments	-38.0	-459.2	-722.7	-1,023.0	2,242.9	0.0
<i>thereof revenue</i>	<i>-30.3</i>	<i>-413.6</i>	<i>-725.6</i>	<i>-1,083.4</i>	<i>2,252.9</i>	<i>0.0 *)</i>
<i>thereof other income</i>	<i>-7.7</i>	<i>-45.6</i>	<i>2.9</i>	<i>32.5</i>	<i>17.9</i>	<i>0.0 *)</i>
Total income from third parties	1,999.9	1,699.9	2,328.7	316.9	0.0	6,345.4
<i>thereof revenue</i>	<i>1,982.6</i>	<i>1,656.9</i>	<i>1,353.1</i>	<i>228.3</i>	<i>0.0</i>	<i>5,220.9 *)</i>
<i>thereof other income</i>	<i>17.3</i>	<i>43.0</i>	<i>975.6</i>	<i>88.6</i>	<i>0.0</i>	<i>1,124.5 *)</i>
Expenses for materials and services received	-1,234.2	-1,505.2	-390.6	-564.9	1,943.4	-1,751.5
Personnel expenses	-376.6	-358.5	-1,036.5	-565.9	0.0	-2,337.5
Depreciation and amortization	-145.1	-55.2	-690.4	-65.9	7.6	-949.0
Other operating expenses	-189.0	-163.6	-319.5	-101.2	322.4	-450.9
Earnings before income and tax (EBIT)	93.0	76.6	614.4	42.0	30.6	856.6
Earnings of investments accounted for using the equity method	10.0	13.0	0.6	0.0	-21.3	2.3
Interest income	10.7	1.4	35.1	22.0	-25.2	44.0
Interest expenses	-45.0	-35.0	-635.6	-28.3	25.0	-718.9
Other financial result	8.6	1.2	-1.7	2.3	-1.6	8.8
Earnings before income taxes (EBT)	77.3	57.2	12.8	38.0	7.5	192.8
Income taxes	-8.7	9.4	-12.0	-6.7	30.8	12.8

*) adjusted comparative amounts, see Note 4

	Passenger transport in EUR million	Rail Cargo Austria in EUR million	Infrastructure in EUR million	Others in EUR million	Transition in EUR million	Total in EUR million
Dec 31, 2015						
Assets	2,640.0	1,773.8	22,100.2	5,484.8	-5,523.5	26,475.3
Investments recorded at equity	323.7	196.6	49.3	0.6	-503.3	66.9
Liabilities						
Liabilities unconsolidated	1,914.6	1,877.4	20,992.9	1,715.2		26,500.1
Elimination of liabilities in the segment	-10.5	-177.6	-98.9	-135.5	-1,524.3	-1,946.8
Liabilities of the segment	1,904.1	1,699.8	20,894.0	1,579.7	-1,524.3	24,553.3
Elimination of liabilities between segments	-154.7	-534.3	-175.0	-660.3	1,524.3	
Liabilities towards third parties	1,749.4	1,165.5	20,719.0	919.4	0.0	24,553.3

	Passenger transport in EUR million	Rail Cargo Austria in EUR million	Infrastructure in EUR million	Others in EUR million	Transition in EUR million	Total in EUR million
2015						
Other information						
Investment expenses (property, plant and equipment and intangible assets)	96.0	88.7	1,814.3	34.3	-0.9	2,032.4

Capital expenditures are recognized prior to the deduction of grants, if any.

Services provided between segments are charged at customary rates.

ÖBB-Produktion GmbH was classified as joint venture in the segments passenger transport and Rail Cargo Austria and recognized in investments using the equity method. Otherwise, ÖBB-Produktion GmbH is allocated to the "Other" section.

Information on the geographic markets

The following table shows the Group revenue according to the geographic markets, based on the registered offices of the customers, irrespective of the origin of the products and services:

	Passenger transport in EUR million	Rail Cargo Austria in EUR million	Infrastructure in EUR million	Others/ Transition in EUR million	Total in EUR million
Total income 2016					
Domestic	1,235.8	2,023.8	1,193.7	1,253.6	5,706.9
<i>Foreign</i>	<i>184.2</i>	<i>1,015.7</i>	<i>53.7</i>	<i>89.2</i>	<i>1,342.8</i>
<i>thereof Germany</i>	<i>85.9</i>	<i>257.2</i>	<i>27.8</i>	<i>35.7</i>	<i>406.6</i>
<i>thereof Hungary</i>	<i>12.9</i>	<i>300.7</i>	<i>1.5</i>	<i>10.6</i>	<i>325.7</i>
<i>thereof Switzerland</i>	<i>18.3</i>	<i>35.7</i>	<i>20.4</i>	<i>10.6</i>	<i>85.0</i>
other markets	67.1	422.1	4.0	32.4	525.6
Total unconsolidated	1,420.0	3,039.5	1,247.4	1,342.8	7,049.7
Income from public service orders	660.7	80.6	0.0	0.0	741.3
Government grant pursuant to Article 42 Bundesbahngesetz	0.0	0.0	1,109.8	0.0	1,109.8
less internal turnover	-43.4	-1,041.1	-249.4	-2,320.1	-3,654.0
Segment turnover	2,037.3	2,079.0	2,107.8	-977.3	5,246.8
Other operating income incl. other own work capitalized	26.9	45.0	1,046.9	50.2	1,169.0
Total segment income	2,064.2	2,124.0	3,154.7	-927.1	6,415.8

	Passenger transport in EUR million	Rail Cargo Austria in EUR million	Infrastructure in EUR million	Others/ Transition in EUR million	Total in EUR million	
Total income 2015						
Domestic	1,229.4	1,918.3	1,140.6	1,225.9	5,514.2	*)
<i>Foreign</i>	<i>170.8</i>	<i>1,035.2</i>	<i>61.2</i>	<i>91.8</i>	<i>1,359.0</i>	
<i>thereof Germany</i>	<i>77.7</i>	<i>265.3</i>	<i>37.5</i>	<i>45.1</i>	<i>425.6</i>	
<i>thereof Hungary</i>	<i>13.8</i>	<i>308.8</i>	<i>1.6</i>	<i>12.0</i>	<i>336.2</i>	
<i>thereof Switzerland</i>	<i>17.4</i>	<i>41.3</i>	<i>15.0</i>	<i>8.9</i>	<i>82.6</i>	
other markets	61.9	419.8	10.1	25.8	517.6	
Total unconsolidated	1,400.2	2,953.5	1,201.8	1,317.6	6,873.2	*)
Income from public service orders	644.8	81.9	0.0	0.0	726.7	
Government grant pursuant to Article 42 Bundesbahngesetz	0.0	0.0	1,099.5	0.0	1,099.5	
less internal turnover	-32.1	-964.9	-222.6	-2,258.9	-3,478.5	
Segment turnover	2,012.9	2,070.5	2,078.7	-941.2	5,220.9	*)
Other operating income incl. other own work capitalized	25.0	88.6	972.7	38.2	1,124.5	*)
Total segment income	2,037.9	2,159.1	3,051.4	-903.0	6,345.4	

*) adjusted comparative amounts, see Note 4

Information on segment assets

The following table shows the carrying amounts of the segment assets and the additions to property, plant and equipment and intangible assets, grouped according to the geographic areas in which the assets are located. The segment assets comprise property, plant and equipment and intangible assets.

	Carrying amounts of segment assets		Additions to property, plant and equipment and intangible assets	
	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Segment ÖBB-Personenverkehr				
Domestic	2,116.8	1,835.7	416.4	91.8
Foreign	10.0	9.5	3.9	4.2
<i>thereof Eastern Europe</i>	<i>10.0</i>	<i>9.5</i>	<i>4.0</i>	<i>4.2</i>
Total	2,126.8	1,845.2	420.3	96.0
Segment Rail Cargo Austria				
Domestic	511.1	500.6	47.4	53.9
Foreign	416.1	397.3	46.6	34.8
<i>thereof Hungary</i>	<i>360.0</i>	<i>358.6</i>	<i>15.1</i>	<i>26.9</i>
<i>thereof Italy</i>	<i>10.3</i>	<i>9.8</i>	<i>0.5</i>	<i>0.3</i>
<i>thereof Eastern Europe</i>	<i>8.4</i>	<i>10.8</i>	<i>0.2</i>	<i>0.6</i>
<i>Rest of Europe</i>	<i>37.4</i>	<i>18.1</i>	<i>30.7</i>	<i>7.0</i>
Total	927.2	897.9	94.0	88.7
Segment ÖBB-Infrastruktur				
Domestic	21,235.0	20,392.8	1,859.7	1,813.9
Foreign	14.7	15.5	0.1	0.4
<i>Rest of Europe</i>	<i>14.7</i>	<i>15.5</i>	<i>0.1</i>	<i>0.4</i>
Total	21,249.7	20,408.4	1,859.8	1,814.3
Other group companies/transition				
Domestic	800.6	852.9	25.2	33.4
Foreign	0.1	0.0	0.1	0.0
<i>Rest of Europe</i>	<i>0.1</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>
According to Consolidated Financial Statements	25,104.4	24,004.4	2,399.4	2,032.4
<i>thereof domestic</i>	<i>24,663.5</i>	<i>23,582.0</i>	<i>2,348.7</i>	<i>1,993.0</i>
<i>thereof foreign</i>	<i>440.9</i>	<i>422.3</i>	<i>50.7</i>	<i>39.4</i>

34. Notes on the Cash Flow Statement

The Cash Flow Statement shows the change in cash of the ÖBB Group from inflows and outflows of funds in the reporting year. The Cash Flow Statement is divided into cash flows from operating activities, from investment activities and from financing activities. Operating parts of the Cash Flow Statement are presented using the indirect method.

Liquid funds include cash and cash equivalents and current liabilities (recognized in the current liabilities) in the amount of EUR 10.0 million (prior year: EUR 13.4 million). The part of the interest payment that is capitalized under IAS 23 as part of the production cost of qualified assets is included in operating cash flow. The federal subsidies totaling EUR 62.0 million (prior year: EUR 53.6 million) received in this connection are also recognized in operating cash flow under changes in liabilities from trade payables and other liabilities and deferrals.

The main non-cash transactions relate primarily to an acquisition cost liability in the amount of EUR 10.0 million from the acquisition of a company, the reversal of deferred income from financial leasing transactions, the recognition and derecognition of debts and obligations from CBL transactions, and the reclassification to inventories of real estate recovery projects for which the use has changed during the financial year.

The significant non-cash transactions in 2015 primarily related to an acquisition cost receivable in the amount of EUR 132.5 million and the appreciation of the fixed assets in the amount of EUR 19.0 million in connection with the sale and leaseback transaction by the amount by which the sale price exceeded the carrying amount of the assets. Because this is a finance lease, the amount was recognized as assets on one side and, pursuant to IAS 17, in deferred income on the other.

As regards proceeds and expenditures with respect to the acquisition of consolidated companies, please refer to Note 35 and the figures in brackets there.

35. Group companies

Information on the December 31, 2016 subsidiaries, associates, investments, other holdings and changes in the ÖBB Group in the 2016 financial year:

Changes in the basis of consolidation

The following companies were consolidated in the reporting year for the first time:

- Rail Cargo Carrier – PCT GmbH (until June 2016: PCT Private Car Train GmbH, acquired in April 2016)
- Rail Cargo Logistics – Germany GmbH (prior year: V0)
- Rail Cargo Carrier, d.o.o. (prior year: V0)
- RAIL CARGO CARRIER – BULGARIA EOOD (prior year: V0)
- Rail Cargo Carrier – Czech Republic s.r.o. (prior year: V0)

Other changes to the schedule of investments

Additional acquisitions, start-ups and changes in the type of consolidation are indicated by parenthetical notes in the schedule of investments below.

ÖBB-Personenverkehr Group		Country, registered office and type of consolidation	
Dissolution 2016			
10%	RailLink B.V.	NL-1012 AB Amsterdam	0

Rail Cargo Austria Group		Country, registered office and type of consolidation	
Dissolution following liquidation 2016			
50%	RAILPORT Sławków Sp. z o. o.	PL-02-796 Warszawa	E0
32%	EAST Rail srl.	I-34132 Trieste	E0
6.67%	HUNGRAIL Magyar Vasúti Fuvarozói Egyesülés	HU-1138 Budapest	0

ÖBB-Infrastruktur Group		Country, registered office and type of consolidation
Deletion following liquidation 2016		
100%	Hans Hechenbichler Erdölprodukte Gesellschaft m.b.H. in Liquidation	A-1020 Vienna V0

Abbreviations and footnotes

- V0 Affiliated company not fully consolidated due to its insignificance
E0 Investment not recorded using the equity method due to its insignificance
0 Other investee companies

ÖBB-Holding AG held direct or indirect (through other affiliated companies) investments in the following companies as of the reporting date (without investments in short-term joint ventures).

Parent company	Country, registered office	Type of consolidation
100% Österreichische Bundesbahnen-Holding Aktiengesellschaft	A-1100 Vienna	V
ÖBB-Personenverkehr Group		
100% ÖBB-Personenverkehr Aktiengesellschaft	A-1100 Vienna	V
└▶ 100% ÖBB-Postbus GmbH	A-1100 Vienna	V
└▶ 100% ČSAD AUTOBUSY České Budějovice a.s.	CZ-37001 České Budějovice	V
└▶ 10% (100%) ÖBB-Fernbus GmbH	A-1100 Vienna	V
└▶ 100% Österreichische Postbus Aktiengesellschaft	A-1100 Vienna	V
└▶ 100% Rail Tours Touristik Gesellschaft m.b.H.	A-1100 Vienna	V
└▶ 98.57% FZB Fahrzeugbetrieb GmbH	A-1100 Vienna	V
└▶ 90% (100%) ÖBB-Fernbus GmbH	A-1100 Vienna	V
└▶ 50% (100%) ÖBB-Produktion Gesellschaft mbH	A-1100 Vienna	E *)
└▶ 49.9% City Air Terminal Betriebsgesellschaft m.b.H.	A-1300 Vienna-Airport	E
└▶ 49% (100%) ÖBB-Technische Services-Gesellschaft mbH	A-1110 Wien	E *)
└▶ 100% Technical Services Hungria Járőjavító Kft.	HU-3527 Miskolc	0 *)
└▶ 51% Technical Services Slovakia, s.r.o.	SK-91701 Trnava	0 *)
└▶ 51% TS-MÁV Gépészeti Services Kft.	HU-1097 Budapest	0 *)
└▶ 10% Railteam B.V.	NL-1012 AB Amsterdam	0
└▶ 6.71% (7.38%) Bureau central de clearing s.c.r.l.	B-1060 Brussels	0

*) These subsidiaries are fully consolidated at the group level.

Rail Cargo Austria Group	Country, registered office	Type of consolidation
100% Rail Cargo Austria Aktiengesellschaft	A-1100 Vienna	V
└▶ 100% Rail Cargo Logistics - Austria GmbH	A-1100 Vienna	V
└▶ 100% Rail Cargo Terminal - Sindos Societe Anonym (until November 2016: Express - Interfracht Hellas S.A.)	GR-57400 Thessaloniki	V
└▶ 100% Rail Cargo Logistics - Bulgaria EOOD	BG-1113 Sofia	V
└▶ 100% Rail Cargo Logistics - Croatia d.o.o.	HR-10000 Zagreb	V
└▶ 100% Rail Cargo Logistics - Czech Republic s.r.o.	CZ-61400 Brno	V
└▶ 100% Rail Cargo Logistics - Environmental Services GmbH	A-1100 Vienna	V
└▶ 50% AUL Abfallumladelogistik Austria GmbH	A-2344 Maria Enzersdorf	EO
└▶ 50% ELATEC Metallverwertungs GmbH i.L.	A-1010 Vienna	EO
└▶ 50% HAELA Abfallverwertung GmbH	A-4470 Enns	EO
└▶ 100% Rail Cargo Logistics - Germany GmbH	D-60329 Frankfurt am Main	V (PY: VO)
└▶ 100% Rail Cargo Logistics - Hungaria Kft.	HU-1037 Budapest	V
└▶ 100% Rail Cargo Logistics - Italy S.r.l.	I-20832 Desio	V
└▶ 100% Rail Cargo Terminal - Desio S.r.l.	I-20832 Desio	V
└▶ 100% Rail Cargo Terminal - S. Stino S.r.l.	I-30029 Santo Stino di Livenza	V
└▶ 100% Rail Cargo Logistics - Poland Sp.z o.o.	PL-02-796 Warszawa	V
└▶ 100% Rail Cargo Logistics - Romania Solutions SRL	RO-75100 Otopeni	V
└▶ 100% ooo "Rail Cargo Logistics - RUS"	RU-620014 Yekaterinburg	V
└▶ 100% Rail Cargo Logistics Uluslararası Tasimacilik Lojistik ve Ticaret Limited Sirketi	TR-34303 Halkali-Istanbul	V
└▶ 51% Rail Cargo Logistics - BH d.o.o.	BiH-71000 Sarajevo	V
└▶ 74% (PY: 50%) Rail Cargo Logistics d.o.o. (until February 2017: INTEREUROPA-FLG, d.o.o., Acquisition of 24% in December 2016)	SLO-1000 Ljubljana	E
└▶ 49% Rail Cargo Logistics - Goldair SA	GR-19300 Athen/Aspropyrgos	E

*) This subsidiary is fully consolidated at the group level.

Rail Cargo Austria Group continued	Country, registered office	Type of consolidation
└▶ 100% Rail Cargo Carrier Kft.	HU-1133 Budapest	V
└▶ 100% Rail Cargo Carrier - PCT GmbH (until June 2016: PCT Private		
Car Train GmbH [Purchase in March 2016, Closing in May 2016])	DE-85283 Wolnzach	V
└▶ 100% Rail Cargo Carrier d.o.o.	SLO-1000 Ljubljana	V (PY: V0)
└▶ 100% Rail Cargo Carrier - Bulgaria EOOD	BG-1303 Sofia	V (PY: V0)
└▶ 100% Rail Cargo Carrier - Croatia d.o.o.	HR-10000 Zagreb	V0
└▶ 100% Rail Cargo Carrier - Czech Republic s.r.o.	CZ 130 00 Praha 3	V (PY: V0)
└▶ 100% Rail Cargo Carrier - Germany GmbH	D-51105 Cologne	V
└▶ 100% Rail Cargo Carrier - Italy s.r.l.	I-15067 Novi Ligure	V
└▶ 100% RAIL CARGO CARRIER - ROMANIA SRL.	RO-75100 Otopeni	V
└▶ 100% Rail Cargo Carrier - Slovakia s.r.o.	SK-82105 Bratislava	V0
└▶ 100% Rail Cargo Operator - ČSKD s.r.o.	CZ-13000 Praha 3	V
└▶ 100% Rail Cargo Operator - Austria GmbH	A-1100 Vienna	V
└▶ 100% Rail Cargo Operator - Hungaria Kft.	HU-1133 Budapest	V
└▶ 100% Rail Cargo Operator-Port/Rail Services GmbH	D-28195 Bremen	V0
└▶ 100% Rail Cargo Terminal - Praha s.r.o	CZ-13000 Praha 3	V
└▶ 100% Rail Cargo Terminal - BILK	HU-1239 Budapest	V
└▶ 100% LOGISZTÁR Kft.	HU-2364 Ócsa	V0
└▶ 45% Kelenföld Konténer Depo Kft.	HU-1239 Budapest	E0
└▶ 33.33% boxXagency Kft.	HU-1239 Budapest	E0
└▶ 33.07% Terminal Brno, a.s.	CZ-61900 Brno	E0
└▶ 29.39% RAILPORT ARAD SRL	RO-315200 Judentul Arad	E
└▶ 32.56% (PY: 25.1%) ADRIA KOMBI d.o.o., Ljubljana	SLO-1000 Ljubljana	E
└▶ 100% Rail Cargo Wagon-Austria GmbH	A-1100 Vienna	V
└▶ 99.99% Rail Cargo Hungaria Zrt.	HU-1133 Budapest	V
└▶ 30% Agrochimtranspack Kft.	HU-4623 Tuszér	E0
└▶ 0.67% (7.38%) Bureau central de clearing s.c.r.l.	B-1060 Brussels	0
└▶ 66% Rail Cargo Logistics GmbH	A-1100 Vienna	V
└▶ 100% Rail Cargo Logistics s.r.o.	CZ-619 00 Brno	V
└▶ 47.5% VADECO SRL	RO-900733 Constanta	E
└▶ 51% (100%) ÖBB-Technische Services Gesellschaft mbH	A-1110 Wien	V
└▶ 100% Technical Services Hungaria Jamujavito Kft.	HU-3527 Miskolc	V
└▶ 51% Technical Services Slovakia, s.r.o.	SK-91701 Trnava	V
└▶ 51% TS-MÁV Gépészeti Services Kft.	HU-1097 Budapest	V
└▶ 50% (100%) ÖBB-Produktion Gesellschaft mbH	A-1100 Vienna	E *)
└▶ 37.08% ICA Romania s.r.l. i.L.	RO-020572 Bucuresti	E0
└▶ 18.4% Xrail S.A.	B-1000 Brussels	0
└▶ 3.53% Intercontainer-Interfrigo (ICF) SA i.L.	B-1060 Brussels	0
└▶ KD-Anteil Kombiverkehr Deutsche Gesellschaft für kombinierten Güterverkehr mbH & Co. Kommanditgesellschaft	D-60486 Frankfurt am Main	0

*) This subsidiary is fully consolidated at the group level.

ÖBB-Infrastruktur Group	Country, registered office	Type of consolidation
100% ÖBB-Infrastruktur Aktiengesellschaft	A-1020 Vienna	V
└▶ 100% Austrian Rail Construction & Consulting GmbH	A-1020 Vienna	V0
└▶ 100% Austrian Rail Construction & Consulting GmbH & Co KG	A-1020 Vienna	V0
└▶ 100% Güterterminal Werndorf Projekt GmbH	A-1020 Vienna	V
└▶ 100% Mungos Sicher & Sauber GmbH	A-1150 Vienna	V
└▶ 100% Mungos Sicher & Sauber GmbH & Co KG	A-1150 Vienna	V
└▶ 100% Netz- und Streckenentwicklung GmbH	A-1020 Vienna	V0
└▶ 100% ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. (Foundation in June 2016)	A-1020 Vienna	V0
└▶ 100% ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG (Foundation in June 2016)	A-1020 Vienna	V0
└▶ 100% ÖBB-Immobilienmanagement Gesellschaft mbH	A-1020 Vienna	V
└▶ 100% ÖBB-Projektentwicklung GmbH	A-1020 Vienna	V
└▶ 100% ÖBB-Realitätenbeteiligungs GmbH & Co KG	A-1020 Vienna	V
└▶ 100% Businesscenter Linz Entwicklungs- und Verwertungs GmbH & Co KG	A-1020 Vienna	V0
└▶ 100% Elisabethstraße 7 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V
└▶ 100% Elisabethstraße 9 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V
└▶ 100% Europaplatz 1 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V0
└▶ 100% Gauer mann gasse 2-4 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V
└▶ 100% Mariannengasse 16-20 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V0
└▶ 100% Modul Office Hauptbahnhof Graz GmbH & Co KG	A-1020 Vienna	V0
└▶ 100% Operngasse 16 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V
└▶ 100% ÖBB-Stiftungs Management Gesellschaft mbH	A-1020 Vienna	V0
└▶ 100% Rail Equipment GmbH	A-1040 Vienna	V
└▶ 100% Rail Equipment GmbH & Co KG	A-1040 Vienna	V
└▶ 51% WS Service GmbH	A-3151 St. Georgen am Steinfeld	V
└▶ 50% Galleria di Base del Brennero - Brenner Basistunnel BBT SE	I-39100 Bozen	E
└▶ 43.05% Weichenwerk Wörth GmbH	A-3151 St. Georgen am Steinfeld	E
└▶ 25% (PY: 28.54%) Breitspur Planungsgesellschaft mbH	A-1010 Vienna	E0
└▶ 8% HIT Rail B.V.	NL-3500 HA Utrecht	0
└▶ silent partnership „Am Hafen“ Garagenerrichtungs- und Betriebs GmbH & Co KG	A-6900 Bregenz	0
└▶ partnership Tiefgarage Stuben Gesellschaft m.b.H. & Co. KG	A-6762 Stuben/Arlberg	0

Others	Country, registered office	Type of consolidation
100% ÖBB-Business Competence Center GmbH	A-1030 Vienna	V
↳ 34% Wellcon Gesellschaft für Prävention und Arbeitsmedizin GmbH	A-1030 Vienna	E
100% ÖBB-Finanzierungsservice GmbH	A-1100 Vienna	V
100% ÖBB-Werbung GmbH	A-1100 Vienna	V
100% Q Logistics GmbH (prior: European Contract Logistics - Austria GmbH) (from 1/1/2017: 60%)	A-1120 Vienna	V
↳ 100% European Contract Logistics - Czech Republic s.r.o.	CZ-50002 Hradec Králové	V
↳ 100% European Contract Logistics (podjetje za spedicijo, prevoznistvo in trgovino) d.o.o.	SLO-2000 Maribor	V0
↳ 100% European Contract Logistics - Slovakia s.r.o. "v likvidácii"	SK-83104 Bratislava	V0
↳ 95% European Contract Logistics - Serbia d.o.o.	SRB-11070 Novi Beograd	V0
↳ 45% logMAster Kft.	HU-1139 Budapest	E
26% Verkehrsankunft Österreich VAO GmbH	A-1150 Vienna	E0
49.9% (PY: 24.9%) iMobility GmbH (Acquisition of 25% in September 2016)	A-1040 Vienna	E0
2% EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial AG	CH-4001 Basel	0

Shares in % in parentheses show the recognized investment held by multiple companies within the entire ÖBB Group. If the figure is preceded by "PY" it refers to the prior year.

Abbreviations

V	Affiliated, fully consolidated company
V0	Affiliated company not fully consolidated due to its insignificance
E	Investment reported using the equity method (associated company)
E0	Investment not recorded using the equity method due to its insignificance
0	other investee companies
i.L.	in Liquidation

The following presents the equity and net income from those subsidiaries that were not included in the Consolidated Financial Statements and in which an interest of at least 20% was held. The disclosures regarding equity and net income were taken from the annual financial statements according to respective national accounting laws; exceptions are marked with a corresponding footnote.

Rail Cargo Austria Group	Shareholders' equity in kEUR		Profit or loss in kEUR	
	Dec 31, 2016	Dec 31, 2015	2016	2015
AUL Abfallumladelogistik Austria GmbH	387	447	-60	-7 ²⁾
ELATEC Metallverwertungs GmbH i.L.	i.L.	i.L.	i.L.	i.L.
HAELA Abfallverwertung GmbH	556	493	37	69
Rail Cargo Carrier - Croatia d.o.o.	455	223	230	10
Rail Cargo Carrier - Slovakia s.r.o.	174	168	7	11
Rail Cargo Operator-Port/Rail Services GmbH	13	60	-48	6
LOGISZTÁR Kft.	848	872	-41	-55
Kelenföld Konténer Depo Kft.	1,508	1,388	92	155
boxXagency Kft.	98	104	77	86
Terminal Brno, a.s.	n/a	2,530	n/a	17 ¹⁾
ICA Romania s.r.l. i.L.	i.L.	i.L.	i.L.	i.L.
Agrochimtranspack Kft.	n/a	488	n/a	-155

Abbreviations and footnotes

i.L.	in Liquidation
n/a	not applicable
1)	provisional values 2016
2)	values as of September 30
3)	2016 values as of September 30

ÖBB-Infrastruktur Group	Shareholders' equity in kEUR		Profit or loss in kEUR	
	Dec 31, 2016	Dec 31, 2015	2016	2015
Austrian Rail Construction & Consulting GmbH	138	138	0	-2
Austrian Rail Construction & Consulting GmbH & Co KG	208	207	-2	-3
Netz- und Streckenentwicklung GmbH	421	421	0	28
Businesscenter Linz Entwicklungs- und Verwertungs GmbH & Co KG	-3	-2	-1	-1
Europaplatz 1 Projektentwicklung GmbH & Co KG	-3	-2	-1	-1
Mariannengasse 16-20 Projektentwicklung GmbH & Co KG	12,556	12,656	101	-131
Modul Office Hauptbahnhof Graz GmbH & Co KG	-3	-2	-1	-1
ÖBB-Stiftungs Management Gesellschaft mbH	71	70	1	0
Breitspur Planungsgesellschaft mbH	4,438	5,402	-2,464	-1016
Hans Hechenbichler Erdölprodukte Gesellschaft m.b.H. in Liquidation	n/a	423	n/a	-7
ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H.	33	New 2016	-2	New 2016
ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG	99	New 2016	-1	New 2016

Others	Shareholders' equity in kEUR		Profit or loss in kEUR	
	Dec 31, 2016	Dec 31, 2015	2016	2015
European Contract Logistics (podjetje za spedicijo, prevoznistvo in trgovino) d.o.o.	-16	-127	111	130
European Contract Logistics - Slovakia s.r.o. "v likvidácii" (i.L.)	64	133	-68	34
European Contract Logistics - Serbia d.o.o.	200	180	24	20
Verkehrsauskunft Österreich VAO GmbH	1,459	942	-918	-162
iMobility GmbH	-716	3	-1,319	-632

Information on the business purpose of the sub-groups is included in Note 33 (segment reporting).

The equity of foreign companies is translated into EUR at the exchange rate applicable on the reporting date. Net income is translated into EUR at the average rate. The figures were determined in accordance with the respective national accounting law.

Abbreviations and footnotes

- i.L. in Liquidation
- n/a not applicable
- 1) provisional values 2016
- 2) values as of September 30
- 3) 2016 values as of September 30

36. Events after the reporting date

On April 5, 2017, the members of the Board of Management of ÖBB-Holding AG released the audited Consolidated Financial Statements as of December 31, 2016 for submission to the Supervisory Board. The Supervisory Board is charged with reviewing the Consolidated Financial Statements and declaring whether it approves the Consolidated Financial Statements.

ÖBB-Infrastruktur sub-group

For two CBL transactions, the early termination option was exercised in December 2016. For this reason, the transactions were ended in January 2017.

ÖBB-Infrastruktur AG will take out the necessary financing in 2017, mainly through loans from the Republic of Austria amounting to EUR 1.65 billion, to be provided by the Austrian Treasury (OeBFA) rather than by borrowing directly on the capital markets. According to Eurostat criteria, the ÖBB-Infrastruktur AG is part of the government sector. Against the backdrop of the Republic of Austria's more favorable interest rates on the capital market, decisions regarding long-term financing via loans from the Republic of Austria were made in consultation with the Federal Ministry of Finance and the Federal Ministry of Transport, Innovation and Technology. All existing bonds of ÖBB-Infrastruktur AG and their guarantees by the Republic of Austria remain unaffected by this expansion of the financing instruments of ÖBB-Infrastruktur AG.

For the company ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG, which was founded in 2016, the assets required for the operating terminal business were transferred to the company in January 2017 via a contribution in kind amounting to EUR 5.7 million. In addition, a shareholder contribution of EUR 7.3 million was made by ÖBB-Infrastruktur AG.

Wiener Hafen und Lager Ausbau- und Vermögensverwaltungs GmbH & Co KG and ÖBB-Infrastruktur AG intend to establish a company which operates the container terminal operated by WienCont Containerterminal GmbH in the port of Vienna-Freudenau and the newly constructed container terminal Vienna-Inzersdorf and will provide related services. The company will be jointly controlled by ÖBB-Infrastruktur AG and der Wiener Hafen und Lager Ausbau- und Vermögensverwaltung GmbH & Co KG. The plans for this business combination relate to container handling services and related services. The corresponding notification of the merger was filed with the Federal Competition Authority. The Federal Anti-Trust Attorney and the Federal Competition Authority requested a review of the merger in proceedings before the anti-trust court.

Rail Cargo Austria sub-group

After the balance sheet date, ÖBB-Technische Services-GmbH continued the work on the acquisition of shares in Stadler Linz GmbH (joint venture). This is intended to enable ÖBB-Technische Services-GmbH to gain vehicle expertise to cover production and maintenance services for Stadler vehicle types. As part of the transaction, it will be possible to carry out maintenance of Stadler vehicles currently in use in Austria at the ÖBB location in Vienna Westbahnhof. The signing of the contracts for the acquisition of shares took place on March 02, 2017, the approval by the competition authority was not yet available on the day of the signing of the consolidated financial statements.

There are no further reportable events after the reporting date that have a material effect on the net assets, financial position and results of operations.

37. Executive bodies of the parent company of the ÖBB Group

In financial year 2016 (up to the time of the preparation of the Consolidated Financial Statements), the following persons were appointed members of the Board of Management or members of the Supervisory Board of ÖBB-Holding AG:

Members of the Board of Management

Ing. Mag. (FH) Andreas Matthä	from May 24, 2016	Chairman of the Board of Management
Mag. Christian Kern	until May 17, 2016	Chairman of the Board of Management
Mag. Josef Halbmayer MBA		

Members of the Supervisory Board

Mag. Brigitte Ederer	Chairwoman
Dr. Kurt Weinberger	First Vice Chair
DI Herbert Kasser	Second Vice Chair
Roman Hebenstreit	Third Vice Chair/Employee Representative

Herbert Willerth
Dr. Gertrude Tumpel-Gugerell
Dr. Leopold Specht
Lic.rer.pol. Paul Blumenthal

Mag. Andreas Martinsich		Employee representative
Gottfried Winkler	until December 31, 2016	Employee representative
Günter Blumthaler		Employee representative

A report on compensation paid during the reporting period is presented in Note 32 ("Related party transactions").

Vienna, April 5, 2017

The Board of Management

Ing. Mag. (FH) Andreas Matthä

Mag. Josef Halbmayer MBA

Auditor's Report*

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of Österreichische Bundesbahnen-Holding Aktiengesellschaft, Vienna, and of its subsidiaries (the Group) comprising the consolidated balance sheet as of December 31, 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2016 and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and with Section 245a Austrian Company Code (UGB).

Basis for Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing. Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and of the Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and with Section 245a Austrian Company Code (UGB), for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Austrian Standards on Auditing 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 consolidated financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- ▶ identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the Group's management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Group's management report.

Opinion

In our opinion, the management report for the group was prepared in accordance with the valid legal requirements and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the Group's management report came to our attention.

Other Informations

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsible Austrian Certified Public Accountant

The engagement partner on the audit resulting in this independent auditor's report is Mr. Mag. Christoph Achzet, Certified Public Accountant.

Vienna, April 5th, 2017

BDO Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Christoph Achzet

Certified Public Accountant

Mag. Peter Bartos

Certified Public Accountant

*) This report is a translation of the original report in German, which is solely valid.

Publication or sharing with third parties of the group financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

We draw attention to the fact that the English translation of this long-form audit report according to Section 273 of the Austrian Company Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

GLOSSARY OF TERMS

AVB	General Terms and Conditions of Employment with Österreichische Bundesbahnen
BMF	Federal Ministry of Finance
BMVIT	Federal Ministry for Transport, Innovation and Technology
Capital employed	= fixed assets + working capital assets + working capital liabilities
CBL	Cross-border leasing
CEF	Connecting Europe Facility
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSR	Corporate social responsibility
Tenured employment	Tenured employees are ÖBB employees who are subject to the General Terms and Conditions of Employment with Österreichische Bundesbahnen (AVB), joined the company prior to January 1, 1995, and cannot be dismissed, pursuant to the provisions of the AVB.
EBIT	Earnings before interest and taxes. EBIT corresponds to earnings (not including earnings of investments accounted for using the equity method) on the Consolidated Income Statement.
EBITDA	= EBIT + depreciation and amortization
EBIT margin	= EBIT / total income
EBT	Earnings before taxes
ECL	European Contract Logistics
Equity ratio	= equity / total capital
Return on equity	= EBT / equity
EMTN	Euro Medium Term Note
ETCS	European Train Control System
RO	Railway operator
ECB	European Central Bank
R&D	Research and development
Free cash flow	= Cash flow from operating activities + Cash flow from investing activities
FTE	Full-time equivalent
TGTkm	Total gross tonne-kilometers (= cargo weight + weight of the train x kilometers traveled)
Return on total assets	= EBIT / total capital
GWh	Gigawatt hour
GWL	Public services

IASB	International Accounting Standards Board
IFAC	International Federation of Accounts
IFRS/IAS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
ICS	Internal control system
Interoperability	Suitability of the trans-European railway system for secure and uninterrupted railway operations
ISA	International Standards on Auditing
Modal split	Splitting transport among the various providers/means of transport
Net debt	= interest-bearing borrowings – interest-bearing assets
Net gearing	= net debt / equity
OeNB	National Bank of Austria
Payroll ratio	= personnel expenses / total income
PKM	Passenger kilometers (= passengers transported x kilometers traveled)
RCC	Rail Cargo Carrier
RCG	Rail Cargo Group
RCO	Rail Cargo Operator
ROCE	= EBIT / capital employed
PP&E-to-net-worth ratio	= equity / property, plant and equipment
PP&E-to-net-worth ratio II	= (equity + non-current borrowings) / property, plant and equipment
PP&E ratio	= property, plant and equipment / total assets
SCHIG	Railway infrastructure service company (Schieneninfrastruktur-Dienstleistungsgesellschaft m.b.H.)
SIC	Standard Interpretation Committee
SLF	Free travel for students and apprentices
TEN-T	Trans-European Transport Network
TKM	Tonne-kilometers (= tonnes transported x kilometers traveled)
Traction	Propulsion of trains
TS	ÖBB-Technische Services GmbH
WIFO	Austrian Institute of Economic Research
Working capital	= inventories (excl. real estate recovery projects and prepayments on orders) + trade receivables – trade payables

About this report

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Tel.: from Austria, call 05-1717 (without area code) at the local rate; from abroad, please call +43 5-1717.

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Note

To ensure better legibility, we have desisted from consistently using both the male and female genders. Both genders are, of course, meant in all instances of mention.

Disclaimer

This report contains forward-looking estimates and statements made on the basis of all the information available to us at the present time. Forward-looking statements are usually characterized by the use of words such as “expect,” “estimate,” “plan,” and “anticipate.” Readers should be aware that actual developments – and, as such, actual results – may deviate from the expectations voiced in this report for various reasons.

The information provided in this report has been compiled to the best of our knowledge and verified with due and proper care. Subject to typesetting errors and misprints. This Annual Report is published in electronic format only: konzern.oebb.at/gb2016



oebb.at

ÖBB

WIRTSCHAFTLICHKEIT

INFRASTRUKTUR-AUSBAU

ZIELE

IMMER IN BEWEGUNG ÖBB

DIGITALISIERUNG

MOBILITÄTS-DIENSTLEISTER

FAHRPLAN WECHSEL

SERVICE-DESIGN-THINKING

FAHRGAST REKORD 2016

461 MIO. FAHRGÄSTE 2016

GEWINN BEI ABSTIMMUNG DER FÜSSE

FAHRGAST + ZUGEWINN IM FERNVERKEHR

ZUGEWINN IM NAHVERKEHR

GESCHÄFTSBERICHT 2016
ÖBB-HOLDING AG

DIGITALISIERUNG GÜTERVERKEHR
WOHL FÜHLEN AM BAHNHOF
SITZPLATZ FINDEN

EINER DER WENIGEN POSITIVEN GÜTERBAHNEN EUROPAS

POSITIVER GÜTERVERKEHR

ALLE TEILKONZERNE ERWIRTSCHAFTEN EIN POSITIVES ERGEBNIS

3. BESTES ERGEBNIS DER UNTERNEHMUNGSGESCHICHTE

ERGEBNIS SICHERUNG IM KONZERN

WIRTSCHAFTLICH HANDELN & AGIEREN

WERTSCHÖPFUNGSKETTE VON ÜBER 14 MRD. EURO
SCHAFFEN & SICHERN VON 10.000 ARBEITSPLÄTZEN

GROSSTEIL BEI KMUS

RAHMENPLAN 2017-2022

BAHNHOF OFFENSIVE

ATTRAKTIV & BARRIERE FREI

AUSBAU PARK & RIDE

BESCHLEUNIGUNG DER SÜDSTRECKE AUF TEMPO DER WESTSTRECKE

GRAZ 2h

KLAGENFURT 2.45h

INFRASTRUKTUR-ANVESTITIONEN

152 MRD.

WIR WOLLEN WACHSEN
750 500 Millionen
TONNEN FRACHT FAHRGÄSTE

LEISTUNGSVERSPRECHEN

SICHERHEIT = FUNDAMENT

PÜNKTLICHKEIT

VERTRAUEN

CONNECTIVITY ALS GRUNDBEDÜRFNIS

ONBOARD PORTAL

WLAN

BAHNHOF & ZÜGE

NEUER TICKETSHOP

USER-EINBINDUNG

UNTERHALTUNG

IC-RELATIONEN AUCH IM RAILJET

2,2 MIO. NEUE ZUGKILOMETER

AUS SCHLAFWAGEN WIRD NIGHT JET

S-BAHNEN IN ALLEN BUNDES LÄNDERN

KUNDEN & MITARBEITERINNEN ALS EXPERTEN

CHALLENGES

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