Bringing Austria together.

ANNUAL REPORT 2017
ÖBB-HOLDING AG


WIEN
ÖBB


WIEN HAUPTBAHNHOF

Key Performance Indicators

Earnings ratios (IFRS) (million euros, rounded)

	2017	**2016**	**2015**	**2014**	**2013**
Revenue	5,522	5,247	5,221	5,270	5,239
Total income	6,755	6,416	6,345	6,355	6,248
Cost of materials and purchased services	-1,926	-1,730	-1,751	-1,764	-1,793
Personnel expenses	-2,543	-2,478	-2,337	-2,407	-2,341
Other operating expenses	-462	-428	-451	-460	-530
EBITDA	1,823	1,779	1,806	1,723	1,584
Depreciation & amortization (incl. impairment)	-1,033	-968	-949	-859	-829
EBIT	790	811	857	864	755
Financial result	-614	-645	-664	-692	-652
EBT	176	166	193	172	103
ROCE (%)	3.2	3.4	3.7	3.9	3.6

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

Balance sheet total	28,351	27,344	26,475	25,746	24,631
Non-current assets	27,083	25,877	25,140	24,334	23,322
of which property, plant and equipment	*25,576*	*24,386*	*23,416*	*22,724*	*21,765*
Current assets	1,268	1,467	1,335	1,411	1,310
Equity	2,306	2,093	1,922	1,692	1,589
Equity ratio (%)	8.1	7.7	7.3	6.6	6.5
Financial liabilities	23,549	22,799	22,317	21,811	20,778
Net debt	23,101	22,113	21,306	20,839	20,024
Gross capital expenditure	2,503	2,400	2,032	2,057	2,170
Net debt/EBITDA (ratio)	12.7	12.4	11.8	12.1	12.6
Net gearing (ratio)	10.0	10.6	11.1	12.3	12.6

ÖBB. Österreichische Bundesbahnen –
Austrian Federal Railways

Contents

DIGITAL. A PDF version of the Annual Report for 2017 and related videos can be found at: **konzern.oebb.at/gb2017**

EMPLOYEES RECRUIT EMPLOYEES. About one third of all employees will leave ÖBB within the next five years. In the first quarter of 2017, ÖBB launched a major campaign to draw attention to ÖBB as an employer and to find new employees. What is special about the campaign is the fact that all the "models" are ÖBB employees and are advertising for their actual job. You can see a selection of the posters here – and the subjects of the campaign on the cover of this annual report.

Annual Report 2017: Statement of the Board of Management

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

A successful year. 2017 was another successful financial year for us. With an EBT of 176.3 million euros – an increase of six percent over the previous year – the ÖBB Group recorded the second-best result in its history in 2017. The past year also saw a new passenger record in rail passenger transport, and the volume of goods transported also increased significantly.

Total Group sales rose last year by more than five percent to over 5.5 billion euros, reaching a new high. Once again, all sub-groups achieved a positive result. The performance of passenger transport, which increased its EBT by six percent over the previous year to 86.7 million euros, was particularly gratifying. With an EBT of 42.3 million euros, Rail Cargo Austria is slightly below the previous year's level, however – in contrast to most other rail freight transport companies – it generated a positive result again in the previous year. And it did so despite the enormous price pressure that weighs on all European rail freight transport.
The Infrastructure sub-group recorded stable earnings in 2017, with EBT of 47.1 million euros in 2017. Inflation-related cost increases were offset by further efficiency gains and an improved financial result.

Another passenger record on the railways
Almost 246 million customers, more passengers than ever before, used ÖBB trains last year. In contrast to recent years, passenger growth in 2017 came mainly from long-distance transport, which increased by 1.2 million customers. However, the lion's share of the total number of passengers (over 209 million) was contributed by ÖBB passenger transport again in 2017. The total number of annual rail passengers has thus risen by over 60 million since 2006. In the ÖBB bus transport division, there was another slight decline of just over 3 million passengers in 2017. The reasons for this are – as in recent years –

demographic developments and the associated drop in the number of students and apprentices as well as the continuing competition for tenders. With over 213 million customers, the Postbus was once again one of the most important providers of public transport in Austria last year.

We want to bring 500 million passengers and 150 million tons of goods to their destinations safely and on time. In short: We want to be the best railway company in Europe!

Rail Cargo Group remains at the top in Europe
The European freight transport market benefited from the economic upswing in 2017: Industrial production and gross domestic product (GDP) increased significantly in almost all markets of importance to the Rail Cargo Group (RCG). In contrast, all European rail freight transport companies have to contend with enormous pressure on margins. Despite this, ÖBB's freight transport division was still able to generate EBT of around 42.3 million euros in 2017, thus consolidating its position at the top of Europe. As in previous years, RCG again achieved the key volume increases in 2017 on the international markets. In terms of transported volumes, RCG continues to be the strong no. 2 in Europe, and both Rail Cargo Austria and Rail Cargo Hungaria remained the clear market leaders in their domestic markets.

We are modernizing infrastructure throughout Austria.
One of the decisive factors for ÖBB's positive image is the further development of railway infrastructure, so ÖBB-Infrastruktur AG implemented hundreds of individual projects throughout Austria in the previous year. Customers take a very positive view of the continuation of this infrastructure expansion and modernization strategy. In every survey, the stations are rated as clean and – particularly important for the company as a whole – as safe, and passengers give their stay in our railway stations a "comfortable" rating.
It is particularly important that all construction projects were completed on time last year and, above all, again on budget. We have committed ourselves to this careful handling of public funds vis-à-vis taxpayers. And we lived up to this commitment again in 2017.

MAG. JOSEF HALBMAYR MBA. Member of the Board of Management of ÖBB-Holding (CFO)

In addition to the major projects Koralm Railway, Semmering base tunnel and Brenner base tunnel, a large number of stations were modernized again last year. In addition, there were key projects for freight transport such as the St. Pölten freight train bypass and the second expansion stage of the Wolfurt freight terminal. Furthermore, Infrastruktur AG invested over 110 million euros last year in the further expansion of the park and ride facilities, in noise abatement measures and in safety and operational management systems in order to further increase customer satisfaction.

Satisfied passengers
In terms of customer satisfaction, too, we again made significant gains in the past year.
In the overall assessment, we even managed the biggest gain since the Group began regularly measuring customer satisfaction.
The Austrians are not only the most dedicated

rail passengers in the EU, they are also among the most satisfied rail customers. This fact is particularly important for us because it shows that regular and consistent development has enabled ÖBB to avoid controversy and allowed it to increasingly become a true Austrian company of which everyone is proud.

On the way to the Champions League
We have major goals ahead of us: We want to bring 500 million passengers and 150 million tons of goods – within Austria and abroad – to their destinations safely and on time. The most important levers for this are quality, growth and profitability. For this reason, we've set up programs for all three areas so that we can finally advance to the Champions League. We want to remain the clear market leader in passenger transport and become Europe's most successful rail logistics provider. Our goal is – in short – to become the best railway company in Europe!

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

Finally, we would like to express our sincere thanks to the employees of ÖBB. Without your excellent daily performance and your strong commitment, we would not be in such good shape right now. And we would not be able to achieve our future goals. We are proud of you.
You can also be proud of yourselves and our company.

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 Chairman of the Supervisory Board

Setting the course. ÖBB stands at a crossroads due to increasing competition, the enormous changes being brought about to new technologies and, finally, the massive generational change in the company.

MAG. ARNOLD SCHIEFER.
Chairman of the Supervisory Board of ÖBB-Holding

In its 180-year history, Austrian railways has seldom been at such a crucial point, where taking the right steps is so vital. Why is that? As a Group, ÖBB faces unprecedented competition. In the freight sector, ÖBB has more than 30 competitors in Austria alone. The networking of markets and ongoing internationalization will further intensify the battle for customers. The same applies to passenger transport. Not only are existing competitors expanding their product range, new suppliers are also pushing their way onto the market.

All the more gratifying is the net income achieved in the past financial year. This is a credit to all our employees who do their best every day.

Nevertheless, we will have to do even more in the future. The digitalization of all areas of life has also been having an impact on mobility for some time. This brings new opportunities, but also entails risks. The opportunities lie in the improvement of existing offers for ÖBB customers and in new business areas, as well as in the optimization of many processes within ÖBB – from ticket sales to security and technical maintenance. The risks naturally lie in the market and in competition – including from completely new participants. Just think of the company Uber, which offers passenger road transport without owning any vehicles itself. Another decisive factor, however, will be how well all employees are involved in this process of digitalization.

On the way to becoming an integrated mobility provider

It is clear that ÖBB will change, indeed will have to change: from a railway company to an integrated mobility provider. The forthcoming generational change will play a central role in this. Around 13,000 employees will leave the company over the next five years due to their age. That is about one third of the workforce. Around 10,000 new employees are to join ÖBB to replace them. This change is a great opportunity for ÖBB to successfully manage the necessary technological change. However, it will also be necessary to control the associated risks. Because with the employees who leave ÖBB, a lot of knowledge and experience are also lost. The challenge will therefore be to retain existing expertise within the Group and to allow for new expertise to be developed. With the “Future of ÖBB” program and the formulation of common values that apply to all ÖBB employees, appropriate steps have been taken to equip ÖBB for this.

The annual result achieved in the past financial year is particularly gratifying. This is a credit to all our employees who do their best every day.

The mastery of new technologies and the opportunities resulting from digitalization will be decisive for ÖBB's future success. Nevertheless, the main basis for the company's success on the market remains the uncompromising fulfillment of ÖBB's value proposition: Punctuality, safety and reliability.

Austria benefits

Further improvements in safety are a major focus of the investments already decided on in the railway infrastructure. A total of more than two billion euros will be invested this year. A large part of this is devoted to safety, but also to noise protection measures, new park & ride facilities and to strengthening the branch lines. Austria as a business location, and above all, the people who live here, benefit from good railway infrastructure. And this makes it a necessity for ÖBB as the most important mobility provider in the country.

Remaining safe in the future. The achievements documented on the following pages make us confident that ÖBB will successfully master both upcoming and future challenges. As the new Chairman, I would therefore like to thank all our employees on behalf of the Supervisory Board for their efforts every day.

Mag. Arnold Schiefer
Chairman of the Supervisory Board of ÖBB-Holding AG

“If you know how to get things done, you can really make a difference.”

BERNHARD FABIAN (left), new manager of the Wels terminal, with his predecessor, **JOHANN SCHNÜRZER** (more on the topic of generational change starting on page 30)


Bringing Austria Together

The new level of quali

NEW SERVICES. Today, ÖBB provides the mobility of tomorrow and offers services for satisfied customers, which make rail travel itself, but also all that goes with it, modern and trendy, but above all simpler.

Traveling by rail has become a cool thing to do in the last few years. Trains are faster, more punctual and also look more modern and dynamic, the stations are modern, bright and friendly, tickets can also be bought on the Internet or by app and it's possible to surf the web during the train journey. Passengers have noticed these improvements and they have given ÖBB top marks in various customer surveys and analyses. The result: steadily increasing passenger numbers.
And they will continue to grow.

The railways are also accommodating to the changes in people's mobility behavior, which gives public transport much more space than in recent decades, albeit in combination with cars, bicycles or rental cars. This does not automatically mean more customers for ÖBB, because at the same time as demand increases, rail services are also growing – if you want to win passengers, you have to make an effort.

Service and offerings

While this competition is becoming ever more intense, new technologies are also changing ÖBB's business, with increasing digitalization making much possible that has never existed in this form before. Rail travel today is more than just traveling from point A to point B. Passengers expect modernity, digital services and a positive travel experience. Whether new stars for our fleet, modern apps, uniform user interfaces or car sharing: ÖBB is investing in the mobility of tomorrow and offers a variety of services. This not only makes rail travel itself, but also the overall experience, more modern and, above all, simpler for our customers. You can read more about this on the following pages.

MODERN LOCAL TRANSPORT FLEET. With the upgrade,

UPGRADE. By 2022, 187 Talent electric railcars and a projected 60 Desiro diesel railcars are to be brought up to the Cityjet level

ty in rail travel

all local trains can be recognized as part of the ÖBB family and at the same time they set a new quality standard

Better standards in local transport

MODERNIZATION. With the Cityjet, ÖBB has defined a new standard in local transport. Now a large part of the remaining local transport fleet is being brought up to this quality level.

ÖBB's local transport fleet is to be adapted to the Cityjet level by 2022. 187 Talent electric railcars and 60 Desiro diesel railcars will be upgraded and converted to meet current and future customer requirements. The upgrade will be visible from the outside by the same red-white-red paintwork as all Cityjets. Inside there will be a new level of quality: This includes new, comfortable seats everywhere, and the Talent now also gets WiFi with an onboard portal as well as monitors for passenger information and a repositioning of the speakers.

187

Talent electric railcars and probably 60 Desiro diesel railcars will be **upgraded** and converted to meet current and future customer requirements. The upgrade will be visible from the outside by the same **red-white-red paintwork** as all Cityjets.

CITYJET TALENT 3. Unmistakably ÖBB – and yet a bit more modern than anything that's on the rails in local transport up to now

From 2019: new TALENT 3 Cityjets

THE CITYJET FAMILY is growing with the addition of the TALENT 3. Comfort and customer-friendliness in local transport are being redefined.

Every vehicle procurement is a challenge, but also a great opportunity to implement innovations for the benefit of customers.
As a new member of the ÖBB Cityjet family, the TALENT 3 Cityjet will be on track in Vorarlberg from mid-2019 in order to transport customers with the interior optimally adapted to the season.
In winter, the multi-purpose zones are equipped with a storage area for skis and snowboards – in summer, additional areas are made available for bicycles. In one car of the coaches there will be a special bicycle fixing point to secure the bicycles that is especially easy on the pedals.

Like in 1st class

The new seat will provide the familiar comfort of the Cityjet Desiro ML: comfortable seat spacing, seats with adjustable back cushions and armrests made of artificial leather, seatback tables, footrests and newspaper nets. ÖBB thus offers its customers a level of comfort throughout the entire train which is only available in 1st class on other railways.

An easier way to buy a ticket

ONE SHOP, ONE DESIGN. The interface of the ÖBB ticket machine has been adapted to the look and feel of the online shop.

There are many ways to get an ÖBB ticket: traditionally at the ticket counter or by phone, via the Internet on your PC or via app. ÖBB offers a uniform user interface for ticket purchase across all sales channels so that customers can purchase tickets as quickly and easily as possible. In early 2016, ÖBB launched the new online and mobile ticketing system. In 2017, the approximately 1,000 ÖBB ticket machines at Austria's railway stations were gradually converted to the new, modern user interface, which leads to the right ticket with just a few clicks.

40,000 stops

Thanks to the integration of all seven Austrian transport associations, it is now possible to buy regional and national tickets for ÖBB trains, buses and trams at the ticket machine – no matter at which machine or at which station. Customers have a total of around 40,000 stops to choose from. The big advantage: The machine automatically selects the appropriate fare for the passenger. Existing tickets, for example for city transport or discounts, are taken into account and the ticket machine books the right ticket for the selected connection.

Connected Mobility

THE DIGITAL BUSINESS STRATEGY should be a catalyst for future success. ÖBB wants to actively shape the industry and strengthen its role as an integrated mobility service provider.

Three mantras – Simplify, Connect and Act – and five focal points define ÖBB's digital business strategy and will change the entire Group. Reduction of complexity, development of integration capability as a new core competence and focus on agile and iterative procedures form the guidelines of digital transformation.

Connected Traveler will offer travelers new products and services based on the promise of punctuality, security and reliability – all the way to a fully integrated digital mobility platform. **Connected Logistics** will reinvent the freight transport division with a digital freight forwarder and will ensure ÖBB business partners the best possible conditions, including full traceability of shipments. **Connected Assets** and **Connected Operations** define the adaptations in the background in order to ensure the effectiveness and efficiency of operational processes. Topics such as condition-based maintenance, automation and intelligent information management form the basis of these areas. As the fifth focus of the digital business strategy, **Connected Company** addresses topics such as culture, employee qualifications and new working models in order to transform ÖBB into an agile and networked organization.

CLEVER. Select route and means of transport, book and pay for tickets in one process

ONE app for all travel on public transport

SMART JOURNEY. For customers, Travel simply ("Einfach reisen") means having a single contact point for booking all journeys throughout the entire country.

Customers always want a single contact for booking all journeys throughout the country, regardless of the means of transport used. The Smart Journey project is currently investigating how accurately and reliably the smartphone app works. Pilot users from all ÖBB ÖSTERREICHCARD holders over 18 from Styria and Carinthia were selected and received a project app that records their daily routes.

In addition to ÖBB-Personenverkehr, BMVIT, the Austrian Institute of Technology, the provinces of Styria and Carinthia, the Verkehrsverbund Steiermark and the Kärntner Linien are also involved in the Smart Journey project.

Interfaces

The findings are intended to help improve public transport services and optimize interfaces between rail, tram and bus. The Smart Journey app can differentiate between eight different modes of transport: Walking, bike, motorcycle, car, bus, tram, subway and train.

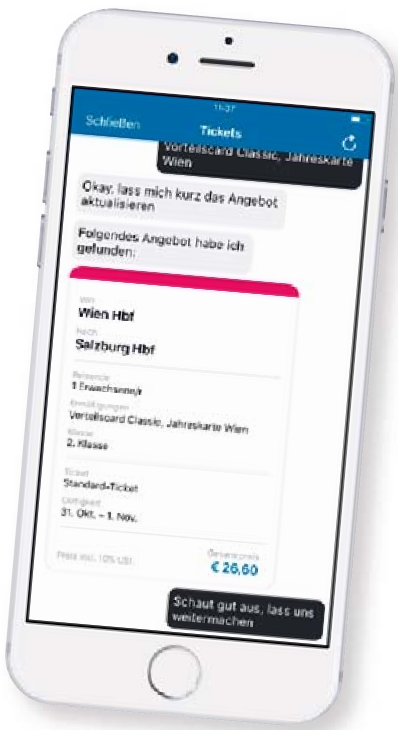
Predictable

wegfinder is an extension of ÖBB's sales channels and offers passengers the opportunity to obtain **information from all providers.** This gives ÖBB passengers an additional **information and booking service,** allowing them to choose how they prefer to plan their journey.

wegfinder finds the route

MOBILITY CHAIN. The wegfinder app for Android mobile phones or iPhone compares all options for getting from door to door – passengers make their selection and book the ticket.

Users are shown the duration of the entire trip in wegfinder and can book tickets for their connections directly in the app. Tickets are available for ÖBB and all transport associations. WESTbahn, Flixbus, CAT, Vienna Airport Lines, carsharing, Uber, Taxi 40100 and on-demand services such as collective taxis can also be booked, and there are links to the respective portals. Then passengers select the suitable connection in the route planner, and with a click a chat dialog opens, which guides them through the purchase process.



FIND YOUR WAY. The app guides the user from door to door, including ticket booking

CONSTRUCTION WORK. The two tunnel projects on the southern line are progressing as planned

Construction progress on the southern line

A NEW PACE. It will open up a new dimension of travel by significantly reducing travel times – and the construction work on the southern line itself is making good progress.

200 kilometers of railway line to be modernized, 170 kilometers newly built. 80 kilometers of new tunnels and 150 new bridges are being built – work on the southern line is progressing rapidly.
Two key sections were started in 2017: the last section of the Semmering base tunnel, the Grautschenhof tunnel section, and the last kilometers of new construction on the Koralm railway between Aich and Mittlern. The entire Semmering base tunnel should be completed by 2026, making the southern line fully usable.

A lot's going on in the south

The Semmering base tunnel will shorten travel times enormously, and freight traffic will also benefit.

The tunnel sections of the Koralm railway are just as important: An important milestone was reached in February last year with the tunnel breakthrough at the Lind Tunnel, and construction of the last tunnel section between Mittlern and Althofen/Drau, in a geologically very demanding area, began in the summer. Graz and Klagenfurt will then be only 45 minutes apart, the journey time between Klagenfurt and Vienna will be less than three hours on the new southern line – a new dimension in travel.

Timetable information with Alexa

THE PURPOSE OF PERSONAL ASSISTANTS is to make life easier for the user when searching the Internet – including timetable inquiries, information on ticket prices and much more.

One hears "Hey, Siri", "Okay, Google", "Alexa,…" more and more frequently in Austrian households. And ÖBB has been offering these services since Easter 2017, which allow users to hold a real conversation and even ask for details on timetable, departure times and ticket prices. The developers rely on Amazon's Alexa, which dominates the German market and enables the integration of third-party providers. Timetable information can then be retrieved something like this: "Alexa, ask Austrian Federal Railways for the next connection from Innsbruck to Vienna." New functions are already being worked on, such as storing the home station, to make queries even easier.

"HELLO, ALEXA, ask for the next connection to Vienna"

Crossing borders with the new Vectron

ÖBB is investing in new electric locomotives for freight transport.

With the locomotive series 1293 Vectron from Siemens, ÖBB is receiving a locomotive for cross-border freight transport. Vectron offers cross-border journeys, established operations and very high reliability. The new locomotives will allow us more Group-owned traction stock in Europe: from the Czech Republic to Italy or from Germany to Slovenia. The framework agreement from 2017 provides for the delivery of up to 200 electric locomotives in three different designs.

In an initial call-off order, 30 units of Multisystem locomotives for alternating and direct current have been ordered, the first locomotives are expected from the beginning of 2018. Once approved, they will be deployed immediately and roll across Europe.

A look back at 2017

MILESTONES IN THE YEAR. Fleet upgrades and new locomotives, several digitalization offensives, spectacular construction projects, but also investments in the company's corporate culture and the well-being of its employees were the main events within ÖBB in 2017. Above all, however, it was possible to continue to win over customers for the railway.


nightjet
A-ÖBB 73 81 59-91 213-3 Bcmz

01/19

25 million euros for more service and safety

ÖBB is putting together a safety package to improve the safety of customers and, above all, train and station staff. Investments are being made in construction measures at the stations, in technical improvements, such as communication in the event of an emergency, and in additional personnel. Instead of one train attendant, there are now two, and in the evening and night hours security is provided in the train.

01/30

Exhibition "Years of Silence" visits Tel Aviv

The ÖBB thematic exhibition "Years of Silence – Austrian Railways and the Nazi Regime 1938-1945" was presented for the first time in June 2012. It sheds light on the darkest chapter in the company's history and thus makes an important contribution to coming to terms with the past. The exhibition has visited several places, both in Austria and abroad. On January 30, 2017, the exhibition was opened by ÖBB CFO Josef Halbmayr at the University of Tel Aviv in Israel and remained on display until March 17. Since then, the exhibition has been on permanent display at the ÖBB education center in St. Pölten-Wörth.

A look back at 2017

In brief

02/08 CEO Matthä on the Board of Management of CER. Andreas Matthä is unanimously elected to the Management Committee at the General Assembly of the Community of European Railways and Infrastructure Managers (CER). The election underlines the importance of ÖBB in the European context.

02/21 Breakthrough in the Koralm railway tunnel. After a construction period of just over half a year, the tunnel breakthrough at the Lind tunnel in the Grafenstein community took place on February 21 at 09:15 am. The miners had been working their way through the mountain since July and reached the future eastern tunnel portal near the 600-meter long bridge at Stein.

01/13

Nightjet – the night trains

While other European providers are withdrawing from the market, ÖBB has expanded its night train services and is the market leader in the EU. Since the end of the year, the entire fleet has been on the rails in the blue Nightjet exterior design, and around 1.4 million passengers have traveled with the Nightjet.

01/30

New locomotives for freight transport

The first 30 Vectron locomotives have been ordered. They are designed for use in international freight transport. The entire framework agreement covers the delivery of up to 200 locomotives in three different designs.

"Good morning. Tickets, please!"

CHANGE OF PERSPECTIVE. In order to gain a better understanding of the work that is done in the company, all ÖBB board members took over the job of employees for one day.

02/15

Link: The film about the change of perspective is available here: **blog.oebb.at/perspektivenwechsel**

To move more than 459 million passengers and 115 million tons of goods every year, we send over 6,500 trains and 2,200 buses out every day. And the more than 40,000 employees in the Group are responsible for the fact that this is even possible. The figures are an impressive representation that rail travel is a highly complex undertaking. This can only work if we cooperate closely.

From another person's point of view

No matter how perfect the technology, and no matter how well organized the process, a journey by train or bus can only be perfect if the employees involved work together perfectly. And that is why it is particularly important in a very diverse and highly complex company such as ÖBB that employees also know what their colleagues are doing. Even better: It can only aid cooperation when employees take on the role of another person for a day to see what demands and challenges they face every day. Taking another's point of view, getting a new perspective – that's the best recipe for good cooperation.

The members of the Board of Management showed the way in February. They spent a day being a train attendant, shunting trains or working as an account manager for one day and experienced a lot of new things. In the near future, you will gain a different perspective for a day, too, allowing you to learn even more about our fascinating company.

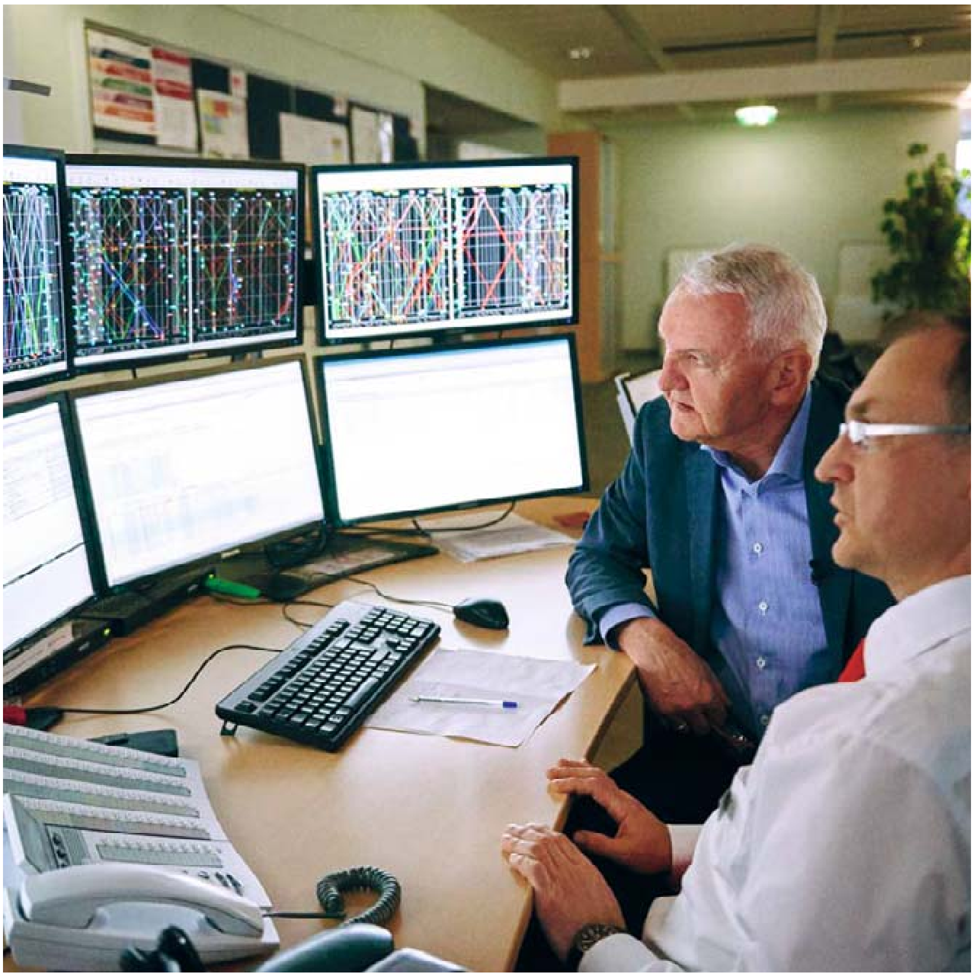
"What our apprentices are capable of is very impressive."

Silvia Angelo, member of the Board of Management of Infra, in the St. Pölten apprenticeship workshop: "It was stressful, but also very interesting and instructive. That's really hard work. My arms almost fell off. You have to respect the drills and their power. But for the apprentices it's no big deal, they just roll up their sleeves and get to work. What our apprentices are capable of is very impressive."

“Adapting to people and their reactions”

Andreas Matthä, ÖBB Chairman of the Board of Management, as train attendant: “I got a new understanding of the job, and I hope I’ve validated all the tickets reasonably well. It was impressive for me how well our train attendants can adapt to every customer. After all, every passenger you deal with is a new person, with different reactions and expectations. They do outstanding work!”

Awarded the national PR Prize in the “Internal PR” category



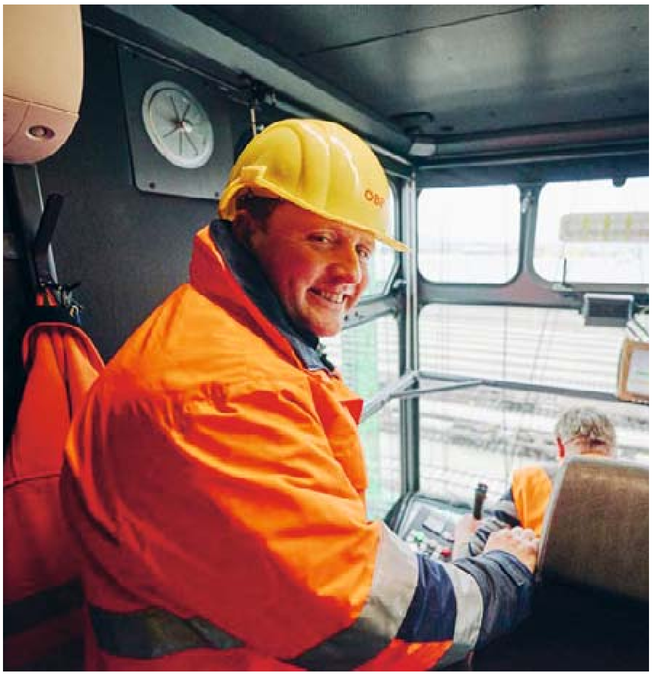
“React quickly and get it done”

Josef Halbmayr, ÖBB CFO, in the traffic control center: “Something is always going on, around the clock. I learned that 95,000 reports a year have to be processed, and the big challenge is always to process them quickly and to react quickly in the interest of the customer. The colleagues I met and talked to here understand that customer satisfaction is the top priority. That’s what I learned today.”

Awarded the national PR Prize in the "Internal PR" category

"Experienced employees who understand human nature"

Franz Seiser, Infra Board of Management, at Mungos: "It was phenomenal. We experienced some things that Mungos employees normally go through. Reaching out to people you don't know is something you don't often have to do in management, and our colleagues here do that all the time. What is needed here are people with a lot of experience who know when and how to get things done. "You need strong understanding of human nature to do this job."



"Thinking outside the box"

Thomas Kargl, RCG Board of Management, at the Southern freight center: "It is fascinating how many processes are necessary – from the arrival of goods to the time the train starts or vice versa, from the arrival of the train to the delivery of the container. Even more fascinating is how the gears mesh, how motivated the employees are, and above all: They think outside the box and identify with the company."

"Maintenance during operation"

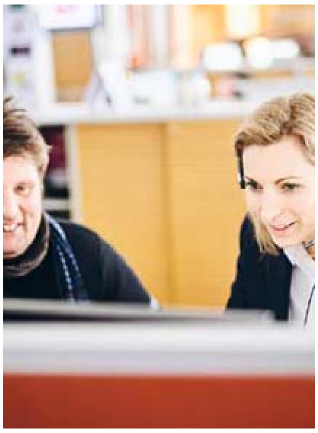
Franz Bauer, Infra Board of Management, at the switching service (ASC) St. Pölten: "I am fascinated by the level of dedication demonstrated by our colleagues here. There's an incredible number of things to do. I'm very impressed because you can sit at your desk and think: Another switch failure, what's going on? But you can see what you have to do to keep the switch from being affected."

"Receipt inspection and clearance"

Erik Regter, RCG Board of Management, in the scheduling department in the Southern freight center: "Together we made a receipt inspection of the incoming containers and loading units and then handled everything so that the train was ready. At the end of the day, whether the customer is satisfied or not depends on the people who work as a team here."

"Keeping everything in mind at the same time"

Valerie Hackl, PV Board of Management, in customer service: "It's really nice receiving inquiries directly and answering our customers. You have to adapt to a different person every time you call and provide them the exact service they need. This is a real challenge and requires a lot of knowledge: Timetable information, fare information, system information – all at the same time."



"Systems related to safety and comfort"

Siegfried Stumpf, PV Board of Management, as locomotive driver: "The train driver took very good care of me. After comprehensive training, we put the train through its paces, both inside and outside, and checked all safety systems and the systems relevant to our customers' comfort. It went wonderfully – great experience."

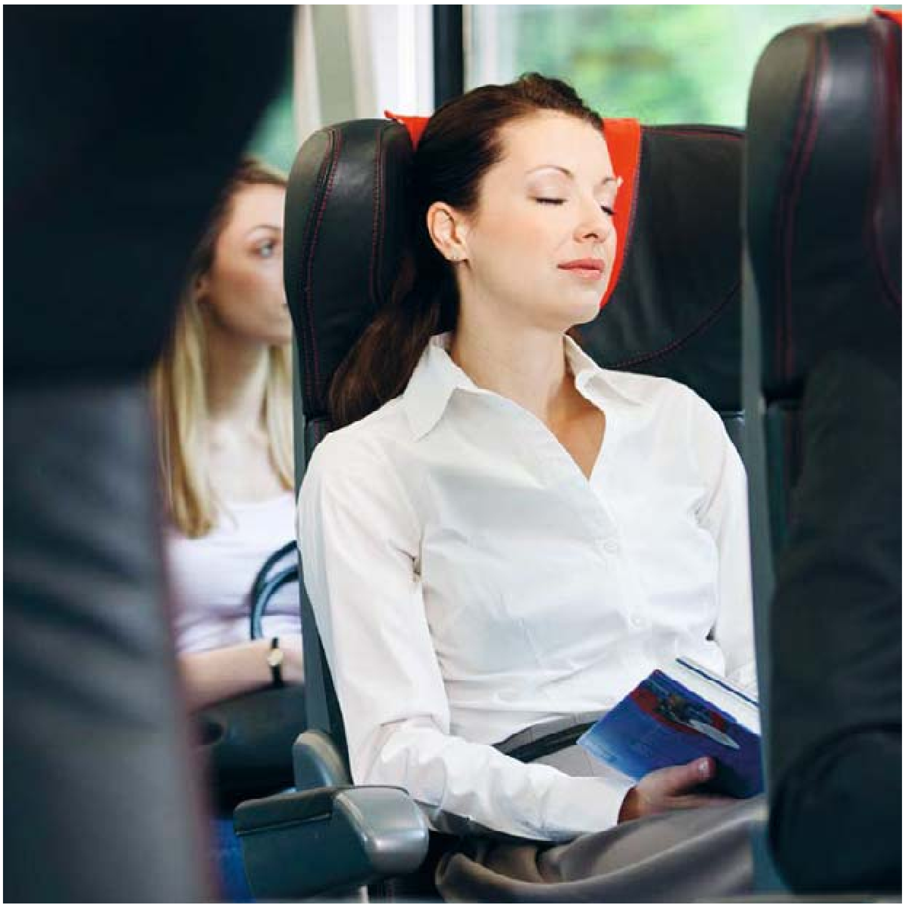
"A lot of experience and good instincts"

Evelyn Palla, PV Board of Management, as train attendant: "Our train attendants demonstrate a high degree of flexibility every day in direct contact with our passengers and in dealing with difficult situations on the train. This requires a great deal of knowledge, experience and tact in order to be able to react in the best possible way in every situation. Their ability impressed me very much."

"Hard work with additional activities"

Clemens Först, spokesman of the RCG Board of Management, in shunting: "I was surprised by the variety of activities. Coupling and setting switches in every kind of weather is tough work. In addition, constant caution is needed in working in the hazard area – I have a great deal of respect for all those colleagues who work so hard every day shunting these railcars. To experience all this myself and to slip into another role was the highlight for me."

A look back at 2017



02/23
Customer satisfaction remains high

All in all, according to the current Gallup analysis, ÖBB offers excellent service in the train, at the station and on the bus. There is potential for improvement in the area of information in the event of timetable irregularities and the handling of complaints. It is interesting to note that, in general, the demands of passengers have increased again. Customers are now accustomed to a high standard on the part of ÖBB, which they rightly want to experience again.

03/24
Employees recruit employees

Part of active generational management is for ÖBB to photograph colleagues rather than models on posters and advertisements to find new employees. They are specially cast and photographed in a real work situation.

In brief

03/23 Expansion of Vienna – Bratislava in full swing. We are continuing the vigorous expansion of the Vienna – Bratislava railway line. The preparatory work for a first temporary track is now being carried out. Large parts of the line from Vienna-Stadlau to the national border are being expanded to two tracks and electrified, enabling better rail connections between the capitals of Vienna and Bratislava.

04/06 ÖBB has talent. Unbelievable: 4530 colleagues submitted a total of 913 proposals for the best ÖBB idea. The winners were the mobile phone network in tunnels, navigation to railway-specific coordinates and an idea for the ticket machine displays.

03/24
Always on the move

After five years, the previous slogan "Get moving" is replaced by the performance promise "Always on the move". ÖBB is telling its customers that it is always there for them and at the same time working to constantly improve.

04/27

Top result in the statement of financial position in 2016

For the fifth time in a row, ÖBB is in the black and achieves the third best result in the Group’s history. Passenger transport and infrastructure achieve a better result in 2016 than in the previous year. The Rail Cargo Group also generates a profit with a strong finish. ÖBB is particularly pleased with the results among its customers: 244.2 million passengers represents a new record in rail transport.

06/01

We are all "The future of ÖBB"

Together, we are even stronger. The motivation, agility and strength of all employees should be integrated a bit further into everyday life and equip the Group for new challenges in order to create new offers and find new solutions for customers. In the four sub-projects "Purpose", "Corporate Culture", "ÖBB Brand" and "Employer Branding", the "Future of the ÖBB" program involves all employees in key issues.

A look back at 2017

In brief

06/01 HELLÖ sold to Flixbus. ÖBB sells its long-distance bus start-up. Since ÖBB entered the long-distance bus market in 2016, the business has changed significantly and is now characterized by low ticket prices and strong consolidation.

06/28 Second construction phase at the ÖBB freight center in Wolfurt completed. As planned, the second construction phase of the new freight center in Wolfurt goes into operation at the end of June. Two container cranes were delivered and erected in the spring. After extensive tests, the "powerhouses", each weighing 350 tons, are now available for the first container lifts. The 24-meter-high cranes are very clearly visible from the Rhine Valley highway.

06/27

ÖBB VORTEILSCARD 66 takes off

This card combines an attractive customer loyalty instrument with trend-setting digital sales channels: If you purchase online, you now get the ÖBB VORTEILSCARD for 66 euros instead of 99 euros.

06/17

ÖBB participates in the Rainbow Parade

ÖBB's participation in the Vienna event, which stands for tolerance and openness, is practically a tradition. More than 100 employees send a visible signal for a culture of solidarity and equal treatment.

06/30

Last section on Semmering under construction

Mining work is now starting on the third and last 7-kilometer-long Grautschenhof tunnel section. Between Spital am Semmering and Mürzzuschlag, the two shafts, each 100 meters deep, have already been dug.

Next Generation

KNOWLEDGE TRANSFER. One third of all ÖBB employees will leave the company in the next few years due to their age. We'll take a closer look at the handovers and knowledge transfer.

07/10

The average age of employees of the ÖBB Group is 46 years, 13,000 employees will leave the company in the next few years – and with them expertise that has often been accumulated over an entire working life. We introduce two pairs of employees who report on the handover of duties.

Walter Schwaighofer (60) and Christopher Prax-Huber (27)

Knowledge transfer at Rail Cargo Logistics – Austria GmbH – MOBILER. Walter Schwaighofer's career shows what it means to move things – in the truest sense of the word. In 1999, he learned about a hydraulic lifting system that makes it easy to transfer containers from rail to truck without a crane or siding. And pushed for it until it was finally used as MOBILER at Rail Cargo Austria AG. Only a few years later, the system was already in the black; today it replaces 70,000 truck journeys a year. Walter Schwaighofer's modest comment: "The MOBILER shows that a lot can be done here at ÖBB. You just can't wait, you just have to take the initiative."

Learning by doing or a strict curriculum? "The devil is in the details," says Christopher Prax-Huber, "you not only have to know a lot about the railway, but even more about the interfaces and truck transport." Prax-Huber has been Walter Schwaighofer's successor since February. This had been arranged last fall, and since then the two have been working closely together, even sharing a desk at times. Christopher Prax-Huber has been with ÖBB since 2014 and has of course learned a lot from his boss and longstanding colleagues in the team in recent years – above all, he knows what to expect: "The job is anything but simple," he says, "the system may look easy, but the trick is to be competitive with it."

13,000

employees will leave the company in the coming years – the average age in the ÖBB Group is about 46. **About one third of the employees** will have to be replaced in the coming years. This makes knowledge transfer a central topic of corporate culture.

CHRISTOPHER PRAX-HUBER AND WALTER SCHWAIG-

Stingy with intellectual property? "Certainly not," says Walter Schwaighofer, "I want the MOBILER success story to continue." Basically, all his knowledge is stored in computer drives, from its beginnings to the present day. The fact that his successor appreciates the system makes the handover even easier. "It's a truly innovative product. I have great respect for that when I look at the history of MOBILER."

Gerald Sturm (61) and Alexandra Wallner (34)

Knowledge transfer in project information at ÖBB-Infrastruktur. Since his beginnings at the railway in 1971, Gerald Sturm has always been interested in communication. First at work as a telecommunications technician, later in various jobs throughout the company:

"I wanted to show the people out there what ÖBB does for them." GERALD STURM

HOFER. The art of being competitive

"I think the railways didn't market themselves very well in the past. I wanted to change that and show people out there what ÖBB does for them," he says.
Nine years ago, Gerald Sturm finally arrived at ÖBB-Infrastruktur AG, where he is responsible for the communication of major projects. Specifically, he manages the project information of new and expansion projects, but also of SAE projects. He's actually taking his victory lap. He had planned to leave the company with the opening of his last major project, the Vienna-South freight center. Then Gerald Sturm postponed his retirement by a year in order to have time for the handover to his successor Alexandra Wallner.

GERALD STURM AND ALEXANDRA WALLNER specialize in communications in major projects. The Pottendorf line is one of the projects in which the two are responsible for communications. Transparency, tact and professionalism are the order of the day.

Learning by doing or a strict curriculum? However, the two have been colleagues for much longer. Ten years ago Alexandra Wallner joined Gerald Sturm after a trainee program. "I was very lucky to have several experienced colleagues at my side at the time. I was able to learn a lot from them and they opened up an important network for me," says Alexandra Wallner today. Know-how and experience were thus passed on over many years, and the two had also been working together on the major Pottendorf line project one and a half years before Alexandra Wallner's maternity leave. "We now want to maintain continuity," says Gerald Sturm, "Before I retire, I will of course give Alexandra an update about everything that happened last year. Being able to make use of experience can save a lot of time down the road."

Stingy with intellectual property? "I see this quite pragmatically," says Gerald Sturm, "I was paid for my job. It goes without saying that I would pass on my knowledge. What good does it do me when I'm retired?"

07/26
Last section of the Koralm railway in planning

ÖBB-Infrastruktur AG is tackling the last major construction phase of the Koralm railway: The detailed planning for the new line between Feldkirchen and Weitendorf, including a cut-and-cover tunnel and a new rail freight station, begins.

08/09
Railway love stories

Under the hashtag #summeroflove, ÖBB launches an appeal to customers to post their very personal love stories about the railway on Facebook, which are then recounted on ÖBB's social media channels.

In brief

07/11 New look for the customer magazine. The update of its content and appearance makes railaxed more modern, fresher and reader-friendly. The electronic version of the magazine can be found on the website, which has also been updated, at railaxed.at.

08/22 Ticket machines modernized. The conversion of the 1,000 ÖBB ticket machines at Austria's railway stations to the new user interface, which started in June, has reached Vienna. By the end of the year, ticket purchases will function according to the same principle on all sales channels. In April 2017, the ticket shop was also rolled out at the counter employees' workstations.

A look back at 2017

08/17
Customer satisfaction is increasing

In the 2017 VCÖ railway test, customers give ÖBB an overall grade of 2.12, which is better than in the previous year. Satisfaction clearly remains at a high level. As always, the staff on the train and the Postbus gets extremely high ratings.

07/27

Vienna S-Bahn is now light green and antique pink

The S-Bahn has long been part of the Vienna public transport system, and now both lines have their own color on the transport maps and a correspondingly color-coded route in the stations, similar to the Vienna subway.

09/01

Higher penalties for attacks on employees

At the beginning of 2017, ÖBB put together a security package worth 25 million euros for more safety for customers in trains and at stations, but above all for employees who had increasingly fallen victim to verbal or physical attacks. Investments were made in construction measures at the stations and in technical improvements, for example for communication between train staff, dispatchers and executives in the event of an incident. At the same time, however, the number of staff on trains and at railway stations has been significantly increased and cooperation with the police has been strengthened. The use of body cams by security personnel at railway stations has also proved its worth.
Together with the employee representatives and with the support of the BMVIT, the ÖBB management advocated tougher penalties for crimes against railway staff – and thus generally for staff on all public transport systems. And we succeeded: At the beginning of September, an amendment to the Penal Code came into force which provides better protection for public transport staff against violence and assaults due to the deterrent effect of tougher penalties. Now, anyone who assaults a bus driver, train attendant, tram driver or ticket inspector in the subway will face significantly higher penalties.

09/08
Record number of apprentices in training

566 young people started their training in 22 apprenticeship professions in the fall. The total of 1,900 young people in the ÖBB apprenticeship program set a new record. This is a good thing, because the next few years will see a generational change in the company, and more well-trained junior staff will be needed than ever. In Vienna, the construction of the new central workshop at Hebbelplatz came along rapidly, with the opening planned for fall 2018.

A look back at 2017

In brief

09/10 New ÖBB safety campaign "Take care of yourself". With the beginning of the new school year, ÖBB launches its annual safety campaign to improve safe behavior in the vicinity of railway facilities. The safety campaign is supported with posters, flyers, its own website, social media activities, lectures in schools and other activities.

09/19 The first e-filling station at Leoben station. Environmentally friendly rail meets environmentally friendly individual transport: The first ÖBB e-filling station is available to travelers at the Leoben station. By the end of 2018, 50 park and ride locations will be equipped with 150 charging points.

09/01
New personnel strategy on tour

The new personnel strategy will be presented as part of a rail tour through the regions. Each and every individual in the ÖBB Group is invited to work on this and to contribute new topics.

09/07
Record number of participants in the Wien Energie Business Run

Incredible: 1,560 runners and 123 walkers from ÖBB are taking part in the Wien Energie Business Run, making our Group the company with the highest number of participants for the first time.

“We can be proud”

ÖBB FAMILIES. We met father, son and grandson of the railway dynasty Forstner for an interview. Our topics: Railway and ÖBB – what else!

11/23

At the Sunday family lunch of grandfather Walter, son Helmut and grandson Michael Forstner there is one main topic: the railway. A total of six generations in this family have dedicated their working lives to ÖBB or are still doing so. Starting with Walter’s great-grandfather, who worked as a railway brake driver from 1873, up to Michael Forstner, currently Managing Director of the City Airport Train (CAT). In between there have been many years and different careers that have one thing in common: a great passion for the railways.

Walter Forstner, why did you join ÖBB?
WALTER FORSTNER: In my childhood in the thirties and forties, locomotive drivers were the dream job of my generation. My dad, who was also a railwayman, once took me to the West station, where a steam locomotive was exhibited. They let me go into the driver’s cab, and that did it for me: I wanted to drive a locomotive like this someday.

And when did you finally join ÖBB?
WALTER FORSTNER: In 1949 I started my apprenticeship as a machine fitter, and in 1954 I started my training as a train driver. Later I passed the machine master examination and in 1979 I became an instructor, a trainer, on the western route.

Was driving a train as good as you’d imagined as a child?
WALTER FORSTNER: Better!

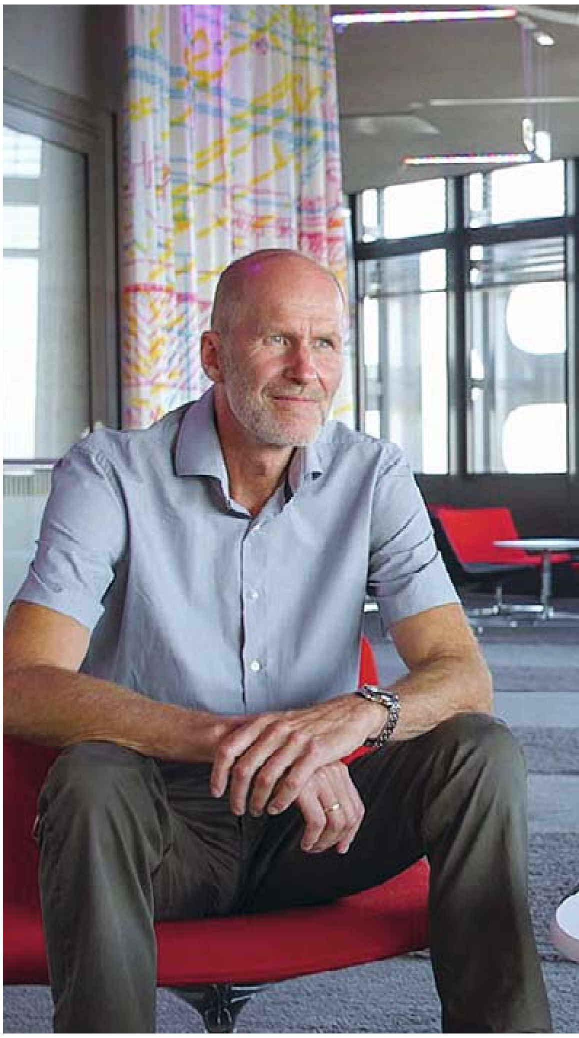
Helmut Forstner, did you and your father get the railway bug at an early age?
HELMUT FORSTNER: No, as a child and teenager I had almost no interest in the railway. But what fascinated me was standing on top of the Ameis bridge on my way home from school, where the Western railway runs below, and watching the trains.

And what made you finally decide on the railway?

30

Families revealed their “ÖBB family tree” as part of the **ÖBB Families project on the occasion of ÖBB’s 180th birthday**. The history and connection of families with ÖBB often goes back up to six generations. You can find more information on the following double page and at oebbfamilien.at

“Of course, I was delighted that my son was carrying on the family tradition.” **HELMUT FORSTNER**



THE FORSTNERS. Helmut Forstner, Project Manager at

HELMUT FORSTNER: After graduating from high school, I didn’t really know what I wanted to do. My father gave me some advice: “Try the railway!” So, shortly after graduating from high school in 1977, I started working in machine servicing and completed the one-and-a-half-year training as a machine technician.

Then what happened?
HELMUT FORSTNER: I sort of followed my father’s career, you could say. After the first few years I also worked in the area of train driver training. And finally I started writing manuals for locomotives and multiple units. One of the biggest projects at that time was the introduction of Taurus locomotives at ÖBB. My job included working with suppliers, colleagues and the project manager to make the locomotive

ETCS, Walter Forstner, retired train driver, and Michael Forstner, Managing Director of City Airport Train

more user-friendly and reliable. This was the first large series of locomotives that were computer-controlled. There were many ways to improve things by changing the software.

Walter Forstner, have you been in a driver's cab since you retired?

WALTER FORSTNER: Yes. It's no comparison to then. These modern locomotives and speeds of up to 230 km/h. When I retired, 140 was the maximum. So it was a great feeling.

How does it feel to drive a steam locomotive and, in comparison, an electric locomotive?

WALTER FORSTNER: The steam engine is a living thing. You could feel the power, it was a completely different driving experience compared to a modern electric locomotive with an air-conditioned driver's cab. It was hot in the steam engine, it was a living machine.

Now to the third generation. Michael Forstner, when did your interest in the railway begin?

MICHAEL FORSTNER: I have been fascinated by the railway since I was a child. I have two hobbies: One is aviation and the other is the railways. Of course I saw the train from an early age through my grandfather and dad. I saw how much passion there was behind it, and it became very contagious very quickly.

So you came to ÖBB directly after college?

MICHAEL FORSTNER: No, at first I was drawn to aviation. My first job at ÖBB was at Immo. Then I switched to the strategic corporate development of passenger transport as project manager for strategy projects. One of my biggest projects at that time was the strategic orientation of the airport connection. This topic was tailor-made for me. And when the project was over, I joined CAT almost three and a half years ago as Managing Director. This is now, of course, an absolutely perfect fit. The CAT is an ideal combination of a bit of aviation with a lot of railway.

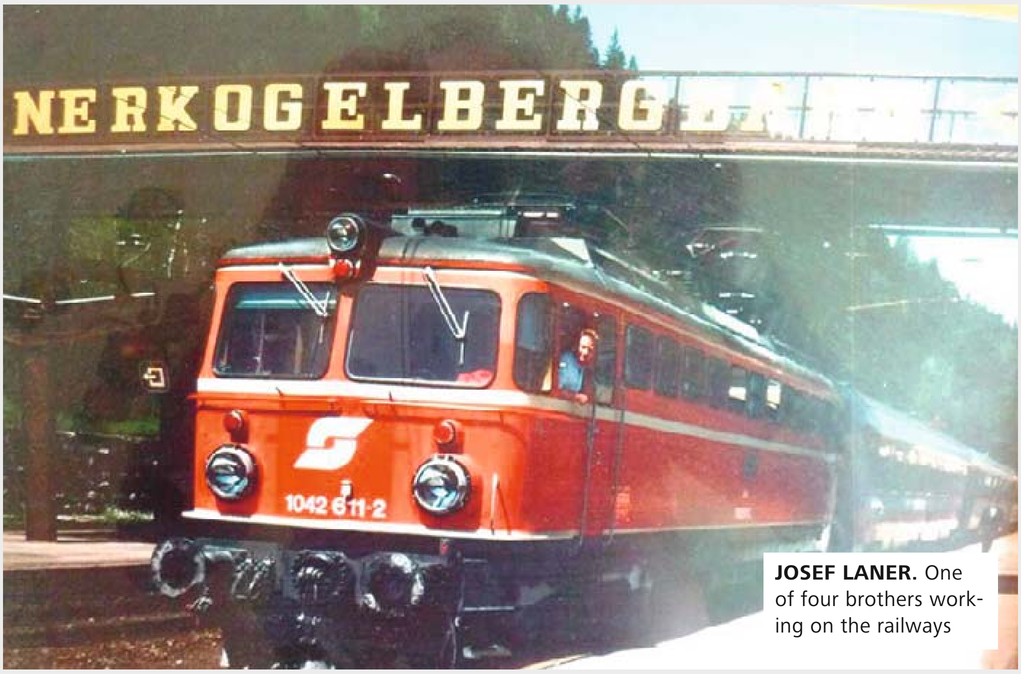
Helmut Forstner, what did you think of your son's career?

HELMUT FORSTNER: Of course I was happy that my son continued the family tradition and went to ÖBB. I was even more pleased that, like all the generations before him, he moved into the sales area and can pursue his passions at CAT.

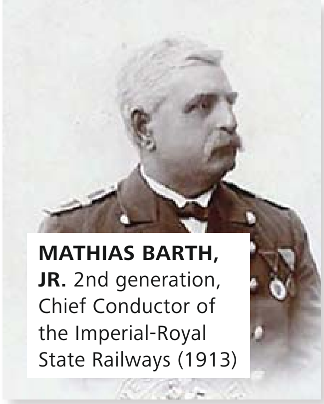
What did grandfather think of that?

WALTER FORSTNER: Great. So many generations in the railway, you have to be proud.

Link: The interview with three generations of Forstners is available at: **oebb.at/oebb-familien**



JOSEF LANER. One of four brothers working on the railways



MATHIAS BARTH, JR. 2nd generation, Chief Conductor of the Imperial-Royal State Railways (1913)

The Laner family

Johann Laner comes from a big family. And out of six boys and four girls, four siblings ended up with the railroad. His father Alois Laner worked as an ÖBB carpenter in the Bischofshofen railway maintenance workshop until 1965. The eldest son Alois Jr., born in 1933, was the building construction manager in Bischofshofen. Josef, the second born (1936), was a cashier at the train station in Zell am See. Paul, born in 1938, was shunting supervisor at Bischofshofen station. Johann, born in 1941, was a train driver in Bischofshofen for many years. The youngest brother, Josef, born in 1946, was dispatcher and station manager in Zell am See. Unfortunately, four of the six railwaymen of the Laner family have already died – in some cases much too young.

JOHANN LANER. Of his six boys and four girls, four siblings went to the railroad

JOSEF LANER was a train driver in Bischofshofen for many years

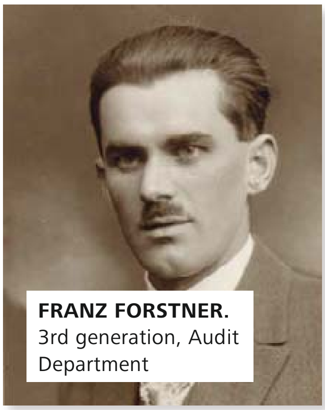
The Forstner family

The first railwayman in the Forstner family, Mathias Barth Sr., traveled on freight cars in the middle of the 19th century to brake the train manually at the command of the locomotive driver. His son Barth Jr. was then already employed as chief conductor at the Imperial-Royal State Railway. Franz Forstner followed his father-in-law, started as a conductor and finished his career as an auditor. His son Walter Forstner became locomotive driver and then instructor and was the first driver in Austria to carry out a test drive of over 200 km/h on what was then the high-speed route. Helmut Forstner has dedicated his professional life to ÖBB and is currently responsible for all train safety systems. Michael Forstner has been with ÖBB for seven years and is currently Managing Director of the City Airport Train (CAT).

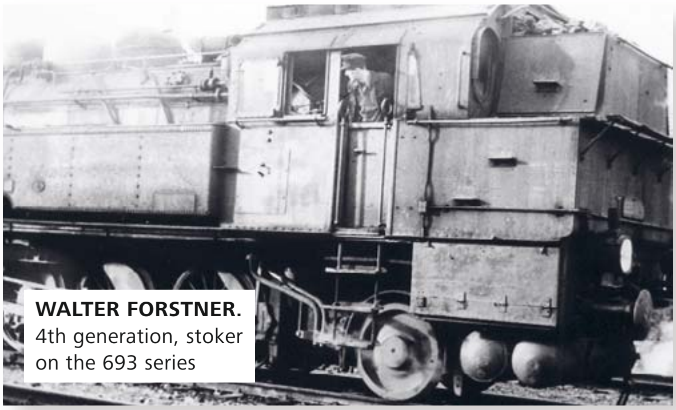
MANUELA HARDT. The 5th generation working for ÖBB

Schimpel/Schieder/Hardt family

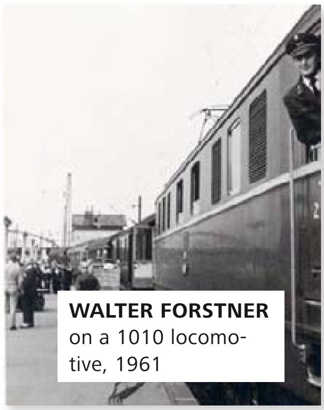
For Manuela Hardt, the railway is – as with many of her relatives – part of her family history. Her great-grandfather, Leopold Schimpel, was the founder of her "railway family" and worked as a stoker for the Imperial-Royal Northwest Railway. All his sons and almost all his grandsons later became railway workers themselves. His grandsons were or still are in the service of ÖBB. And so are most of the granddaughters' husbands. Manuela Hardt was the first female descendant after three generations to follow in the footsteps of her great-grandfather in 1986 – most recently in the Infra, QS/MNP staff.



FRANZ FORSTNER. 3rd generation, Audit Department

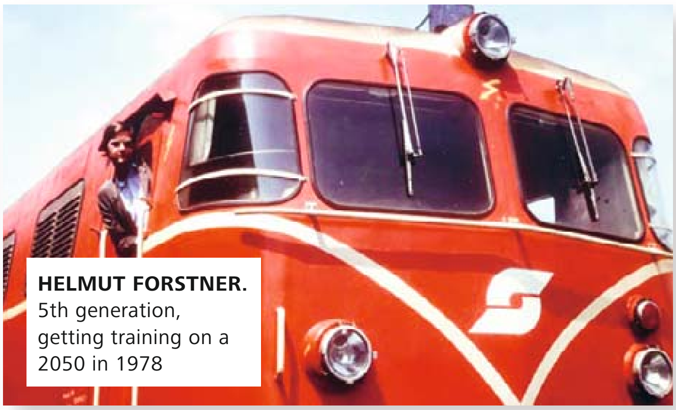


WALTER FORSTNER. 4th generation, stoker on the 693 series

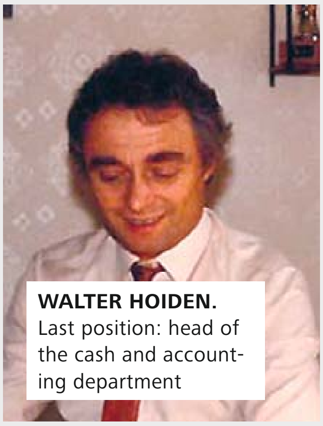


WALTER FORSTNER on a 1010 locomotive, 1961

WALTER FORSTNER on a DB locomotive 103, 1974



HELMUT FORSTNER. 5th generation, getting training on a 2050 in 1978



WALTER HOIDEN. Last position: head of the cash and accounting department

WILFRIED HRDLICZKA. In the front office of the pension service in the BCC

NINA HRDLICZKA. Assistant to the Head of Corporate Communications

FRANZ HOIDEN. Employed in telephone exchange

The Hoiden-Hrdliczka family

Nina Hrdliczka's great-grandfather, Franz Hoiden (born in 1917 in Vienna), started working for ÖBB on the telecommunications line after the war. He later worked as a telegraph operator in the ÖBB General Directorate. Nina's grandfather, Walter Hoiden (born 1943), also started at ÖBB as a telegraph operator and later became an office clerk. In 1989, he became office manager in the cash and accounting department. Nina's father, Wilfried Hrdliczka, born in 1967, joined ÖBB as a truck driver for general cargo rail express services at Vienna's West station, later joined Vienna Airport Lines and today works in the front office of the pension service in Vienna-Erdberg. Nina Hrdliczka completed an apprenticeship as an office clerk at ÖBB. Now she works as assistant to the Head of Corporate Communications and Public Affairs at ÖBB Holding.

11/27

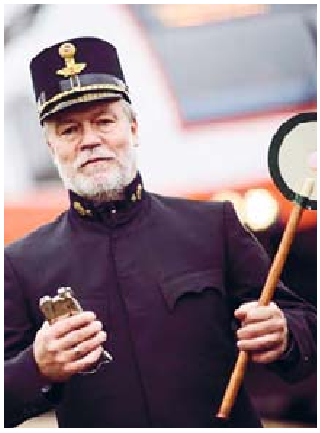
New contract for train catering awarded

ÖBB was looking for a new caterer for a high-quality food and drink offering at fair prices. The best bidder in the transparent and multi-stage award procedure is don travel railcatering gmbh.

11/23

180 years of the railway in Austria

ÖBB celebrates the anniversary with a special Cityjet trip for invited guests from Floridsdorf to Deutsch Wagram, the route the first steam train of the Kaiser-Ferdinand Northern Railway ran on 180 years ago.



11/17

Upgrade of the local transport fleet starts

The 247 units of the Talent and Desiro series will be brought up to the standard of the modern Cityjet by 2022. Their new exterior design in red-white-red will be a sign of ÖBB quality.

A look back at 2017

11/27

Partner in the silk road

In 2017, RCG intensified its long-haul connections. Soon there will be a regular connection from China to Italy for the first time. RCG already travels once a week from Changsha in China to Budapest and from there via its own terminal to Italy, Germany and Turkey.


Photo: PRVA/APA-Fotoservice/Hörmandinger

11/29
ÖBB wins national PR prize in the “Internal PR” category

ÖBB impressed the jury at the Austrian national PR prize with the project “A change of perspective – eleven board members do the jobs of eleven employees”. 40,000 employees work for our customers every day. In order to improve cooperation and strengthen trust, this change of perspective was launched in spring with the ÖBB management event “Executive UPDATE”. Dieter Marek, Head of Internal Communications at ÖBB, Vanessa Berger, Project Manager for A Change in Perspective (middle). More information on this topic is available on page 22.

In brief

It’s raining awards again in 2017 (selection)

The campaign to launch the **“Nightjet”** product brand is awarded the **“State Prize for Marketing”** in the “Private Services” category.

The **intermodal app wegfinder** wins the category “Digitalization and web-based mobility solutions” in the **“VCÖ Mobility Prize for Austria”**.

ÖBB purchasing receives the **“Austrian Supply Excellence & purchasing 4.0 Award 2017”** presented by the “Bundesverbands Materialwirtschaft, Einkauf & Logistik Österreich” [Austrian Federal Association for Materials Management, Purchasing & Logistics].

12/01
Lückenschluss St. Pölten – Loosdorf opened

With the change of timetable, the Lückenschluss St. Pölten – Loosdorf, the freight train bypass of the Lower Austrian capital, goes into operation. It comprises 24.7 kilometers of new line, 23 bridges and 3 tunnels. This gives the western route from Vienna to Linz-Kleinmünchen four tracks.

12/10
Changing the timetable increases quality

Higher quality, more offers, stable prices: With the 2018 timetable, ÖBB is continuing the expansion of services offered in recent years. The new timetable will provide many new connections at regional, national and international levels. At the same time, more and more new and modernized vehicles are being used throughout Austria. This makes traveling by ÖBB trains even more pleasant and comfortable.

12/27

From the train to the rental car

Continuous door-to-door mobility, even if the desired destination cannot be reached by train. ÖBB now makes this possible: ÖBB Rail&Drive car sharing, starting with 150 vehicles. The first locations are Bregenz, Feldkirch, Bludenz, Innsbruck, Salzburg, Wels, Linz, St. Pölten, Wiener Neustadt, Vienna Central Station, Vienna West Station, Eisenstadt, Graz, Leoben, Klagenfurt and Villach. Registration and booking is very easy via **www.railanddrive.at** or via the corresponding app. A vehicle costs from €2/hour, depending on vehicle class. Cars can be rented for a few hours, for multiple days or over the weekend.

A look back at 2017

In brief

12/10 New connections to Italy. With the timetable change, there are now a total of three direct connections between Vienna and Venice daily, both during the day and at night. The two new Railjet connections offer a comfortable, modern and above all fast additional service to the existing connections to Italy.

12/29 More bus drivers for ÖBB. As part of the “FIT - Women in Crafts and Technology” program, AMS and ÖBB-Postbus GmbH offer women training as professional drivers. In every Austrian province interested women can get a taste of the profession and get training for it – supported by the AMS.

12/19

Digital newspapers in the Railjet

Railnet provides all Railjet passengers – whether business, first or economy class – with free access to the Austria-Kiosk, giving them access to newspapers and magazines in digital form. Better WiFi and other service functions are also available.

12/27

From Vienna directly into the heart of the Kitzbühel Alps

A direct Railjet takes ÖBB passengers from Vienna directly to Tyrol. Three direct connections per direction and weekend are to increase the proportion of holiday guests arriving by rail from the current level of five percent to ten percent by 2020.

12/20

ÖBB bears are fluffy Christmas wonders

The ÖBB Christmas commercial shows that we bring people together. Thanks to perfect teamwork and the ÖBB staff, a teddy bear forgotten on the train finds its owner again after a journey across the country. This or something similar actually happens every day, every month around 2,300 items are handed in at ÖBB Lost + Found. In almost 40 percent of the cases their owners are found. The ÖBB bear from the commercial was distributed to the next generation of train drivers about 6,000 times at all major stations and trains in Austria during the holidays.

“New business models and increasing demands”

INTERVIEW. Digitalization and even more competition will massively change the mobility industry in the coming years. Andreas Matthä and Josef Halbmayr are convinced that ÖBB will play an active role in shaping this change.

Looking back at the last financial year: In 2016, ÖBB achieved the third-best result in its recent history and set a passenger record. How was ÖBB’s performance on the rails in 2017?
ANDREAS MATTHÄ: Very good. In passenger transport, we were able to beat last year’s record and increase the figure again. More than 245.6 million passengers traveled with us in the past financial year – more than ever before. With around 213.5 million passengers on the bus, we were slightly below the 2016 result due to tenders. Very gratifying in this respect is the increase we were able to achieve in freight transport despite the extremely challenging market conditions.

So all in all, we recorded a positive result?
JOSEF HALBMAYR: The Group as a whole, i.e., including passenger transport, infrastructure, freight transport and real estate, reported a profit of 176.3 million euros for the 2017 financial year. In passenger transport, we achieved a result of 86.7 million euros. In freight transport, we were at 42.3 million euros and grew by around 6 million tons to 115 million tons transported. This makes ÖBB the second largest freight carrier in Europe after Deutsche Bahn. And in passenger transport, we are number one in the EU in terms of the kilometers traveled per capita and also in terms of punctuality. In Europe, only Switzerland is ahead of us.

ANDREAS MATTHÄ. “The technological change also creates

What were the major challenges in the past year?
MATTHÄ: There were several, because our industry is currently undergoing massive change. First, progressive liberalization is intensifying competition – existing competitors have expanded their offerings and new competitors have joined them. And more will follow. In addition, we are experiencing a radical technological change, especially due to digitalization. This presents us with new opportunities, but we also face new

All-time high in passenger transport

ÖBB sets another new record for rail passengers in 2017.

Last year, ÖBB welcomed more than 245.6 million passengers on board its trains – more than ever before. In total, the number of railway passengers has even risen by around 22 million since 2012. This makes ÖBB number one in the EU in terms of kilometers per capita and in terms of punctuality.

Cityjets for all of Austria

With the recent addition of Upper Austria, each province now has its own S-Bahn.

Since last year, commuters have been able to travel to Linz and back on five lines. ÖBB now operates 34 S-Bahn lines throughout Austria. Two million train kilometers will be added in 2018. In the medium term, all local trains will operate under the “Cityjet” brand - with more comfort, air conditioning and WiFi.

new opportunities. We don't just want to be players here, we want to play an active role in shaping our market"

challenges. In any case, we must step up the pace and focus on innovation. After all, we not only want to be a player, but also to play an active role in shaping our market.

And who will determine the rules of the game in future?
MATTHÄ: The focus is always on customer value. And above all, our customers want more service and more convenience. We made a lot of progress in 2017. Ticket purchasing now works according to the same logic via all sales channels – Internet, ticket machine and app. And we successfully met this enormous technical challenge. However, we also invested in the expansion of our hardware. Because the basic prerequisite is that we keep our performance promise. And this is the safe, punctual and reliable journey from A to B.

What are you preparing for this year?
HALBMAYR: The mobility industry is undergoing a process of massive change that will hold surprises for years to come. Digitalization is creating new business models and raising our customers' expectations. This is where we have to stay on the ball and keep providing new answers. Customer value will remain central in the future: Every measure, no matter in which area, must bring added value to our customers. Together with the efficient and economical actions of all our colleagues, customer satisfaction is the key to our success.

What are ÖBB's goals?
MATTHÄ: We have defined clear goals in our strategy. From 2022, we want to transport 500 million passengers and 150 million tons of goods per year. And in terms of infrastructure, we want to be at the forefront of Europe in terms of reliability, punctuality and modernization of stations and lines. Of course we cannot achieve these goals within a year, but each of the measures set this year must be a further contribution to achieving them. So our motto is: Full-scale attack on the markets!

Are there any concrete measures to achieve these goals?
HALBMAYR: Specifically, we want to see further passenger growth on the railways in 2018. We want to achieve this above all through higher capacity utilization of trains at off-peak times. The same applies to bus transport: Here, too, we see opportunities to win additional customers on many routes and through special offers such as ski and hiking buses or corporate transport. We also want to further expand our new offerings, such as our Rail&Drive car sharing. In freight transport, it will be a matter of forcefully pursuing internationalization. For example, we now travel once a day between China and Europe. We want to at least double this service in 2018.

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"Due in particular to digitalization, we are currently experiencing radical technological change."

ANDREAS MATTHÄ

JOSEF HALBMAYR. "Passenger growth due to higher capacity utilization in off-peak times"

With its introduction in Upper Austria, the S-Bahn is now available throughout Austria. How are customers reacting to this?
MATTHÄ: In local transport, we are becoming increasingly successful in getting people excited about traveling on the railway. Passenger numbers are increasing year after year. Today, ÖBB operates a total of 34 S-Bahn lines throughout Austria. The 2018 timetable will add another two million train kilometers. Connections have also been improved and scheduling gaps closed. And we're outfitting ourselves well. In the future, all local trains will be red-white-red. We already have almost 100 new Cityjets in service, and 45 will be added in 2018. In addition, we are converting 60 Desiro and 187 Talent cars to the Cityjet standard. This will be a complete upgrade of our fleet!

And how's the Nightjet doing? Was it the right decision to focus on a business area that everyone has given up?
MATTHÄ: It is true that night travel is a niche market. But a very interesting one, which we successfully occupy. Today, ÖBB is the European market leader in night travel. We have modernized the cars taken over from Deutsche Bahn and from this year we have 13 of these multi-functional sleeping cars in use. And the entire fleet now has the striking blue Nightjet exterior design.

A new player has recently entered the passenger transport area. Does the competition hurt business or stimulate business?
MATTHÄ: As long as everything is fair, we feel that competition certainly stimulates business – if there are more offers, more people will travel by rail. But it is important that everyone travels under the same conditions. Here I would welcome it if, for example, we had more room for maneuver when it comes to ticket prices in order to make better use of low-frequency trains.

In freight transport, we are used to competition. How is ÖBB doing in this very difficult market?
HALBMAYR: We are the only major European rail freight company to have made a profit for the sixth year in a row in 2017. Due to the positive economic situation, volumes also increased in 2017. Unfortunately, however, this has no effect on margins. Due to the enormous competition we have a price level that is 15 percent lower than five years ago. In addition, the price of diesel and lower social standards in truck transport have an extremely distorting effect on competition. We are therefore under enormous cost pressure. We can only make up for this through even more commitment and even more customer value.

The Rail Cargo Group is systematically expanding its connections and is already traveling as far as China. How far do you want to go?
HALBMAYR: As a major freight railway carrier, we have been active along all international corridors for a long time. We operate in ten countries and the Rail Cargo Group is already active in a total of 18 countries. We want to continue this expansion. Firstly because we want to grow, and secondly because our customers expect end-to-end logistics solutions. We see great opportunities in this regard in the rail link to Asia along the new Silk Road, and in the extension of the broad-gauge railway to Vienna.

Safety was a topic that was increasingly in the spotlight in 2017 – among customers and employees alike. What are the reasons for this and how is ÖBB reacting?

"Customer value will remain central in the future. Every measure must bring added value." **JOSEF HALBMAYR**

ANDREAS MATTHÄ. "Night travel is a niche that we successfully occupy. Today we are the market leader in Europe"

MATTHÄ: Taking transport performance into account, the railways and in particular ÖBB are still among the safest means of transport compared to other modes of transport. But it is also clear that every incident is one too many. And last year's accidents showed us that we have to work even harder. That is why we will continue to invest more in safety – up to one billion euros by 2022! But we also want to examine our processes and make even greater efforts to ensure that our employees work safely. However, another important issue for us is the subjective feeling of safety. Here, too, we have taken a number of measures that are proving their worth and are therefore being expanded.

The Achilles heel to bringing more people to the railway is the "last mile". Rail&Drive is an attempt to overcome this. How is it being received?

MATTHÄ: As ÖBB, we consider ourselves an integrated mobility provider. This means that we want to take our customers from their doorstep to their destination and back again. To do this, we also have to organize the journey to and from the station: with taxis, car sharing, minibuses in so-called micro-public transport, rental cars and, as mentioned, "Rail&Drive". This environmentally friendly mobility offer combines rail travel with driving conveniently – without an annual fee, completely flexibly and at fair prices. We are already represented all over Austria with 16 locations and more than 7,000 registrations show that the offer has been very well received.

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Good nights in the Nightjet

Today, ÖBB is the market leader in European night travel.

ÖBB successfully occupies a niche with the Nightjet. Last year, ÖBB was able to wish more than 1.8 million Nightjet passengers a good night – most often on the routes to Hamburg and Venice. And the entire ÖBB Nightjet fleet now has the blue exterior design.

Freight transport entirely by rail

Rail Cargo Group (RCG) is one of the largest freight carriers from Europe to Asia.

Despite the difficult market environment, ÖBB was the only major European rail freight company to generate profits in 2017. RCG is doing very well, especially internationally – and now operates in 18 countries. The company transports freight to destinations as far away as China and Russia.

JOSEF HALBMAYR. "As a major rail freight carrier, we have been active along all international corridors for a long time – in a total of 18 countries!"

The "wegfinder" app also aims at continuous mobility. What are the advantages for ÖBB of providing competing modes of transport?
MATTHÄ: As I said, if we see ourselves as a provider of mobility as a whole, we cannot be narrow-minded – we have to think like our customers. And they want an app that lets them plan and book their entire journey – from door to door, no matter what mode of transport. The wegfinder app fulfills this wish and provides our customers with easy access to a wide variety of means of transport and options for getting from A to B throughout Austria.

So our mobility is becoming increasingly digital...
MATTHÄ: Digitalization cannot be stopped, and if we want to succeed in the market, we must take advantage of it. Punctuality, safety and reliability when traveling by train are basic conditions today. In addition, our passengers expect full comfort, comprehensive services and a positive travel experience. Rail&Drive, wegfinder and the VORTEILSCARD, which is only available online for 66 euros – this is what digitalization looks like.

ÖBB needs more than 10,000 new employees. How do you expect to find so many?
HALBMAYR: Around 13,000 employees will be leaving us by 2022 due to their age. We currently have around 1,700 apprentices in training every year, in 22 different occupations. This allows us to cover our needs for skilled workers up to mid-level technical management. There may be difficulty in finding

You can rely on the Postbus

Despite increased competition, the bus leaves no one behind.

Because the best is not always rewarded, the Postbus unfortunately suffered a loss last year. Nevertheless, more than 213 million passengers are still transported by the Postbus every year. Reliable, in all weather and, if necessary, even to the remotest place in Austria.

A generational change is coming

Around one third of the workforce will retire by 2022.

More than 40,000 people work at ÖBB today. 13,000 of them will leave the Group over the next five years for reasons of age. To replace them, qualified staff is needed across all divisions. A total of 10,000 new employees will be bringing their enthusiasm to ÖBB over the next few years.

ANDREAS MATTHÄ. "Punctuality, safety and reliability are basic conditions"

analysts and data scientists – you don't need many, but they have to be good. What matters here is that we position ourselves as an attractive employer.

What do you think is ÖBB's most attractive feature as an employer?

MATTHÄ: Our company offers an incredible range of jobs. As an ÖBB employee you can do anything and become anything if you want. I myself started as a construction technician in bridge construction. And our work makes sense – for people, for the climate, for the environment.

Aren't you afraid that a lot of valuable know-how will be lost due to the massive changeover of employees?

MATTHÄ: As said, about 13,000 employees will leave the company over the next five years for reasons of age. That is about one third of the workforce. In return, we want to attract 10,000 new employees to ÖBB. This generational change is both a risk and an opportunity. The generational change will make it possible for us to apply technological change in the Group and will allow new things to happen. But the trick will be to combine the new employees with the experience and knowledge of older colleagues. That's what we need to manage. That is why we launched the "Future of the ÖBB" program last summer.

What is the program about? What does the "Future of the ÖBB" mean?

MATTHÄ: Our company, our working models and our culture must constantly be adapted to the new basic conditions. This can only be achieved with a clear positioning and common values. We have defined three central values within the framework of the "Future of the ÖBB": "We before I", "Convincing services for our customers" and "Taking the initiative". If we are guided by these values, we will be able to make even better use of our strengths in the future – through better cooperation, a clear positioning in the market and an attractive employer image. In addition, I trust in what has made us stand out as ÖBB for over 180 years: our team spirit, our strength and flexibility in crises and our solidarity with the company. I am very confident that this will remain the case in the future.

"Our passengers expect full comfort, comprehensive services and a positive travel experience."

ANDREAS MATTHÄ

“Social skills are incredibly important in this job.”

PETRUS DALPIAZ, Area manager in Linz (left), with his successor, **BERNHARD HEIMBERGER** (more on the topic of generational change starting on page 30)

Corporate Governance

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 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 2017 stipulate that all companies subject to the Code will prepare a corporate governance report and publish it on the internet; the parent company of the group may prepare an overall Group report for all Group companies. ÖBB Group prepares such an overall Group 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. Q Logistics GmbH
   e. iMobility 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
   e. Gauermanngasse 2–4 Projektentwicklung GmbH & Co KG
   f. Elisabethstraße 9 Projektentwicklung GmbH & Co KG

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 Járműjavító 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.

* The following pages contain an extract from the Corporate Governance Report.
The full report is available on our website at www.oebb.at/cg2017.

DECLARATION OF COMPLIANCE / DEVIATIONS

ÖBB Group has adopted the B-PCGK and complies with it in accordance with the information provided in this report.

WS Service GmbH, which is part of ÖBB-Infrastruktur AG, has not implemented the B-PCGK. This is the case because at WS Service GmbH, analogous application of the minority shareholder's governance structure was agreed.

ČSAD AUTOBUSY České Budějovice a.s. and other individual foreign companies that are part of Rail Cargo Austria AG have not yet implemented the B-PCGK at this time. Implementation has taken place systematically since 2016 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.

The ÖBB Group took out D&O insurance for members of management and supervisory bodies years ago. As national and international infrastructure and logistics service providers, the bodies of ÖBB Group companies face particular risks, most of which are beyond the control of management and supervisory bodies. D&O insurance policies are customary in the industry and are in the interests of the company given the high claims that would be irrecoverable in the case of corporate bodies.

Unless existing employment contracts (without consent clauses) from the period prior to the implementation of the B-PCGK prevent implementation, the total remuneration of the members of the management is reported individually – broken down into non-performance-related and performance-related components – by name.

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.

Regulation	Description	K/C*	Group company	Deviation / Remarks
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 and some foreign subsidiaries of Rail Cargo Austria sub-group (as of 12/31/2017/ shareholder representative basis).
11.2.1.3	Members of the supervisory body may not sit on more than 8 supervisory boards at the same time.	K	ÖBB-Holding AG, ÖBB-Personenverkehr AG	One member of the Supervisory Boards of the companies indicated held more than 8 mandates as of December 31, 2017, 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).
11.6.6	One member of the supervisory body should not at the same time be a member of the shareholders' meeting.	C	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.

* The Code contains compulsory rules (K), 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. In the training programs of ÖBB Academy, the proportion of women already exceeds 25 percent; 37.5 percent of the Supervisory Board mandates (AGs and GmbHs) were held by women as of the reporting date.

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 Halbmayr MBA	1955	11/1/2008	12/31/2020

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 Halbmayr 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 Österreichischen Post AG.

WORK PRINCIPLES AND ALLOCATION OF RESPONSIBILITIES

The Rules of Procedure govern the allocation of responsibilities and collaboration of Board of Management members. Additionally, they 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 Halbmayr 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 2016 that was paid to management in 2017.

	Fixed remuneration	Variable remuneration	Total remuneration
Ing. Mag (FH) Andreas Matthä	446	47	493
Mag. Josef Halbmayr MBA	404	6	410

In addition, contractual claims from previous periods were fulfilled with a total of 382.

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. Arnold Schiefer Chairman since 2/28/2018	1966	2/9/2018	Annual General Meeting 2020
Dr. Kurt Weinberger First Vice Chair	1961	6/29/2015	Annual General Meeting 2020
Mag. Reichhardt Andreas Second Vice Chair since 2/28/2018	1968	2/9/2018	Annual General Meeting 2020
Dr. Cattina Maria Leitner	1962	2/9/2018	Annual General Meeting 2020
DI Dr. Monika Forstinger	1963	2/9/2018	Annual General Meeting 2020
Dr. Barbara Kolm	1964	2/9/2018	Annual General Meeting 2020
Dr. Norbert Gugerbauer	1950	2/9/2018	3/13/2018
Karl Ochsner	1974	2/9/2018	Annual General Meeting 2020
Mag. Brigitte Ederer Chairwoman	1956	2/28/2014	2/9/2018
DI Herbert Kasser Second Vice Chair	1964	4/27/2007	2/9/2018
Herberth Willerth	1950	6/29/2015	2/9/2018
Dr. Gertrude Tumpel-Gugerell	1952	8/18/2011	2/9/2018
Dr. Leopold Specht	1956	4/27/2007	01/18/2018 (resignation of the mandate)
Lic. rer. pol. Paul Blumenthal	1955	1/18/2010	2/9/2018
Roman Hebenstreit Employee representative, Third Vice Chair	1971		Indefinite
Mag. Andreas Martinsich Employee representative	1964		Indefinite
Günter Blumthaler Employee representative	1968		Indefinite
Mag. Olivia Janisch Employee representative	1976		Indefinite

Audit Committee:
Dr. Kurt Weinberger (Chairman) since 2/28/2018
Mag. Arnold Schiefer (Vice Chair) since 2/28/2018
Dr. Barbara Kolm since 2/28/2018
Karl Ochsner since 2/28/2018
Roman Hebenstreit
Mag. Andreas Martinsich
Dr. Norbert Gugerbauer from 2/28/2018 to 3/13/2018
Dr. Gertrude Tumpel – Gugerell (Chair) until 02/09/2018
DI Herbert Kasser (Vice Chair) until 2/09/2018
Mag. Brigitte Ederer until 2/09/2018

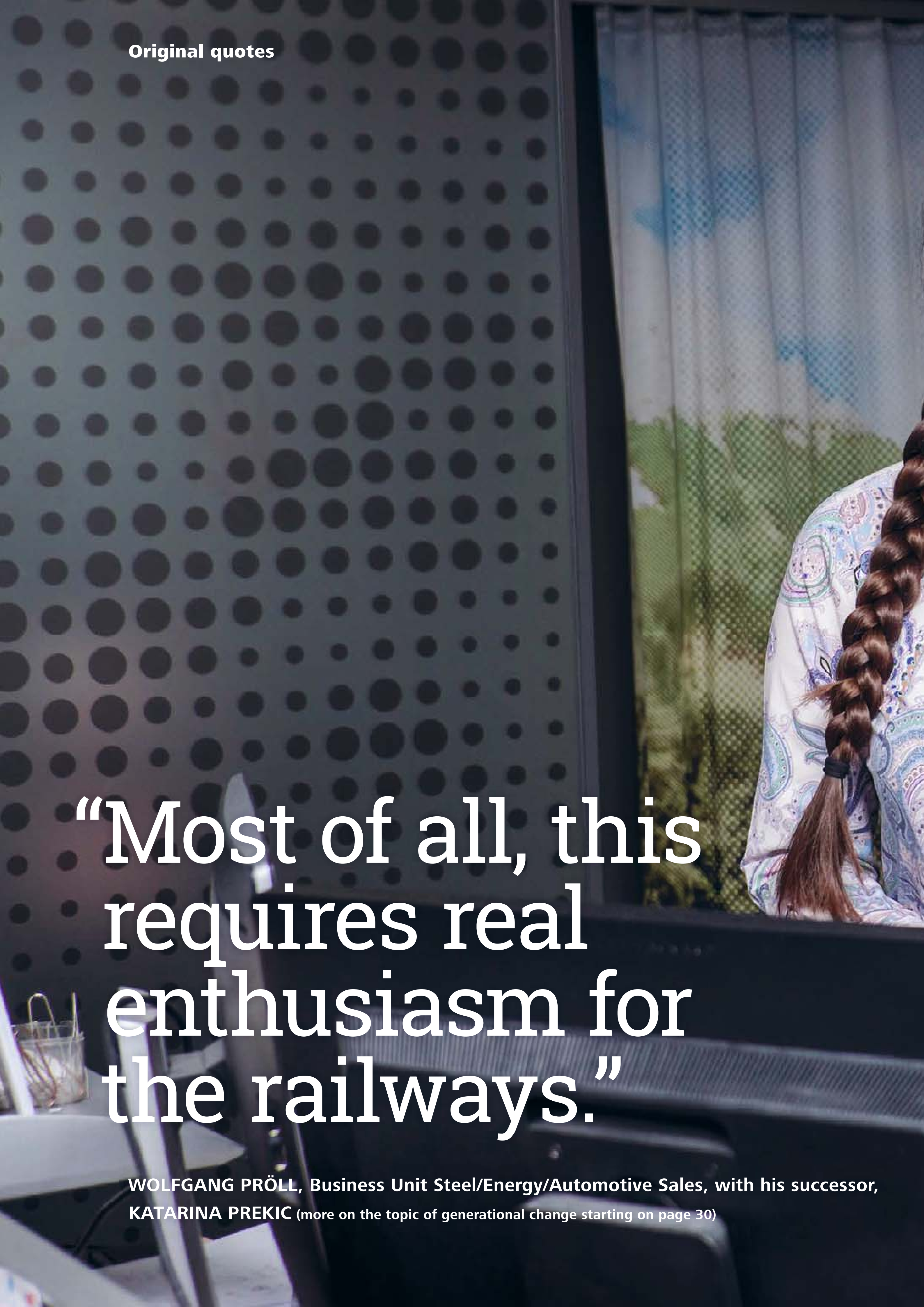
SUPERVISORY BOARD REMUNERATION

By resolution of the Ordinary Annual General Meeting, the shareholder representatives on Supervisory Boards of ÖBB Group companies in Austria, with the exception of members of the management and employees of ÖBB Group companies, are entitled to the following amounts and elements of 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 2017 (Supervisory Board, Executive Committee, other committees): 13



“Most of all, this requires real enthusiasm for the railways.”

WOLFGANG PRÖLL, Business Unit Steel/Energy/Automotive Sales, with his successor, **KATARINA PREKIC** (more on the topic of generational change starting on page 30)

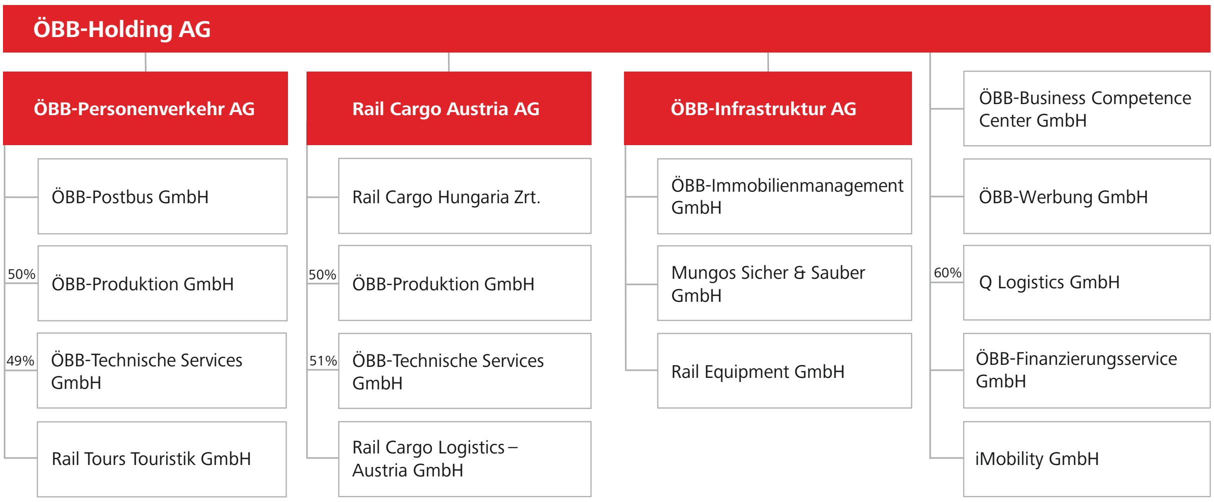
Consolidated Management Report

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, 2017. 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, 2017. In addition, a subsidiary of Österreichische Bundesbahnen-Holding Aktiengesellschaft (hereinafter referred to as "ÖBB-Holding AG"), the company ÖBB-Infrastruktur Aktiengesellschaft (hereinafter referred to as "ÖBB-Infrastruktur AG", 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 AG are filed with the Commercial Court Vienna under Company Register number FN 71396 w.

A. Group Structure and Investments

ÖBB Group structure



As of: December 31, 2017
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) exercises the share rights.

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. Q Logistics GmbH, a joint venture with Quehenberger Logistics GmbH, operates as a direct subsidiary of ÖBB-Holding AG in the market, offering cargo, partial and full-load transportation and 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. iMobility GmbH's business is the development and operation of a mobility Internet platform.

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. After ÖBB entered the long-distance bus market with the "Hellö" brand in 2016, the long-distance bus market changed significantly and was characterized by low ticket prices and strong consolidation. Against this background, ÖBB sold the long-distance bus start-up "Hellö" to FlixBus in 2017.

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 1,070 railway stations and stops (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 some further sections of this management report, the development of the sub-groups and their market environment will be discussed separately.

Number of investments by sub-group

	Sub-group			
	ÖBB-Personenverkehr	Rail Cargo Austria	ÖBB-Infrastruktur	ÖBB Group incl. others*
Investments >50%	7	44	24	86
thereof abroad	*1*	*36*	*0*	*41*
Investments 20-50%	3	12	3	18
thereof abroad	*0*	*9*	*1*	*11*
Investments <20%	2	4	4	9
thereof abroad	*2*	*4*	*2*	*7*
Total	**12**	**60**	**31**	**113**
thereof abroad	*3*	*49*	*3*	*59*

[1] only companies that can be influenced directly

The **Overview of Investments in the Notes to the Consolidated Financial Statements** (see Note 35) 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

Rail Cargo Austria AG's branches in Germany, Czech Republic, and Bulgaria were closed in 2016 and the branch in Slovenia was closed in 2017. The reasons for the closures are the establishment of the Rail Cargo Carrier and Rail Cargo Logistics companies and the desire to reduce the number of branch offices. After evaluating the market environment, a branch office was opened in Croatia (Zagreb).

B. General Conditions and Market Environment

B.1. General economic conditions

Global economic development

2017 brought a return to more solid growth rates both worldwide and in Europe. China's exports grew by 8.5%[1]. This contributed to the favorable development of world trade and container handling in European ports, too.

[1] Trading Economics

Global economic situation (Change in % compared to the previous year)

Key figures and forecasts for global economic performance		2016	2017	2018
Gross domestic product, real	Eurozone	1.8	2.4	2.2
	USA	1.5	2.3	2.7
	China	6.7	6.8	6.6
	World trade	3.2	3.7	3.9
Global trade (goods and services), real		2.5	4.7	4.6
Crude oil price (USD)		-15.7	23.1	11.7
Commodity price (USD)		-1.6	6.5	-0.5

Source: IMF, World Economic Outlook – Update 1/2018

In 2017, the economic upturn could be seen in all major economic regions of the world, giving cause for optimism for the development of the global economy in 2018. However, serious risks remain. Despite less financial and currency turbulence, many national budgets remain heavily indebted and international trade remains extremely unbalanced, particularly with respect to China. The expansionary monetary policies of some central banks have increased the risk of speculative bubbles in real estate and securities and, finally, political signals from the US could point to a return of protectionism, with serious consequences for the strongly export-oriented European economy.

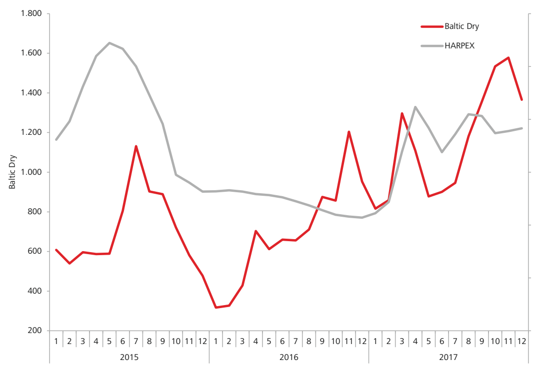
Several regional developments could influence the performance of the global economy in 2018. For example, there is uncertainty about what effect China's new targets, a key driver of the world economy, will have, and risky developments in Iran and on the Arabian Peninsula could destabilize the region that covers 30% of the world's oil demand. The lifting of sanctions against Iran has raised hopes of growing trade relations with this potentially strong partner, particularly in Europe. However, resistance from the US, which could become even stronger in 2018, has resulted in business taking off only hesitantly.

The global economic development of the coming years will also depend on whether the central banks manage to exit the extremely low interest rate phase as smoothly as possible. The US Federal Reserve raised the key interest rate three times in the course of 2017 and is expected to continue on this course. The European Central Bank could also use the economic upturn to raise interest rates.

The prices for some raw materials, especially copper and iron ore, had bottomed out at the end of 2016. While prices rose sharply in 2017, stagnation is forecast for 2018. In the case of crude oil, forecasts are made more difficult by the fact that turbulence in the oil-rich Gulf region and exchange rate fluctuations of the US dollar against other important currencies are causing uncertainty.

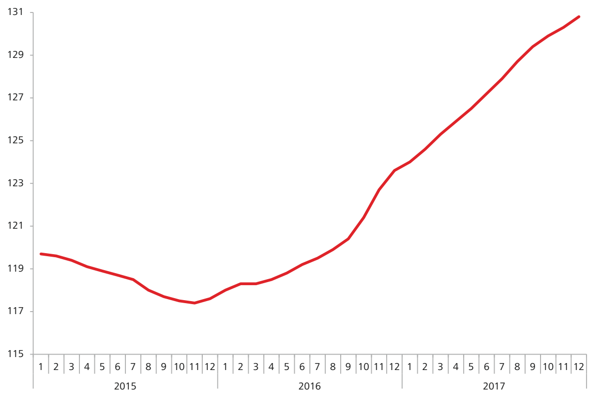
Development of global shipping indices (index points)

Price indices for raw materials (Baltic Dry) and container transports (HARPEX) (index points)



Source: Baltic Exchange, Harper Petersen & Co

RWI/ISL container handling index



Source: RWI and ISL

The current economic upswing in 2017 is also reflected in deep-sea shipping: The growth in container handling seen in 2016 continued in 2017. Deep-sea shipping is thus recovering from the economic crisis. The crisis was caused by major overcapacities, which were exacerbated by weakening world trade. Between 2014 and 2016, transport prices plummeted and brought shipping companies into severe financial straits. In 2017, freight rates rose for both raw materials (see the Baltic Dry Index) and finished goods and containers (see HARPEX). In 2017, the growth of large shipping companies and the decline in market share of small shipping companies continued – fueled by numerous (announced) mergers.

European economic development

With real GDP growth of 2.4% in the euro area in 2017, the European economy recorded its strongest growth in ten years.[2] Against the backdrop of favorable financing conditions, easing uncertainty and a marked improvement in the business climate, capital expenditure also picked up in 2017. Stable GDP growth of 2.2% is also forecast for 2018. The economic recovery in Europe should therefore continue overall.

However, there were still significant economic disparities between Member States in 2017. Even during the upturn, long-standing characteristics, such as lower growth in the southern countries and stronger growth in the new (eastern) EU countries, have been maintained. Despite a downward trend, unemployment remains high in many countries. The outcome of the Brexit negotiations, a rise in long-term interest rates and a stronger appreciation of the euro are some of the risks to further economic development within the EU.

Economic development in 2017 for the ÖBB markets (GDP changes compared to the previous year in real %)

Source: Consensus Economics January 2018, WIFO forecast for 2017 to 2019

[2] IMF, World Economic Outlook – Update 1/2018

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

The value added of the industry is the component of gross domestic product on which the volume of goods transported by rail has the greatest influence. In addition to Austria, the Rail Cargo Group's strategically important markets are Hungary, Germany, Italy, Slovenia, Romania, the Czech Republic, Croatia, Bulgaria and Slovakia. In Hungary, Slovenia, Romania and the Czech Republic, the growth opportunities for rail freight carriers are further strengthened by the fact that the share of industry in gross domestic product is increasing.

	Gross domestic product			Industrial production		
	2016	2017	2018	2016	2017	2018
Austria	1.5	3.0	3.0	2.8	3.6	3.1
Hungary	2.2	3.9	3.6	0.9	5.4	5.4
Germany	1.9	2.2	2.3	1.2	3.1	2.8
Italy	0.9	1.5	1.4	1.7	3.0	2.8
Slovenia	3.1	4.7	3.7	7.8	7.4	5.4
Romania	4.8	6.8	4.5	1.7	7.4	4.9
Czech Republic	2.5	4.4	3.3	3.5	5.5	4.2
Croatia	3.2	3.0	2.8	5.0	2.3	2.9
Bulgaria	3.9	3.8	3.6	2.7	4.2	4.0
Slovakia	3.3	3.3	3.8	4.8	4.3	5.8

Source: Consensus Economics January 2018, WIFO forecast for 2017 to 2019

Europe's competitiveness in the world market is significantly influenced by the exchange rate of the euro. During 2017, some of the confidence in the euro, which was affected by the banking and debt crisis, returned. After slipping almost to parity with the US dollar at the beginning of the year, the euro rose to USD 1.18 in the second half of 2017 and to USD 1.25 in January 2018. For the time being, at least, the higher euro exchange rate did no discernible damage to the flourishing export industry, especially in Germany.

The discussion about the expansion of free trade through corresponding agreements with Canada and the US calmed down in the course of the year. Most of the CETA between Canada and the EU came into force in September 2017. An EU-Japan Free Trade Agreement has been announced for 2019. The TTIP agreement with the US has been put on hold for the time being by rejection on both sides of the Atlantic. It remains to be seen to what extent the threatened protectionism of the US will prevail in the coming years.

Austrian economic development

In Austria, GDP is expected to grow by a solid 3.0% in 2018 compared to the previous year.[3] The positive economic development can be attributed to increased domestic demand since 2016 and accelerated world trade growth in 2017.

The increase in private consumer spending is one reason for the positive development of domestic demand. Private consumer spending grew moderately by 0.5% in 2015 and significantly by 1.5% in the following years 2016 and 2017. Real gross capital investment increased, rising by 3.7% in 2016 and 5.3% in 2017. This trend will continue, with growth of 3.3% forecast for 2018. The development of export orders remained moderate until 2016. The positive developments in private consumer spending and gross capital investment, coupled with weak export performance, lead us to expect an increase in domestic demand and thus in GDP.

In 2017, foreign trade contributed additionally to economic growth in Austria. While domestic demand in particular generated growth in 2016, rising export performance has been the second growth driver of GDP since 2017. Real exports of goods grew by 5.8% in 2017 and growth of 5.5% is forecast to remain almost unchanged in 2018 – so exports will grow more strongly than imports in both years.

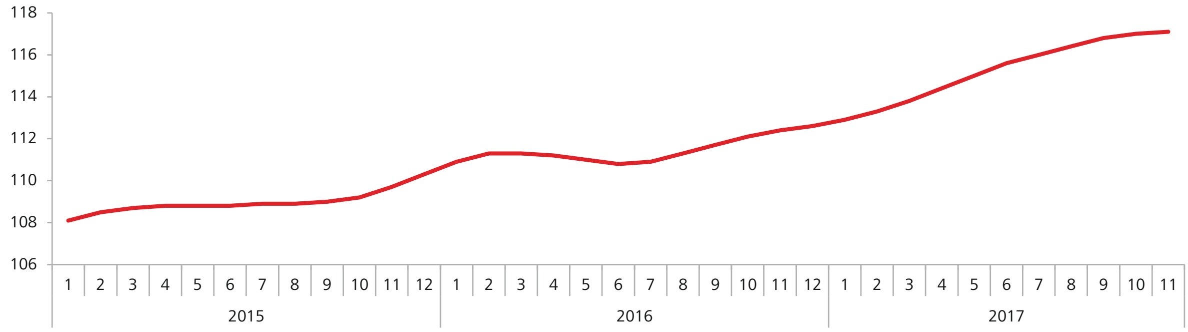
[3] WIFO, forecast 2017 to 2019

Key data and forecasts for the economic situation in Austria

Parameters	Unit	2016	2017	2018
Gross domestic product, real	Change in %	1.5	3.0	3.0
Manufacture of goods		1.3	6.4	6.8
Goods exports		1.3	5.8	5.5
Goods imports		3.2	5.2	4.5
Gross capital investment		3.7	5.3	3.3
Private consumer spending, real		1.5	1.5	1.7
Inflation rate		0.9	2.1	2.0
Maastricht deficit	in % of the GDP	-1.6	-0.6	-0.4
Unemployment rate	in % of the labor force	6.0	5.6	5.4

Source: WIFO, forecast 2017 to 2019

Development of industrial production in Austria



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

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, ÖBB-Infrastruktur AG will receive financing mainly in the form of loans from the Republic of Austria. The issue yields on government bonds remained low in 2017. They were 0.4% for 10-year maturities. A 43-year bond was placed with a yield of 0.88%. The average current yield of Austrian government bonds rose slightly to 0.2% in 2017 compared to 2016. A further slight increase is expected for 2018.

The interest rate level of government bonds depends on the creditworthiness of the country. Austria has had the second-best rating from each of the three major rating agencies – Fitch, Moody's and Standard & Poor's – since June 2016. The outlook of all three rating agencies is stable.

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

4th railway package – technical pillar

In order to transpose the EU directives "Interoperability" and "Safety" into the national legislation of the member states by June 2019, intensive work is being carried out at European level on the implementing or transposing of legislation. The Single Safety Certificate implementation act contains provisions for the re-submission or renewal of railway operator safety certificates, which will in the future be awarded by the European Union Railway Agency throughout Europe. From mid-2019, the agency will also be responsible for European vehicle registration and, in rail traffic, for ERTMS (European Railway Traffic Management System) approval. In the future, all applications must be submitted via the "One-Stop-Shop" IT tool. Processing deadlines are planned in order to speed up approval processes. The agency will thus act as a European authority to increase efficiency and interoperability and remove national market barriers. The ÖBB Group is preparing intensively for the new framework conditions from 2019 through ongoing monitoring and cooperation in the preparatory working groups.

Passenger Rights Regulation – new version

In order to strengthen the rights of rail passengers, in particular those with reduced mobility, the European Commission proposed a revised version of the regulation in September 2017. The central topic is improved and uniform customer information.

The aim is to ensure uniform application of the rules by ensuring that the derogations originally laid down until 2024 are no longer excluded for domestic long-distance transport and for cross-border local and regional transport. Furthermore, procedural changes are to be made by clearly defining deadlines and authorities. From ÖBB's point of view, a clause which states that railway operators are exempt from the obligation to pay compensation in the event of force majeure or delays due to unforeseeable and unavoidable natural disasters, as is already the case with other modes of transport, is positive and serves to level the playing field.

The EU institutions have started work on this. The EU Commission will present its proposal to the European Parliament's Committee on Transport and Tourism (TRAN) on February 20. The report of the EU Parliament is to be submitted by the end of March, with the vote in committee to take place on June 20/21. In all likelihood, the topic will not be discussed in the plenary session until September 2018. The corresponding treatment in the competent Council working group is also already under way.

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 the rail sector, the TSI-PRM (Technical Specification for Interoperability – Accessibility for People with Disabilities and People with Reduced Mobility) has served as a harmonized set of rules for accessibility 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. While the European Parliament has already adopted its position at first reading, the Council is waiting for a decision. A settlement is expected during the Austrian Council Presidency (2nd HY 2018).

Train noise

Railway noise is considered the "environmental Achilles heel of railways in Europe". In addition to the national regulations on rail transport noise, in 2002, the EC Environmental Noise Directive (2002/49/EC) established EU-wide uniform regulations for the collection and presentation of noise immissions using so-called noise indices. For the railway sector, the EU-wide Technical Specification for Interoperability (TSI) for the "Rolling stock – noise" sub-system (last amended by Regulation (EU) No. 1304/2014) with noise level limits for stationary noise, start-up noise, pass-by noise and interior noise in the driver's cab has applied to (newly registered) rail-bound vehicles since 2006. As part of a revision of the TSI Noise, the EU Commission is also aiming to apply the limits to existing freight cars and ancillary vehicles from 2022.

Mobility Package

The European Commission's Mobility Package, presented on May 31, 2017, proposes a restructuring of the competitive, social and environmental regulatory framework for road freight transport in the EU Member States. Various legal instruments aim to improve road safety, promote fairer toll collection, combat air pollution, traffic congestion and illegal employment, create socially acceptable conditions for workers and reduce administrative burdens for businesses. The package of measures could therefore make a decisive contribution to the harmonization of intra-European intermodal competition. The challenge will be to reconcile the principles of freedom of competition, establishment and services in the domestic market with social and environmental interests. ÖBB is following the law-making process closely at national and European level in order to assert its interests. At present, it is not possible to predict when the package will be finalized and adopted.

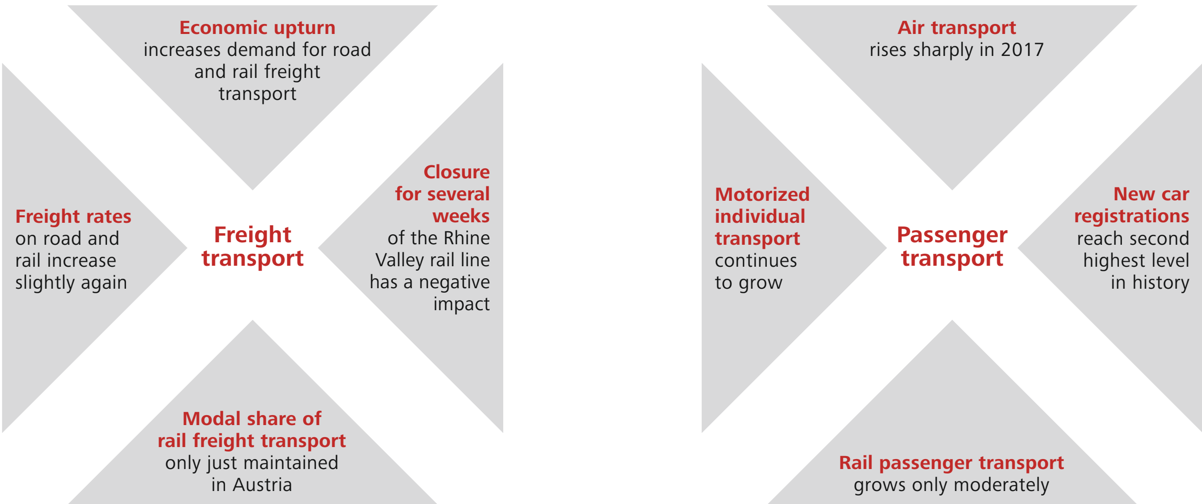
The package comprises a total of eight legislative acts (including Eurovignette, uniform electronic toll system, social provisions for drivers, delegated legal act on multimodal traffic data, etc.). For ÖBB, the most decisive aspect of this package is the Eurovignette directive on infrastructure costs. These will be voted on in committee on May 24, 2018. The first reading in the EU Parliament is currently scheduled for June 12, 2018.

Presidency of the Austrian Council

ÖBB is preparing intensively for the upcoming EU Council Presidency in the second half of 2018. A major focus is the topic of decarbonization and climate protection. The aim is to promote basic conditions that lead to a gradual shift of transport to the rails in order to achieve the climate protection targets.

B.3. Market environment

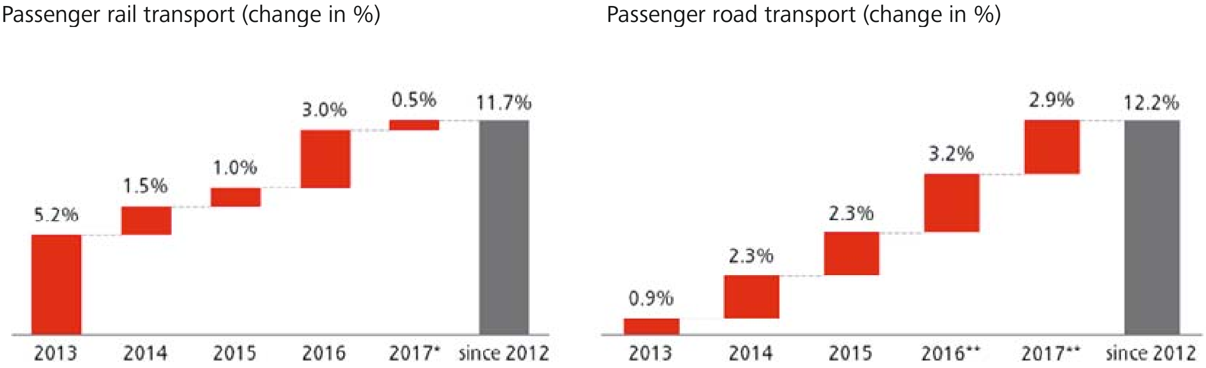
Developments in the Market Environment - Overview



Passenger transport market environment

Individual mobility in Austria increased again in 2017. Rail passenger traffic also benefited from this due to slight growth. However, motorized private transport has grown at a much faster rate, with the share of rail in the modal split of total transport declining slightly from 11.3% to 11.1%. The strong growth of passenger car traffic is also reflected in the high number of new car registrations reported by Statistik Austria.

Development of passenger transport volumes on the road and railways in Austria



*ÖBB only; ** preliminary estimates
Source: European Commission; Statistik Austria, ÖBB; ASFINAG; own calculations

In intermodal competition, apart from individual motorized transport, long-distance bus and air transport merit special mention: In 2017, ÖBB's own long-distance bus brand "Hellö" was taken over by its competitor Flixbus. The provider Flixbus, which dominates the market, has thus consolidated and strengthened its position. Short-haul flights are also a growing competitor for long-distance rail transport, including night trains. In Austria, total air traffic grew by 5% in 2017 (preliminary estimate). Flughafen Wien AG had a record year in 2017, with more than 24 million passengers.

Competition in passenger rail transport increased further in 2017: Firstly, the competitor WESTbahn has expanded its service on the Vienna – Salzburg route from December 2017 and now offers connections every half hour on this route. Since the timetable change in December 2017, connections to Salzburg from Vienna Praterstern have also been offered. Based on the data of Statistik Austria, the company had a market share of 6.7% of domestic passenger rail transport (in passenger-kilometers) in financial year 2016. Furthermore, a new international competitor entered the Austrian market in December 2017: the Czech company RegioJet operates the Vienna - Prague route four times a day in cooperation with the state-owned Austrian Graz-Köflacher Bahn (GKB).

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

Passenger transport	2015	2016	2017
Air transport (passengers, excluding transit passengers)	1.2	2.5	5.0 *
Bus stock	1.0	1.5	1.3
Number of passenger cars	1.1	1.5	1.6

*preliminary estimates for 2017
Source: Statistik Austria, own calculations

Freight transport market environment

Parameters of freight transport in Austria (change in % compared to the previous year)

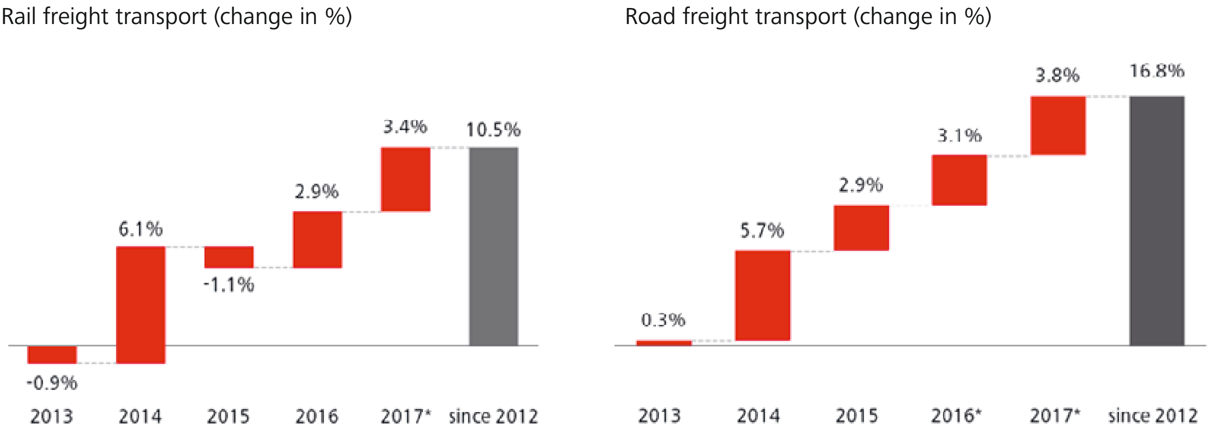
Goods transport	2015	2016	2017
Truck fleet	2.1	3.0	3.8
*of which heavy goods vehicles**	*0.0*	*1.5*	*2.9*

* N3 + semitrailer trucks
Source: Statistik Austria

According to preliminary data, freight transport volume on the road and railways increased by 3.6% overall in 2017 compared to 2016. According to preliminary estimates, rail freight transport (+3.4%) showed the strongest growth since 2014. Road freight transport, however, grew even faster (+3.8%). Although preliminary figures show strong growth in road freight transport, rail freight transport is likely to have maintained its previous modal share of 30.7%. According to initial estimates, the market share of Rail Cargo Group in rail freight transport in Austria declined slightly from 73.9% to 72.9% in 2017.[4]

[4] SCG Rail Control Report 2016, own estimate for 2017

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



*preliminary estimates
Source: bmvit; Statistik Austria; ASFINAG; ÖBB; own calculations

Strong economic growth in 2017 and in particular the strong growth in industrial production boosted demand for European rail freight transport. The sudden upswing was so rapid that some rail freight transport companies in Europe had problems providing the required capacities at short notice.

Despite the boom in demand, a differentiated view must be taken of developments in the European rail market in 2017: Some railways are showing strong growth in some areas – PKP Cargo, for example, increased transport volumes by 10.2% in the first three quarters. SBB also reported growth of 2.0% for the first half of 2017. However, rail freight transport in Switzerland was severely affected in the third quarter by the interruption of the Rhine Valley line in Rastatt.[5] DB Cargo reported a decline in transport volume of 0.2% in the first half of 2017. In Germany, too, the closure of the Rhine Valley line for several weeks could have a major impact on rail freight traffic.[6]

After a record low in transport prices at the beginning of 2017, they rose again during the year. On the road, this was partly due to the rise in fuel prices and a sharp decline in capacity. Rail prices also rose with a slight delay.[7]

Infrastructure market environment

The ÖBB infrastructure master plan for the years 2017 to 2022 includes capital expenditure of EUR 15.2 billion. One focus is on the expansion of the southern route. In June 2017, the Administrative Court rejected an appeal against the construction of the Semmering base tunnel. This should be the final hurdle for the completion of the tunnel scheduled for 2026. The tunnel would complete the new southern route. It will reduce travel time from Vienna to Klagenfurt to 2:40 (currently 3:55). As a flat railway, the new southern route will mainly facilitate freight transport. This applies both to the development of industrial sites along the route and to transit transport. At the intersection of western and southern routes, the Vienna-South freight transport center went into operation in 2017. The expansion of the Pottendorf line has been underway since 2016 as an efficient link between this center and the south. It is scheduled for completion in 2023. Wolfurt is already a very busy terminal location. The freight terminal there will be adapted to the requirements of growing demand by mid-2018.

Four sections of the Brenner base tunnel were already under construction in 2017. Construction and financing of the world's longest tunnel are considered secured on both sides of the Brenner border. However, the inflow routes are particularly worrying in Germany. According to the German Transport Minister in spring 2017, an extension of the line in the German Inn valley can be expected "only in 20 years".[8]

Koper (Slovenia) is Austria's closest seaport. There have long been plans to add a second track from Koper to the interior. In fall 2017, a successful referendum gave the project new impetus, fueling hopes that work could start soon.

[5] Litra quarterly reporting on railways 3/2017
[6] DVZ 8/14/2017
[7] Capgemini Consulting and Transporeon Transport Market Monitor; RCG; own calculations
[8] Die Presse March 7, 2017

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 passenger rail transport. This consistent interval timetable has been gradually implemented since the timetable change in 2015/16. Vienna's new Central Station has been the national and international transport hub of the eastern region since 2016. All of Austria's main cities and the Vienna airport are directly connected to the Vienna Central Station. In addition, there are direct express trains to seven European capitals during the day (Prague, Warsaw, Bratislava, Belgrade, Budapest, Zagreb and Ljubljana). Four other capitals can be reached directly by night trains (Rome, Minsk, Bucharest and Kiev).

In the energy sector, the focus continues to be on reinvestment in ÖBB's own power plants. The share of ÖBB's electricity consumption accounted for by its own production is to be increased by expanding and optimizing these power plants. In the next few years, the generation of traction power from hydropower is to be supplemented by wind and solar energy. In late 2016, ÖBB received the Innovation Prize of the International Union of Railways (UIC) for the world's first photovoltaic system for 16.7 Hz traction power.

C. Economic report and outlook

C.1. Revenues

Structure of revenues by sub-group in EUR million	2017	2016	Change	Change in %
ÖBB-Personenverkehr sub-group	2,137.6	2,037.3	100.3	5%
Rail Cargo Austria sub-group	2,199.8	2,079.0	120.8	6%
ÖBB-Infrastruktur sub-group	2,101.4	2,107.8	-6.4	0%
ÖBB-Holding AG and other companies	1,462.4	1,342.8	119.6	9%
less consolidation of sub-groups	-2,379.4	-2,320.1	-59.3	-3%
Group revenue acc. to Consolidated Financial Statements	**5,521.8**	**5,246.8**	**275.0**	**5%**
Other income (consolidated)	1,233.1	1,169.0	64.1	5%
Total income	**6,754.9**	**6,415.8**	**339.1**	**5%**
Total revenue per employee in thousands EUR	**159**	**154**	**5**	**3%**

Although the average number of employees increased from 41,581 to 42,378, the figure "Total income per employee"[9] rose year on year to kEUR 159, (previous year: kEUR 154). Of the consolidated revenue, EUR 1,283.1 million (previous year: EUR 1,152.4 million) was generated abroad, equivalent to 23% (previous year: 22%).

Revenue of the ÖBB-Personenverkehr sub-group

Overview	2017	2016	Change	Change in %
Revenue in EUR million	2,137.6	2,037.3	100.3	5%
of which traffic service orders of the federal government	*685.5*	*660.7*	*24.8*	*4%*
of which traffic service orders of the countries and communities	*360.9*	*339.7*	*21.2*	*6%*
Other income in EUR million	35.2	26.9	8.3	31%
Total income in EUR million	2,172.8	2,064.2	108.6	5%

Revenue in financial year 2017 increased by 5% to EUR 2,137.6 million (previous year: EUR 2,037.3 million). Of the consolidated revenue, EUR 218.9 million (previous year: EUR 182.7 million) was generated abroad, equivalent to 10% (previous year: 9%). Revenue generated abroad therefore increased by EUR 36.2 million (previous year: EUR 11.9 million) or 20% (previous year: 7%).

Traffic services ordered by the federal government accounted for EUR 685.5 million (previous year: EUR 660.7 million) of revenue, and by the federal provinces and communities for EUR 360.9 million (previous year: EUR 339.7 million).

[9] Total income per employee: Total income/average number of employees (headcount)

Passengers in million	2017	2016	Change	Change in %
Long-distance railway transport	36.4	35.2	1.2	3%
Short-distance railway transport	209.2	209.0	0.2	0%
Total railway	**245.6**	**244.2**	**1.4**	**1%**
Bus	213.5	216.6	-3.1	-1%
Total	**459.1**	**460.8**	**-1.7**	**0%**

The ÖBB-Personenverkehr sub-group was able to increase its rail passenger volume to 245.6 million passengers (previous year: 244.2 million passengers) and its total income by 5%. Passenger numbers in the bus corporate sector recorded a slight decrease to 213.5 million passengers (previous year: 216.6 million passengers).

Revenue of the Rail Cargo Austria sub-group

Overview	2017	2016	Change	Change in %
Net tons transported (millions, consolidated)	115.2	109.0	6.2	6%
Revenue in EUR million	2,199.8	2,079.0	120.8	6%
thereof public services contracted by the federal government	*91.1*	*80.6*	*10.5*	*13%*
Other income in EUR million	40.9	45.0	-4.1	-9%
Total income in EUR million	2,240.7	2,124.0	116.7	5%

Total income in the Rail Cargo Austria sub-group increased by EUR 2,240.7 million (previous year: EUR 2,124.0 million). Of the consolidated revenue, EUR 921.5 million (previous year: EUR 841.2 million), equivalent to 42% (previous year: 40%). Revenue generated abroad therefore increased by EUR 80.3 million or 10%, while in the previous year it declined by EUR 8.6 million or 1%.

In total, Rail Cargo Austria sub-group revenue increased by to EUR 2,199.8 million (previous year: EUR 2,079.0 million). The compensation paid by the federal government for the execution of public service contracts accounted for EUR 91.1 million or 4% of revenue (previous year: EUR 80.6 million or 4%). EUR 416.1 million (previous year: EUR 388.3 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 the Rail Cargo Austria sub-group increased slightly in the reporting period, from 109.0 million tons to 115.2 million tons.

	Conventional full-load transport		Unaccompanied combined transport		Combined road/ railway transport		Total	
Net tons transported in mil.	2017	2016	2017	2016	2017	2016	2017*	2016
Rail Cargo Austria AG abroad	60.4	60.7	15.8	14.2	6.7	6.7	82.9	81.6
Rail Cargo Austria AG abroad	16.9	11.6	5.9	6.8	0.6	0.8	23.4	19.2
Rail Cargo Hungaria Zrt.	30.8	28.8	2.4	2.9	0.0	0.0	33.2	31.7
Rail Cargo Carrier – Bulgaria EOOD	0.0	0.0	0.3	0.2	0.0	0.0	0.3	0.2
Rail Cargo Carrier – Croatia d.o.o.	0.7	0.4	0.3	0.5	0.0	0.0	1.0	0.9
Rail Cargo Carrier – Czech Republic s.r.o.	1.9	1.7	0.7	0.1	0.0	0.0	2.6	1.8
Rail Cargo Carrier – Germany GmbH	0.7	0.0	1.7	1.6	0.0	0.0	2.4	1.6
Rail Cargo Carrier – PCT GmbH	1.2	1.4	0.0	0.0	0.0	0.0	1.2	1.4
Rail Cargo Carrier – Italy s.r.l.	2.0	1.0	1.5	1.2	0.6	0.7	4.1	2.9
Rail Cargo Carrier – Romania s.r.l.	1.2	1.0	0.4	0.3	0.0	0.0	1.6	1.3
Rail Cargo Carrier – Slovakia s.r.o.	0.0	0.0	0.4	0.2	0.0	0.0	0.4	0.2
Rail Cargo Carrier – Slovenia d.o.o.	1.7	1.4	0.5	0.7	0.0	0.0	2.2	2.1
Total not consolidated	**117.5**	**108.0**	**29.9**	**28.7**	**7.9**	**8.2**	**155.3**	**144.9**
less intra-group transports	-27.2	-22.5	-11.7	-11.9	-1.2	-1.5	-40.1	-35.9
Total consolidated	**90.3**	**85.5**	**18.2**	**16.8**	**6.7**	**6.7**	**115.2**	**109.0**

*A further 2.3 million net tons were transported by Q Logistics GmbH and its subsidiaries, which are not attributable to the Rail Cargo Austria sub-group.

ÖBB-Infrastruktur sub-group revenue

Overview	2017	2016	Change	Change in %
Train-kilometers (millions)	148.7	146.1	2.6	2%
Total gross tonnage-kilometers (millions)	77,085.4	75,586.1	1,499.3	2%
Self-generated traction power from ÖBB power plants	611	664	-53	-8%
Traction power from overhead contact line in GWh	1.831	1.792	39	2%
Floor space incl. exterior spaces rented out in thousands m²	2.685	2.698	-13	0%
Revenue in EUR million	2,101.4	2,107.8	-6.4	0%
Other income in EUR million	1,100.2	1,047.0	53.2	5%
Total income in EUR million	3,201.6	3,154.8	46.8	1%

As described above, Group revenue reached EUR 2,101.4 million (previous year: EUR 2,107.8 million), of which companies of other sub-groups of the ÖBB Group accounted for EUR 732.4 million (previous year: EUR 719.7 million. Revenue is mainly generated in Austria. Revenue generated by companies abroad totaled EUR 56.3 million (previous year: EUR 53.7 million). This revenue mainly relates to the supply of energy and the infrastructure usage charge.

Year on year, train kilometer volume increased by 148.7 million tkm (previous year: 146.1 million tkm).

Development of train-kilometers by type of transport in mil.	2017	2016	Change	Change in %
Passenger transport	100.5	98.3	2.2	2%
thereof ÖBB Group	*95.3*	*93.3*	*2.0*	2%
Goods transport	40.7	40.5	0.2	0%
thereof ÖBB Group	*31.4*	*31.7*	*-0.3*	-1%
Service trains and light engines	7.5	7.3	0.2	3%
thereof ÖBB Group	*5.9*	*6.1*	*-0.2*	-3%
Total	**148.7**	**146.1**	**2.6**	**2%**
thereof ÖBB Group	*132.6*	*131.1*	*1.5*	*1%*

In financial year 2017, total gross tonnage kilometers (TGTkm) increased to 1,499.3 million TGTkm. While in the 2016 financial year external railway operators accounted for 12.9 billion TGTkm or 17% of the total, in 2017, they accounted for 13.9 billion TGTkm, which corresponds to 18% of the total.

Development of gross tonnage-kilometers by type of transport in mil.	2017	2016	Change	Change in %
Passenger transport	29,720.8	29,524.4	196.4	1%
thereof ÖBB Group	*28,052.4*	*27,964.8*	*87.6*	*0%*
Goods transport	46,224.8	44,934.0	1,290.8	3%
thereof ÖBB Group	*34,237.7*	*33,768.2*	*469.5*	*1%*
Service trains and light engines	1,139.8	1,127.7	12.1	1%
thereof ÖBB Group	*919.9*	*963.7*	*-43.8*	*-5%*
Total	**77,085.4**	**75,586.1**	**1,499.3**	**2%**
thereof ÖBB Group	*63,210.0*	*62,696.7*	*513.3*	*1%*

Revenue is also generated from power and real estate.

Development of the electricity sector:

Traction power in GWh	2017	2016	Change	Change in %
Self-generated traction power from ÖBB power plants	611	664	-53	-8%
Consumption of traction power from the overhead contact line	1.831	1.792	39	2%

Power plants owned by ÖBB-Infrastruktur sub-group generated 2017 GWh of traction power in financial year 611 (previous year: 664 GWh).

Development of the rentable areas:

Floor space incl. rentable exterior spaces in thousand m²	2017	2016	Change	Change in %
Usage by external parties (outside the Group)	663	681	-18	-3%
Usage by ÖBB Group companies other than ÖBB-Infrastruktur AG	317	324	-7	-2%
Usage by ÖBB-Infrastruktur AG	558	565	-7	-1%
Vacant and public space	1.128	1.109	19	2%
Floor space	**2.666**	**2.679**	**-13**	**0%**
Exterior spaces rented out	19	19	0	0%
Total portfolio	**2.685**	**2.698**	**-13**	**0%**

As in the previous year, the floor space of buildings incl. rentable exterior spaces amounts to 2.7 million m², of which 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	685.5	91.1	-
	(PY: 660.7)	*(PY: 80.6)*	-
Transport service orders with provinces and communities	360.9	-	
	(PY: 339.7)	-	
Infrastructure operations	-	-	514.3
	-	-	*(PY: 574.9)*
Repair and investment	-	-	1,303.9
	-	-	*(PY: 1,226.6)*
Total	**1,046.4**	**91.1**	**1,818.2**
	(PY: 1,000.4)	*(PY: 80.6)*	*(PY: 1,801.5)*

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 EUR 685.5 million in the year under review (previous year: EUR 660.7 million) and by the federal provinces and communities, amounting to EUR 360.9 million (previous year: EUR 339.7 million). The increase in compensation from the federal government was mainly due to the additional compensation for Cityjet deployment and the contractual netbacks of existing services.

Contributions to the 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 EUR 91.1 million (previous year: EUR 80.6 million).

The increased contributions by the federal government to ÖBB-Infrastruktur AG is mainly 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 2016 to 2021 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 2017, the federal government contributed EUR 753.4 million (previous year: EUR 691.7 million). For infrastructure maintenance (inspection/services, troubleshooting and repairs), the federal government provided EUR 550.5 million (previous year: EUR 534.9 million).

The government also subsidizes the operation of the infrastructure with a grant of EUR 514.3 million (previous year: EUR 574.9 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 in passenger and freight transport, earnings were high. The ÖBB-Personenverkehr sub-group was able to exceed the previous year's result. This was due in particular to higher passenger revenues and higher customer fees. In addition to the general trend in travel, the increase in domestic passenger revenue was driven by campaigns such as the "1 minute savings certificate" and the VC 66 discount card campaign. The positive development of passenger revenue from international traffic is primarily attributable to the expansion of night-time travel. The total income of ÖBB-Postbus GmbH recorded a decline due to tenders. The European rail freight transport market felt the effects of the economic upswing in 2017. This led to increased demand for logistics services by road and rail. The Rail Cargo Austria sub-group also recorded significant year-on-year revenue growth. In some areas, however, high demand resulted in resource bottlenecks that could not be eliminated or could only be managed via cost-intensive rentals. Combined with continued high price pressure on the services of the Rail Cargo Austria sub-group, this meant that the result of this sub-group in 2017 could not match that of the previous year despite the strong volume situation. The earnings trend in the ÖBB-Infrastruktur sub-group was stable. Inflationary cost increases were offset by efficiency gains in operating transaction settlement and an improved financial result.

Overview	2017	2016	Change	Change in %
EBIT[10] in EUR million	790.1	811.4	-21.3	-3%
EBIT margin[11] in %	11.7%	12.6%	-1.0%	-8%
EBITDA[12] in EUR million	1,823.4	1,779.1	44.3	2%
EBT in EUR million	176.3	166.2	10.1	6%
Return on equity[13] in %	7.6%	7.9%	-0.3%	-4%
Return on assets[14] in %	2.8%	3.0%	-0.2%	-7%

Total income increased slightly over the previous year to EUR 6,754.9 million (previous year: EUR 6,415.8 million). Accordingly, the EBIT of the ÖBB Group decreased by 3% year on year to EUR 790.1 million (previous year: EUR 811.4 million). In the reporting year, the EBIT margin declined from 12.6% in the previous year to 11.7%. EBITDA margin increased year on year by 2% to EUR 1,823.4 million (previous year: EUR 1,779.1 million). After a result of EUR 166.2 million in the previous year, an EBT of EUR 176.3 million was recorded. This equates to a decrease of 6% year on year. Return on equity was 7.6% (previous year: 7.9%), return on total assets 2.8% (previous year: 3.0%).

Structure of the Consolidated Income Statement in EUR million	2017	in % of total income	2016	in % of total income	Change	Change in %
Revenue	5,521.8	82%	5,246.8	82%	275.0	5%
Other own work capitalized	359.5	5%	368.1	6%	-8.6	-2%
Other income and increase/ decrease of inventories	873.6	13%	800.9	12%	72.7	9%
Total income	**6,754.9**	**100%**	**6,415.8**	**100%**	**339.1**	**5%**
Cost of materials	350.7	5%	344.9	5%	5.8	2%
Purchased services	1,575.7	23%	1,385.6	22%	190.1	14%
Personnel expenses	2,543.2	38%	2,478.5	39%	64.7	3%
Amortization (incl. impairment)	1,033.3	15%	967.7	15%	65.6	7%
Other operating expenses	461.9	7%	427.7	7%	34.2	8%
Total expenses	**5,964.8**	**88%**	**5,604.4**	**87%**	**360.4**	**6%**
EBIT	**790.1**	**12%**	**811.4**	**13%**	**-21.3**	**-3%**
Financial result	-613.8	-9%	-645.2	-10%	31.4	5%
EBT	**176.3**	**3%**	**166.2**	**3%**	**10.1**	**6%**

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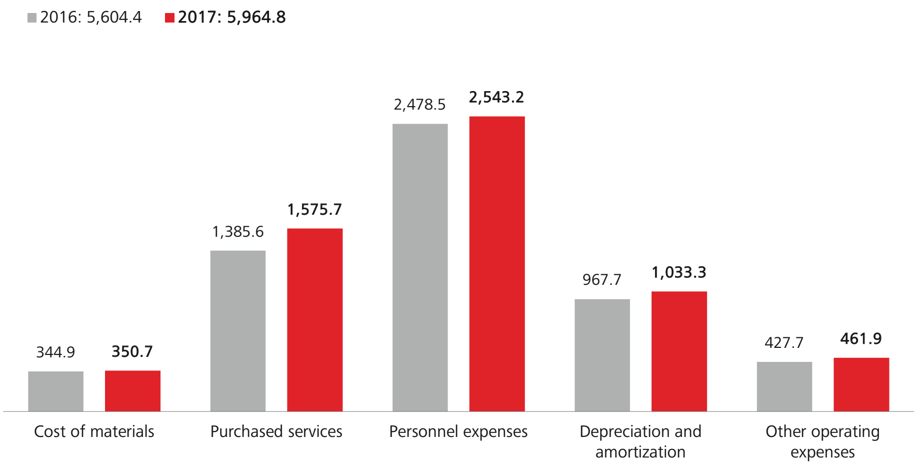
[10] EBIT corresponds to earnings (not including earnings of investments accounted for using the equity method) on the Consolidated Income Statement.
[11] EBIT margin: EBIT/total income
[12] EBITDA: EBIT + depreciation and amortization
[13] Return on equity: EBT/shareholders' equity
[14] Return on total assets: EBIT/total capital

Development of operating expenses in EUR million



Total expenses increased in financial year 2017 by EUR 360.4 million to EUR 5,964.8 million (previous year: EUR 5,604.4 million).

Year on year, personnel expenses increased by 3% to EUR 2,543.2 million (previous year: EUR 2,478.5 million) and still constitute the largest expense category. The average personnel expense per employee was unchanged year on year at kEUR 60. The payroll ratio[15] – measuring the ratio of personnel expenses to total income – decreased slightly, to 38% (previous year: 39%). More information on the personnel structure and the development of the number of employees is provided in Chapter D.2. of the Personnel Report.

Cost of materials increased to EUR 350.7 million (previous year: EUR 344.9 million). This item comprises expenses for purchased traction power amounting to EUR 78.5 million (previous year: EUR 78.0 million) and expenses for liquid fuels amounting to EUR 73.4 million (previous year: EUR 68.1 million).

Purchased services totaled EUR 1,575.7 million (previous year: EUR 1,385.6 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 29% (previous year: 27%). Depreciation and amortization expense increased by EUR 65.6 million to EUR 1,033.3 million (previous year: EUR 967.7 million).

Operating costs declined (-4% to EUR 96.5 million). However, there was an increase in other expenses (7% to EUR 238.1 million), taxes and duties (3% to EUR 47.7 million), expenses for information technology and office requirements (99% to EUR 34.7 million), rental, lease, license and leasing expenses (6% to EUR 33.5 million) and commissions (9% to EUR 11.4 million). Other operating expenses increased overall by EUR 34.2 million or 8% in total to EUR 461.9 million (previous year: EUR 427.7 million).

ÖBB Group is reporting a negative financial result for financial year 2017 of EUR 613.8 million (previous year: EUR 645.2 million). Interest expense amounted to EUR 654.1 million (previous year: EUR 698.6 million).

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[15] Payroll ratio: Personnel expenses/total income

Result of operations of ÖBB-Personenverkehr sub-group

Overview	2017	2016	Change	Change in %
Revenue in EUR million	2,137.6	2,037.3	100.3	5%
Total income in EUR million	2,172.8	2,064.2	108.6	5%
Total expenses in EUR million	-2,063.9	-1,961.0	-102.9	-5%
EBIT in EUR million	108.9	103.2	5.7	6%
EBIT margin in %	5.0%	5.0%	0.0%	0%
EBITDA in EUR million	253.8	224.7	29.1	13%
Financial result in EUR million	-22.2	-21.3	-0.9	-4%
EBT in EUR million	86.7	81.9	4.8	6%
Return on equity in %	9.5%	10.0%	-0.5%	-5%
Return on assets in %	3.1%	3.5%	-0.4%	-11%

ÖBB-Personenverkehr sub-group increased its revenue in the reporting period by 5% to EUR2,137.6 million (previous year: EUR 2,037.3 million).

Personnel expenses of the sub-group in financial year 2017 stood at EUR 389.0 million (previous year: EUR 390.0 million), a decline of EUR 1.0 million. The average personnel expense per employee amounted to kEUR 55 (previous year: kEUR 56). The ratio of personnel expenses to total income was slightly lower than the previous year at 18% (previous year: 19%). Costs of materials of EUR 113.8 million (previous year: EUR 109.8 million) include, among other costs, expenses for traction power of EUR 34.6 million (previous year: EUR 33.0 million) and EUR 42.8 million (previous year: EUR 39.6 million) for liquid fuels. Year on year, purchased services increased by 5% to EUR 1,211.6 million (previous year: EUR 1,152.4 million). This item includes vehicle rental fees of EUR 82.8 million (previous year: EUR 86.4 million), transport services of EUR 441.2 million (previous year: EUR 427.6 million) and infrastructure usage charges for third-party railways of EUR 347.4 million (previous year: EUR 329.3 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

Overview	2017	2016	Change	Change in %
Revenue in EUR million	2,199.8	2,079.0	120.8	6%
Total income in EUR million	2,240.7	2,124.0	116.7	5%
Total expenses in EUR million	-2,183.4	-2,063.8	-119.6	-6%
EBIT in EUR million	57.3	60.2	-2.9	-5%
EBIT margin in %	2.6%	2.8%	-0.2%	-7%
EBITDA in EUR million	128.2	121.1	7.1	6%
Financial result in EUR million	-15.0	-15.9	0.9	6%
EBT in EUR million	42.3	44.3	-2.0	-5%
Return on equity in %	28.7%	36.3%	-7.6%	-21%
Return on assets in %	3.0%	3.3%	-0.3%	-9%

The EBIT of the Rail Cargo Austria sub-group declined in the reporting period to EUR 57.3 million (previous year: EUR 60.2 million), a decrease of EUR 2.9 million. With an increase in total income to EUR 2,240.7 million (previous year: EUR 2,124.0 million), the EBIT margin was 2.6% after 2.8% in the previous year. The financial result improved year-on-year, from EUR -15.9 million to EUR -15.0 million. As a result, EBT for 2017 is reported at EUR 42.3 million (previous year: EUR 44.3 million). Return on total assets was 3.0% (previous year: 3.3%), while EBITDA totaled EUR 128.2 million (previous year: EUR 121.1 million).

Year on year, the total expenses incurred by the Rail Cargo Austria sub-group were EUR 2,183.4 million, 6% higher than in the previous year (previous year: EUR 2,063.8 million). Purchased services constituted the largest expense category, increasing by 5% to EUR 1,367.6 million (previous year: EUR 1,299.0 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 EUR 402.1 million (previous year: EUR 378.6 million), the average personnel expense per employee increased from kEUR 46 in the previous year to kEUR 47. The ratio of personnel expenses to total income was unchanged year on year, at 18%. In total, the ratio of cost of materials and purchased services to total income was unchanged from the previous year at 69% of total income.

Result of operations of ÖBB-Infrastruktur sub-group

Overview	2017	2016	Change	Change in %
Revenue in EUR million	2,101.4	2,107.8	-6.4	0%
Total income in EUR million	3,201.6	3,154.8	46.8	1%
Total expenses in EUR million	-2,606.0	-2,528.2	-77.8	-3%
EBIT in EUR million	595.6	626.6	-31.0	-5%
EBIT margin in %	18.6%	19.9%	-1.3%	-7%
EBITDA in EUR million	1,347.2	1,352.4	-5.2	0%
Financial result in EUR million	-548.5	-577	28.5	5%
EBT in EUR million	47.1	49.6	-2.5	-5%
Return on equity in %	3.5%	3.9%	-0.4%	-10%

The total income of the ÖBB-Infrastruktur sub-group in the reporting year was EUR 3,201.6 million (previous year: EUR 3,154.8 million), with an average headcount of 17,975 employees (previous year: 17,963 employees) the average income per employee amounts to kEUR 178 (previous year: kEUR 176). This equates to an increase in total income of EUR 46.8 million or 1% compared to 2016.

In 2017, the ÖBB-Infrastruktur sub-group generated EBIT of EUR 595.6 million (previous year: EUR 626.6 million) with an EBIT margin of 18.6% (previous year: 19.9%).

The ÖBB-Infrastruktur sub-group generated a negative financial result in the reporting year of EUR 548.5 million (previous year: EUR 577.0 million). EBT in 2017 totaled EUR 47.1 million (previous year: EUR 49.6 million).

The total expenses incurred by the sub-group in 2017 increased by 3% to EUR 2,606.0 million (previous year: EUR 2,528.2 million).

In 2017, personnel expenses constituted the largest expense item, and increased by 1% to EUR 1,126.3 million (previous year: EUR 1,110.9 million). The average personnel expense per employee amounted to kEUR 63 (previous year: kEUR 62). The ratio of personnel expenses to total income of the sub-group was thus unchanged at 35%.

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 4% million to EUR 751.6 million (previous year: EUR 725.7 million).

As in the previous year, the cost of materials and purchased services accounted for 12% of total income.

C.3. Net assets and financial position

Net assets and financial position of the ÖBB Group

Overview	Dec 31, 2017	Dec 31, 2016	Change	Change in %
Total assets in EUR million	28,351.0	27,344.1	1,006.9	4%
PP&E-to-total-assets ratio in %	90%	89%	1%	1%
PP&E-to-net-worth ratio in %	9%	9%	0%	0%
PP&E-to-net-worth ratio II in %	101%	95%	6%	6%
Working capital in EUR million	11.8	-206.9	218.7	>100%
Equity ratio in %	8.1%	7.7%	0.4%	5%
Cash-effective change of funds in EUR million	-31.4	-117.2	85.8	-73%

Structure of the Consolidated Statement of Financial Position in EUR million	Dec 31, 2015	Dec 31, 2016	Structure 2016	Dec 31, 2017	Structure 2017	Change from 2016 to 2017
Property, plant and equipment	23,416.1	24,385.7	89%	25,575.6	90%	1,189.9
Other non-current assets	1,724.0	1,491.1	6%	1,507.6	5%	16.5
Current assets	1,335.2	1,467.3	5%	1,267.8	5%	-199.5
Total assets	**26,475.3**	**27,344.1**	**100%**	**28,351.0**	**100%**	**1,006.9**
Shareholders' equity	1,921.9	2,093.1	8%	2,305.9	8%	212.8
Financial liabilities	22,317.0	22,798.8	83%	23,549.3	83%	750.5
Other liabilities	2,236.4	2,452.2	9%	2,495.8	9%	43.6

Assets

Total assets of ÖBB Group increased in the year under review, by 4% to EUR 28,351.0 million (previous year: EUR 27,344.1 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 90% (previous year: 89%). These assets were primarily financed with borrowings through loans and bond issues.

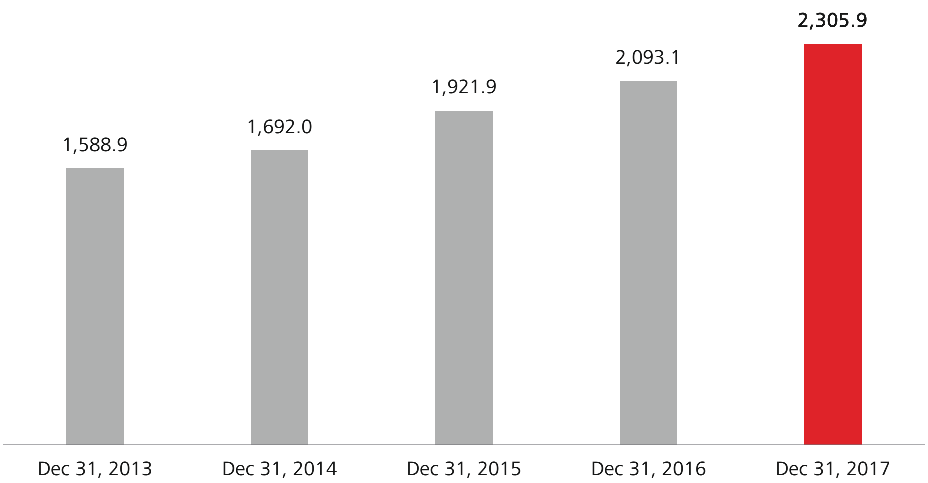
The PP&E-to-net-worth ratio as of December 31, 2017 was unchanged year on year at 9%. PP&E-to-net-worth ratio II, which includes non-current borrowings, was 101% (previous year: 95%).

Working capital amounted to EUR 11.8 million (previous year: EUR -206.9 million).

Total liabilities and shareholders' equity

As of December 31, 2017, the equity ratio of ÖBB Group was 8.1% (previous year: 7.7%). On the liabilities side, the increase in the total assets is mainly due to the increase in financial liabilities.

Development of shareholders' equity in EUR million

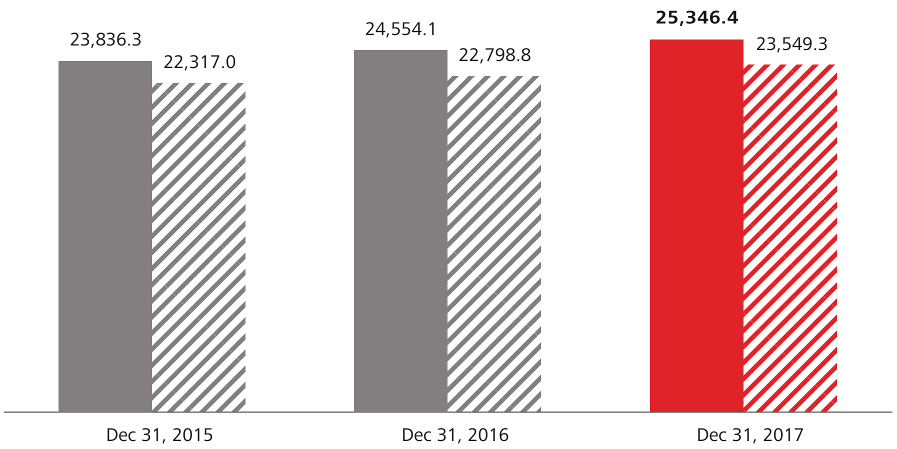


Liabilities of the ÖBB Group as of December 31, 2017 totaled EUR 25,346.4 million (previous year: EUR 24,554.1 million). Until 2015, ÖBB Group financed debt mainly by issuing its own bonds on the capital market. ÖBB-Infrastruktur AG recognizes these bonds in an amount of EUR 14,256.2 million (previous year: EUR 14,291.9 million).

According to Eurostat criteria, the ÖBB Group is part of the government sector. Given that the Republic of Austria has access to more favorable interest rate terms and conditions on the capital market, the decision to provide long-term financing through loans awarded by the Republic of Austria was taken after consultation with the Federal Ministry of Finance and the Federal Ministry of Transport, Innovation, and Technology. The ÖBB Group will take out the necessary financing in 2017, mainly through loans from the Republic of Austria amounting to EUR 1.4 billion, to be provided by the Austrian Treasury (OeBFA) rather than by borrowing directly on the capital markets. 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 the ÖBB Group.

The financial liabilities of the 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 3% or EUR 750.5 million to EUR 23,549.3 million (previous year: EUR 22,798.8 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	23,549.3	709.9	3%	22,839.4	97%
Trade payables	748.5	748.5	100%	0.0	0%
Other liabilities	1,048.6	997.4	95%	51.2	5%

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 reporting year, free cash flow[16] decreased to EUR -1,005.9 million (previous year: EUR -771.5 million). The change in cash and cash equivalents with effect on cash flow changed from EUR -117.2 million to EUR -31.4 million.

Abstract from the Group Cash Flow Statement in EUR million	Dec 31, 2017	Dec 31, 2016	Change
Cash flow from operating activities	1,229.0	1,137.7	91.3
Cash flow from investing activities	-2,234.9	-1,909.2	-325.7
Free cash flow	-1,005.9	-771.5	-234.4
Cash flow from financing activities	974.5	654.3	320.2
Cash-effective change of funds	-31.4	-117.2	85.8

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

[16] Cash flow from operating activities + cash flow from investing activities

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

Overview	Dec 31, 2017	Dec 31, 2016	Change	Change in %
Total assets in EUR million	3,470.2	2,952.6	517.6	18%
PP&E-to-total-assets ratio in %	72%	71%	1%	1%
PP&E-to-net-worth ratio in %	37%	39%	-2%	-5%
PP&E-to-net-worth ratio II in %	115%	117%	-2%	-2%
Equity ratio in %	26%	28%	-2%	-7%

Structure of the Consolidated Statement of Financial Position in EUR million	Dec 31, 2015	Dec 31, 2016	Structure 2016	Dec 31, 2017	Structure 2017	Change from 2016 to 2017
Non-current assets	2,344.0	2,618.2	89%	3,003.8	87%	385.6
Current assets	296.0	334.4	11%	466.4	13%	132.0
Total assets	**2,640.0**	**2,952.6**	**100%**	**3,470.2**	**100%**	**517.6**
Shareholders' equity	735.8	820.9	28%	912.5	26%	91.6
Non-current liabilities	1,454.1	1,647.1	56%	1,954.6	56%	307.5
Current liabilities	450.1	484.6	16%	603.1	18%	118.5

In the reporting year, ÖBB-Personenverkehr sub-group's total assets increased by EUR 517.6 million to EUR 3,470.2 million (previous year: EUR 2,952.6 million). As of the reporting date, the ratio of property, plant and equipment to total assets (PP&E ratio) was 72% (previous year: 71%). As of the same date, the PP&E-to-net-worth ratio was 37% (previous year: 39%), and the PP&E-to-net-worth ratio II was 115% (previous year: 117%). Working capital amounted to EUR -86.4 million (previous year: EUR -107.6 million). The increase in equity, by EUR 91.6 million to EUR 912.5 million (previous year: EUR 820.9 million), produced an equity ratio of 26% (previous year: 28%).

The total liabilities of ÖBB-Personenverkehr sub-group increased by 22% to EUR 2,352.7 million (previous year: EUR 1,929.5 million). Financial liabilities in the reporting period increased by EUR 444.1 million or 29% to EUR 1,997.8 million (previous year: EUR 1,553.7 million).

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

Overview	Dec 31, 2017	Dec 31, 2016	Change	Change in %
Total assets in EUR million	1,890.3	1,840.7	49.6	3%
PP&E-to-total-assets ratio in %	37%	39%	-2%	-5%
PP&E-to-net-worth ratio in %	21%	17%	4%	24%
Equity ratio in %	8%	7%	1%	14%

Structure of the Consolidated Statement of Financial Position in EUR million	Dec 31, 2015	Dec 31, 2016	Structure 2016	Dec 31, 2017	Structure 2017	Change from 2016 to 2017
Non-current assets	1,121.3	1,152.7	63%	1,146.9	61%	-5.8
Current assets	652.5	688.0	37%	743.4	39%	55.4
Total assets	**1,773.8**	**1,840.7**	**100%**	**1,890.3**	**100%**	**49.6**
Shareholders' equity	74.0	122.1	7%	147.8	8%	25.7
Non-current liabilities	961.2	827.7	45%	1,015.3	54%	187.6
Current liabilities	738.6	890.9	48%	727.2	38%	-163.7

Year on year, the sub-group's total assets declined by EUR 49.6 million or 3% to EUR 1,890.3 million (previous year: EUR 1,840.7 million). As of the reporting date, the ratio of property, plant and equipment to total assets (PP&E ratio) was 37% (previous year: 39%). The PP&E-to-net-worth ratio was 21% (previous year: 17%). Working capital totaled EUR 300.0 million (previous year: EUR 267.9 million). The increase in equity, by EUR 25.7 million to EUR 147.8 million (previous year: EUR 122.1 million), produced an equity ratio as of December 31 of 8% (previous year: 7%).

Overall the liabilities of the sub-group increased by EUR 25.3 million or 2% to EUR 1,655.1 million (previous year: EUR 1,629.8 million). Financial liabilities increased to EUR 1,291.0 million (previous year: EUR 1,273.1 million).

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

Overview	Dec 31, 2017	Dec 31, 2016	Change	Change in %
Total assets in EUR million	23,155.0	22,654.3	500.7	2%
PP&E-to-total-assets ratio in %	93%	92%	1%	1%
PP&E-to-net-worth ratio in %	6%	6%	0%	0%
PP&E-to-net-worth ratio II in %	99%	94%	5%	5%
Equity ratio in %	6%	6%	0%	0%

Structure of the Consolidated Statement of Financial Position in EUR million	Dec 31, 2016	Dec 31, 2016	Structure 2016	Dec 31, 2017	Structure 2017	Change from 2016 to 2017
Non-current assets	21,376.0	21,850.2	96%	22,665.9	98%	815.7
Current assets	724.2	804.1	4%	489.1	2%	-315.0
Total assets	**22,100.2**	**22,654.3**	**100%**	**23,155.0**	**100%**	**500.7**
Shareholders' equity	1,206.2	1,268.6	6%	1,337.8	6%	69.2
Non-current liabilities	18,137.3	18,226.6	80%	20,067.6	87%	1,841.0
Current liabilities	2,756.7	3,159.1	14%	1,749.6	7%	-1,409.5

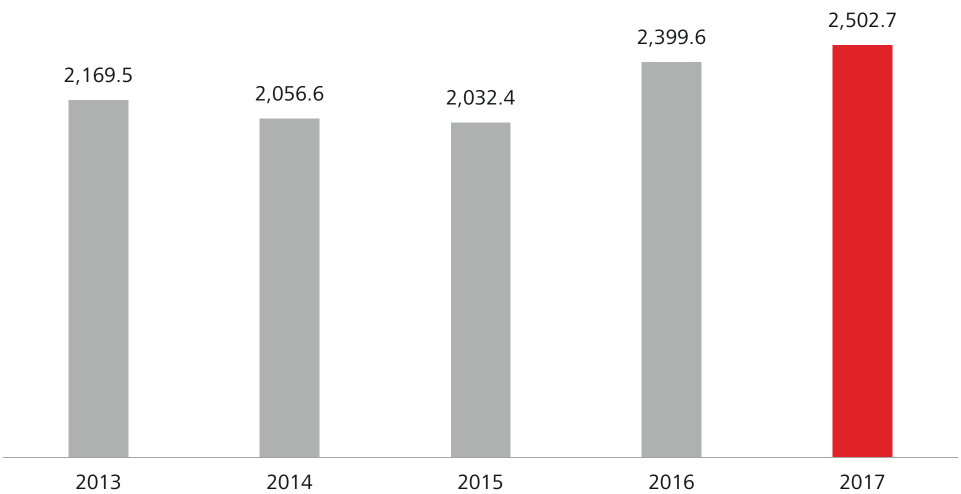
The total assets of the ÖBB-Infrastruktur sub-group increased as of December 31, 2017 by 2% to EUR 23,155.0 million (previous year: EUR 22,654.3 million). The PP&E ratio was 93% (previous year: 92%). As of the reporting date, the PP&E-to-net-worth ratio was unchanged year on year, at 6%. PP&E-to-net-worth ratio II, which includes non-current borrowings, was 99% (previous year: 94%). Working capital totaled EUR -309.4 million (previous year: EUR -429.9 million). The increase in equity, by EUR 69.2 million to EUR 1,337.8 million (previous year: EUR 1,268.6 million), produced an equity ratio of 6% (previous year:

Overall, the liabilities of the ÖBB-Infrastruktur sub-group increased in the reporting period by 2% to EUR 21,483.0 million (previous year: EUR 21,046.9 million). With financial liabilities increasing by 2% to EUR 20,221.4 million (previous year: EUR 19,879.2 million), this category accounted for 94% of all liabilities, unchanged from the previous year.

C.4. Capital expenditure and financing measures

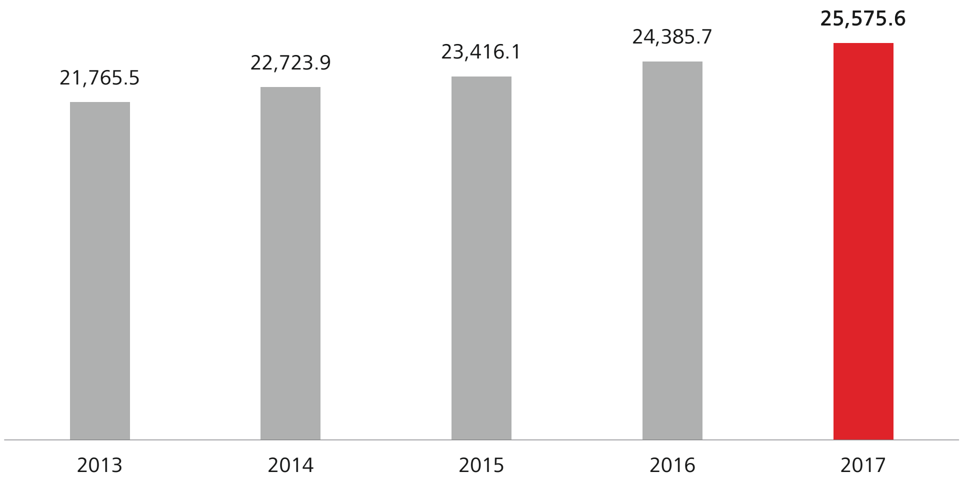
Overview	2017	2016	Change	Change in %
Capital expenditure in EUR million	2,502.7	2,399.6	103.1	4%
Capital expenditure ratio of total income in %	35%	34%	1%	3%
PP&E-to-total-assets ratio in %	10%	9%	1%	11%

Capital expenditure in EUR million



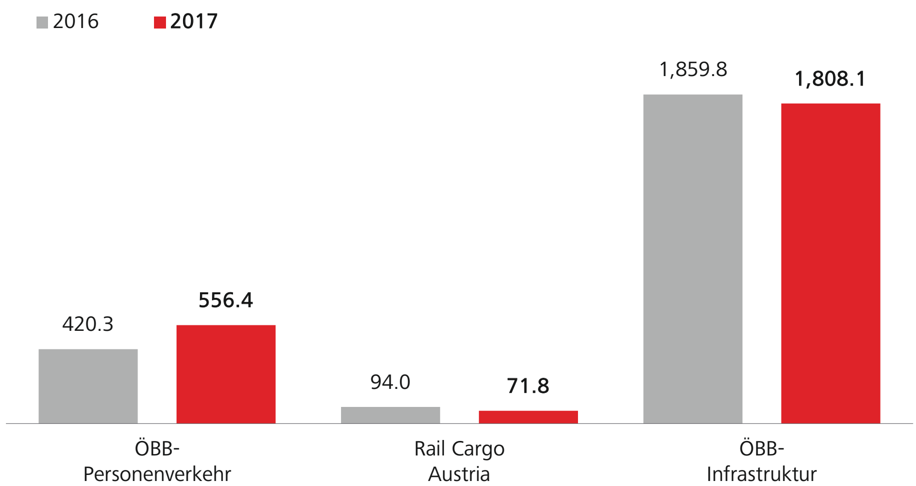
In the reporting year, ÖBB Group invested EUR 2,502.7 million (previous year: EUR 2,399.6 million) in property, plant and equipment, and intangible assets. These capital expenditures are reported as additions to fixed assets and recognized at cost. This value was determined taking into account capital expenditure in the context of company acquisitions and corresponds to a capital expenditure ratio for property, plant and equipment of 35% (previous year 34%) of total income or 10% (previous year: 9%) 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



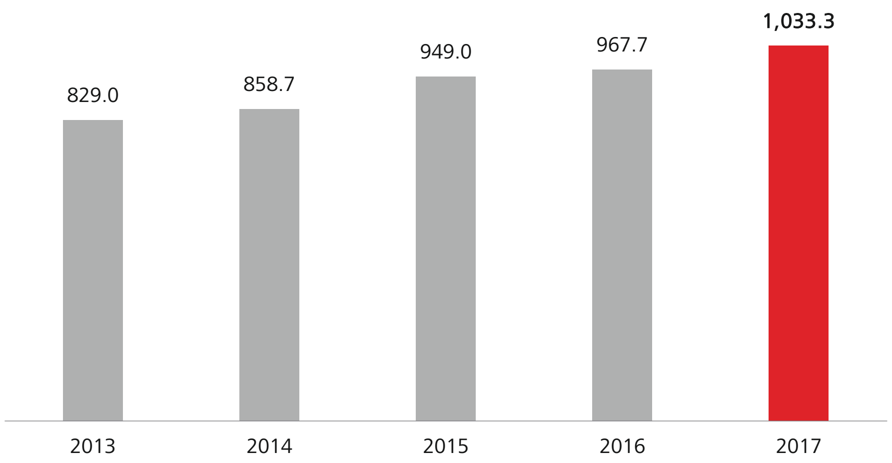
Of the capital expenditures amounting to EUR 2,502.7 million (previous year: EUR 2,399.6 million), the ÖBB-Infrastruktur sub-group accounted for the lion's share of all investment and financing measures, with EUR 1,808.1 million (previous year: EUR 1,859.8 million). The property, plant and equipment of this sub-group, with a carrying amount of EUR 21,614.5 million (previous year: EUR 20,785.4 million) was unchanged from the previous year at 85% of the total property, plant and equipment of the ÖBB Group, which totaled EUR 25,575.6 million (previous year: EUR 24,385.7 million).

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



Depreciation and amortization expenses increased by EUR 65.6 million to EUR 1,033.3 million (previous year: EUR 967.7 million).

Development of depreciation and amortization of ÖBB Group in EUR million



Capital expenditure of ÖBB-Personenverkehr sub-group

Overview	2017	2016	Change	Change in %
Capital expenditure in EUR million	556.4	420.3	136.1	32%
Capital expenditure ratio of total income in %	25%	20%	5%	25%
PP&E-to-total-assets ratio in %	26%	22%	4%	18%

In the reporting year, the ÖBB-Personenverkehr sub-group invested EUR 556.4 million (previous year: EUR 420.3 million) in intangible assets and property, plant and equipment. This equates to a capital expenditure ratio of 25% (previous year: 20%) of total income or 26% (previous year: 22%) of the carrying amounts as of January 1.

Capital expenditure	Amount in EUR million
Short-distance traffic investments	488.2
Long-distance traffic investments	45.8
Technical equipment and machinery	1.6
Other property, plant and equipment investments	10.1
Intangible assets	10.7
Total capital expenditure	**556.4**

Capital expenditure of Rail Cargo Austria sub-group

Overview	2017	2016	Change	Change in %
Capital expenditure in EUR million	71.8	94.0	-22.2	-24%
Capital expenditure ratio of total income in %	2%	3%	-1%	-33%
PP&E-to-total-assets ratio in %	8%	10%	-2%	-20%

In the reporting year, the Rail Cargo Austria sub-group invested EUR 71.8 million (previous year: EUR 94.0 million) in intangible assets and property, plant and equipment. This figure represents a capital expenditure ratio of 2% (previous year: 3%) of total income or 8% (previous year: 10%) of the carrying amounts as of January 1.

Capital expenditure	Amount in EUR million
Property, plant and equipment	**54.5**
Rolling stock	14.1
Workshops	18.9
Other property, plant and equipment	21.5
Intangible assets	**17.3**
Total	**71.8**

Capital expenditure of ÖBB-Infrastruktur sub-group

Overview	2017	2016	Change	Change in %
Capital expenditure in EUR million	1,808.1	1,859.8	-51.7	-3%
Capital expenditure ratio of total income in %	54%	52%	2%	4%
PP&E-to-total-assets ratio in %	8%	8%	0%	1%

In total, the ÖBB-Infrastruktur sub-group invested EUR 1,808.1 million (previous year: EUR 1,859.8 million), equivalent to a capital expenditure ratio of 54% (previous year: 52% of total income and, as in the previous year, 8% of the carrying amount as of January 1.

With a carrying amount of EUR 21,614.5 million (previous year: EUR 20,785.4 million) 85% of the total property, plant and equipment of the ÖBB Group is attributable to the ÖBB-Infrastruktur sub-group, unchanged from the previous year.

Areas of investment focus in 2017

Capital expenditures by ÖBB-Infrastruktur Group focused on the following investments in 2017:

- Development of the Southern line
- Four-track extension of the western line
- 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

120 km of the 130 km Koralm railway between Graz and Klagenfurt have already been completed or are under construction. This represents 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 and have each drilled more than 21 km into the mountain. On the Carinthian side, the last tunnel boring machine started operation in October 2015. Due to the geologically challenging conditions and the extremely high rock pressure in some places, the machines were damaged and boring was interrupted. The breakthrough connecting the two ends of the Koralm Tunnel is planned for 2018. In February 2017, the main work began on making the Lavanttal railway more attractive as an important access route for the future Koralm railway. With the start of construction work between Aich and Mittlern in April 2017, all Carinthian sections of the Koralm railway are now under construction. In September 2017, construction work began on the buildings of the new station in Western Styria. At the same time, the last tunnel of the St. Kanzian tunnel chain was undertaken – the Untersammelsdorf tunnel. In addition, there were numerous tunnel breakthroughs in 2017: Miners celebrated the breakthrough in the Lind tunnel in February 2017, in the Stein Tunnel in July 2017, in the Srejach tunnel (St. Kanzian tunnel chain) in September 2017, and in the Langer Berg tunnel (Granitz Valley tunnel chain) in December 2017.

Construction of the Semmering base tunnel is also progressing: With the official start of work on the third and last construction section (Grautschenhof) in May 2017, all three tunnel sections of the 27-km long railway tunnel are under construction. In the middle section of the Fröschnitzgraben tunnel, a large cavern – later to become an emergency stop – was built, from which point the two tunneling machines will start work in the direction of Gloggnitz from spring 2018; in the direction of Mürzzuschlag, work is carried out using the traditional excavator-blasting method. From the Lower Austrian side – in the Gloggnitz tunnel section – miners have already worked their way 2,300 meters into the mountain. This section includes the 1000-meter long access tunnel in Göstritz, which was completed in 2017. At the third tunnel section, Grautschenhof in Styria, the 100-meter deep access shafts have been completed. Once completed, the Semmering base tunnel will allow passengers to travel between Vienna and Graz in 30 minutes less time and greatly facilitate freight transport on the route.

2017 was marked by intensive construction activity on the Brenner base tunnel. One third, almost 80 km, of the entire 230 km tunnel system has already been excavated. The interior work was completed in Erkundungslos Padastertal + Wolf 2. An ÖBB-owned siding at the Wolf construction site has been available for the next contract section Pfons-Brenner since August 2017. Parallel to the existing Innsbruck bypass tunnel, a breakthrough was made for the rescue tunnel and a connecting tunnel between the Brenner base tunnel and the Innsbruck bypass was cut through at the end of July. Excavation of the Innsbruck emergency stop is well advanced. The Innsbruck Central Station project area is being implemented by ÖBB-Infrastruktur AG on behalf of the Galleria di Base del Brennero - Brenner Base Tunnel BBT SE. In commissioning the Pfons-Brenner construction section, the Federal Administrative Court agreed with the assessment made by the Galleria di Base del Brennero - Brenner Base Tunnel BBT SE. This means that the 966 million euro project has now been legally awarded. In Italian territory, the construction sections "Eisackunterquerung" and Mauls 2-3 are active. The extremely complex and extensive work will take until the end of 2023.

The two-track expansion of the Pottendorf line is progressing according to plan. A continuous two-track connection between Vienna-Meidling and Wiener Neustadt will be established by 2023. A second track will be added to the existing track on the line between the Vienna city limits and Münchendorf; a new station will be built in the Ebreichsdorf section. The measures are divided into two stages. In the Hennersdorf – Münchendorf section, all official permits have been obtained and the main work in this area has been underway since 2016. Important milestones were achieved during a two-month closure of the railway line in summer 2017 with rail replacement traffic. In September 2017, the first new platform in an elevated position was put into operation at the Hennersdorf station. Several railway crossings along the line were left open and replaced by overpasses or underpasses. In Achau, the Mödlingbach bridge was extended by another bridge-supporting structure. Work on the new railway underpass for the B11 and the passenger tunnel for the new Achau station is also well advanced. As part of the work on the two-track expansion of the Pottendorf line, a new crossing of the Aspang railway in the Achau area was also constructed. It now runs over a new dam and a newly built railway bridge. In Münchendorf, where the new station is also already in partial operation, access is available through the new passenger tunnel.

Work on the extension of the Vienna – Bratislava line was intensified in 2017, which will shorten the journey time between the two capitals by up to 25 minutes from 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 5.4 km) began in October 2016; regular train service is being maintained during this project. From 2018, the Lower Austrian section (around 32 km) will be selectively expanded to two tracks and electrified. If capacity is required, a two-track expansion of the entire section is possible. Expansion is also planned on the Slovakian side.

In 2017 the line extension from Salzburg Central Station to Freilassing was completed. The cross-border route network between Salzburg and Bavaria was expanded in four sections. The three-track expansion of the three Austrian sections reaching to Saalach was completed by ÖBB-Infrastruktur AG in 2013. Now the three-track expansion of the fourth section "Saalachbrücke" has been finalized; Deutsche Bahn (DB) was in charge of this project. The extension of the line Salzburg Central Station – Freilassing serves to increase the capacity of the S-Bahn system in the Salzburg area and to make rail transport more attractive for commuters and students by building new stops.

The absolute highlight was the commissioning of the St. Pölten-Loosdorf gap closure at the beginning of December 2017. With the commissioning of this section of line, the four-track expansion between Vienna and Linz-Kleinmünchen has been completed. This also creates the conditions in the St. Pölten area for a better passenger transport service, a shift of freight traffic from road to rail; it also eases pressure in the city center from freight transit transport on the western route. Almost 25 km of new tracks, 23 bridges and three railway tunnels: This is the new route between St. Pölten and Loosdorf.

Presentation of the entire master plan and other investment projects

Project		Capital expenditure 2017	Projected or effected completion
Modification and new construction of stations	Station Bad Vigaun	4.9	2017
	Station Gänserndorf	1.0	2018
	Station Hall in Tyrol; Thaur logistics zone	3.5	2017
	Station Ledenitzen West	1.8	2017
	Station Liezen	1.0	2017
	Station Langenwang	2.7	2018
	Station Losenstein	1.2	2018
	Station Moosbierbaum-Heiligeneich	6.7	2017
	Station Rekawinkel	2.8	2018
	Station Scheifling	3.0	2017
	Station Seefeld in Tyrol	9.5	2018
	Station St. Georgen am Steinfelde	0.9	2018
	Station Tallesbrunn	0.6	2017
	Station Tulln	13.0	2019
	Station Velden am Wörthersee	5.9	2017
	Station Weikendorf-Dörfles	1.0	2017
	Station Wien Hetzendorf	3.2	2018
Parking garages	P&R Krems a.d.Donau; Parking garage 1 covered	3.4	2017
	Wels Central Station; Construction of parking garage	1.6	2018
Greater Vienna	Freight center Vienna South [1)]	10.2	2016/2019
	Expansion of the Marchegger branch	27.2	2022
	Vienna-Meidling, branch Altmannsdorf; two-track expansion	0.1	2023
	Vienna Hütteldorf – Vienna Meidling; connecting railway	1.4	2025
Western line	St. Pölten; new freight train bypass	23.5	2017
	Ybbs a. d. Donau – Amstetten; four-track expansion (gap closure) [2)]	9.0	2015/2017
	Linz-Kleinmünchen (a) – Linz Central Station; four-track expansion	16.1	2017/2030
	Linz – Wels; four-track expansion	18.1	2026
	Salzburg Central Station – Freilassing; three-track expansion (expansion of local transport) [3)]	2.0	2013/2017
Southern line	Vienna Blumental – Wampersdorf; two-track expansion of the Pottendorfer line	57.9	2023
	Gloggnitz – Mürzzuschlag; new line (Semmering base tunnel)	204.9	2026
	Bruck a. d. Mur - Graz; station conversion	28.2	2026
	Graz – Klagenfurt; Koralm railway	335.6	2025
Pyhrn-Schober route	Wels – Passau; expansion of existing line [4)]	5.7	2020/2022
	Linz – Selzthal; selective two-track expansion and station conversions	2.9	2023
	Linz Central Station – Summerau; beautification	3.0	2022
Brenner route	Brenner Base Tunnel	115.3	2027
Arlberg route	Bregenz – Bludenz; expansion of local transport (Rhine valley concept)	3.0	2023
	St. Margrethen – Lauterach; development for local transport and beautification	16.4	2020
	Wolfurt; terminal, expansion	14.9	2018
Programs	Noise protection	9.1	
	Park & ride	16.6	
	Safety and operation management systems	83.8	
	Measures for customer satisfaction	13.8	
Reinvestments in the railway network		540.3	
Others (incl. intangible assets)		181.4	
Total master plan and other investment projects		1,808.1	

[1)] Commissioning of the new siding is scheduled for March 2019

[2)] Amstetten station completion 2017

[3)] Salzburg Freilassing: Total commissioning of the Austrian section to national border: 2013
Total commissioning incl. German section (DB measures): 2017

[4)] Schärding station completion 2017

Consolidated Management Report

C.5. Corporate strategy

General conditions and challenges

In 2017, ÖBB celebrated 180 years of the railway and 110 years of postal buses in Austria. The company has changed again and again and moved steadily forward since it was founded. Customers have always played a central role in this. In 2017, customers were once again placed in the focus of our activities. The expansion of integrated mobility, capital expenditure in new coaches, WiFi and mobile phone networks, as well as the ongoing further development of the stations are just a few examples of ÖBB's innovative strength and customer orientation. Many generations of committed employees have shaped the company and made an important contribution to the modernizing strength that the company has always exhibited. A main focus again this year was on the education and advancement of our employees. "Youth is our future!" In 2017, capital expenditures were made in the expansion of apprentice workshops, apprentice hostels and educational institutions, among other things.

The mobility sector is changing. The rising importance of digital media, increasing environmental awareness and increasing internationalization are having a major impact on social and environmental mobility behavior. Under these conditions, we have intensified efforts to develop the ÖBB Group continuously, actively and successfully into a modern, innovative, sustainably profitable and stable company.

Progressive market liberalization, driven in particular by European directives related to railway packages, is leading to steadily growing competition in passenger and freight transport. ÖBB intends to develop into a total mobility provider by making targeted capital expenditures and expanding services. For this reason, the new car sharing offer Rail&Drive was launched on the market in 2017. ÖBB's goal as an integrated group is to remain the market leader in passenger rail transport in Austria and to maintain its leading role among the top three rail freight operators (based on ton-kilometers).

The Group also faces further challenges within ÖBB: Generational change and new forms of cooperation, continuous optimization of the cost structure, process optimization with regard to increasing the speed with which the company reacts to market changes and further promotion of innovation and digitalization as a catalyst for achieving strategic goals.

Strategy and strategy implementation – key initiatives in the Group

Passenger transport – customer orientation in focus

Integrated mobility

The Austrian and international mobility markets are changing. Singular transport modes are being replaced by more complex mobility chains. The boundaries between individual and public transport continue to blur as providers such as Car2Go, Citybike and Uber are reshaping mobility.

This development is leading customers to seek to combine different forms of mobility in order to travel efficiently from one place to another at any time. In the past, however, customers had to choose their route on the basis of a relatively straightforward range of information. Therefore, a large amount of personal experience was necessary in order to select the optimal route. Subsequently, the various elements of the route could only be booked individually. This complicated and time-consuming process is increasingly being replaced by modern information technologies and booking and information platforms.

ÖBB sales will continue to be the key to integrated mobility offers. Because a simple and intelligent, coordinated distribution system has a major impact on customer satisfaction.

The aim of the ÖBB iMobility initiative is to satisfy increasing customer demand for integrated mobility and to close the market gaps in this area, as well as to develop such a system.

Ticketshop
In 2017, ÖBB's sales system for all sales channels in Austria was changed. As part of this complex project, all distribution channels currently operated by ÖBB were equipped with a new standardized front-end system. For customers, this results in a standardized user interface when booking tickets via app, ticket machine and Internet. At the same time, a faster and more flexible backend system is currently being intensively developed, which will enable better analysis and control of sales.

wegfinder
iMobility and the mobile app wegfinder have expanded the ÖBB Ticketshop offer and opened up new target groups. wegfinder focuses on increased customer orientation and broad target group coverage (sharing economy). wegfinder integrates the offers of individual transport, public transport and sharing models, allowing ÖBB to make offers for the first and last mile and move from a pure carrier to a comprehensive mobility partner. wegfinder was successfully launched on the Austrian market in summer 2017. Numerous awards and nominations (VCÖ Mobility Award, Futurezone Awards, WeStartUp etc.) confirm the path we have chosen.

New car sharing ÖBB Rail&Drive
The new Rail&Drive car sharing service was developed from the eMorail research project. This car sharing model for public use was initially tested in a pilot project in 2017 and was rolled out throughout Austria in November 2017. At large and medium-sized stations throughout Austria, cars from ÖBB's own fleet are made available for general use by registered customers. The aim of this station-based car-sharing model is to offer railway passengers a comprehensive mobility service for the first and last mile.

Project Talent 3

Since September, 21 six-car Bombardier Talent 3 multi-system multiple units have been produced for ÖBB's local transport fleet. The new vehicles will be on the road as city jets for ÖBB in Vorarlberg from 2019.

WiFi

In recent years, ÖBB has invested a great deal in this area. The Railjet coaches have been equipped with an improved WiFi system, Cityjet and Talent trains are gradually being upgraded with WiFi receivers. This will provide high quality Internet reception in the majority of the fleet. As part of these efforts, the onboard portal Railnet was also adapted in the Railjets and expanded to include additional features. In addition to visual adjustments, passengers now have access to new digital newspaper and magazine offers via smartphone, tablet and laptop in addition to information about travel, connections and services on the train. Passengers can also access ORF TVthek programs via Railnet and video-on-demand – regardless of the available bandwidth.

The installation of repeaters in the trains has also further improved the voice quality for mobile telephony on board the trains. Parallel to the investments in the trains, more and more heavily used stations are also being equipped with WiFi reception.

Mobile network coverage along selected ÖBB routes

ÖBB, the Austrian Federal Ministry of Transport, Innovation and Technology (BMVIT) and all Austrian mobile communications companies began to significantly improve mobile network coverage along Austria's most important railway lines in 2016. ÖBB-Infrastruktur AG takes over the construction of the infrastructural measures along the lines, the mobile phone companies equip them with transmission technology and take over the integration into their existing networks.

The expansion of network coverage along the high-speed rail lines in the greater Vienna area and on the Vienna – Salzburg line was completed at the end of 2017. In a second stage, the southern line, the S-Bahn lines in Styria, Carinthia, Tyrol and Vorarlberg will be equipped with improved mobile phone coverage. The measures are currently being planned in detail and some are already under construction. Overall completion is expected in the course of 2019.

VC66 launch

The Vorteilscard66 was launched in June 2017. This discount card, which is only available online at a special price of 66 euros, offers – like the other existing cards from the discount card portfolio – ÖBB train journeys at a 50% discount for a whole year. This supports ÖBB's digitalization offensive; the lower process costs from digital ordering are passed on to customers as a cost advantage.

ÖBB positioning in retail

In 2017, ÖBB-Personenverkehr AG successfully established new marketing instruments on the market and strengthened its presence by adding external sales partners. In addition to an initial positioning in the retail trade with ÖBB voucher cards – the retail chain Lidl served as a pilot – 1.2 million co-branded Toffifee packages, which were sold in stores, included ÖBB vouchers worth EUR 5. In addition, the distribution network was successfully expanded through the addition of further strategic cooperative agreements with Swiss Post and Tobaccoland.

Freight transport – further internationalization

Market expansion – continuous internationalization

The Rail Cargo Group's international range of services is being continuously expanded. In addition to the 18 countries in which the Rail Cargo Group currently has a presence, ÖBB's freight transport division is significantly expanding its transports to Russia and China. Numerous Chinese investments as part of the "One Belt – One Road" initiative are creating new markets and opportunities which the Rail Cargo Group intends to take advantage of with its comprehensive range of services. In Europe, the Rail Cargo Group has positioned itself as a reliable, strategic and operational partner for a dense distribution network for goods from the Far East.

The Rail Cargo Group also continues to focus on strategic positioning and the management of freight transport terminals. In addition to the Vienna South freight center, the Bilk freight terminal serves as a hub for trains from China, Russia, Kazakhstan and Iran, for example. This means that freight transport will continue to be shifted from sea and air to the railways. Another main focus is the development of strategic cooperative agreements with European ports relevant to the Rail Cargo Group.

Trans4Cargo

The Rail Cargo Group continues to build on the success last year of "Ergebnissicherung 2016" [Safeguarding earnings 2016] in the multi-year "Trans4Cargo" program. The freight transport segment thus continues to develop in order to meet the needs brought about by changes in the market and in the general conditions. Trans4Cargo sees itself as the Rail Cargo Group's central transformation program for the sustainable and long-term positioning of the Group. The program divides individual strategic initiatives into four thematic areas: Future, strategy, optimization and cross-division issues. The sub-projects below define the Group's innovation strategy, define new business models, develop new control logic including new organization and billing logic within the Group, and deal with optimization challenges in the areas of railcar and train utilization, pricing and the secondary network. A separate sub-project deals with the end-to-end digitalization of internal processes while simultaneously ensuring the digital connectivity of external and internal service providers, customers and partners.

Top products

The "Antwerp Shuttle" system train now connects the ports of Antwerp, Ghent and Zeebrugge and other economic regions in Belgium with southern and southeastern Europe five times a week. The key function of the service portfolio is to supply the surrounding industrial companies and thus to offer full coverage in Belgium.

Additional top products can be found in the intermodal sector. Zilina/Paskov in Slovakia and Kaliningrad in Russia are served by up to 45 round trips per month, and Melnik and Hamburg/Bremerhaven have a daily round trip. The latter is offered as an open product on which major shipping companies such as CMA, Maersk and Cosco can be found. Starting from Hamburg/Bremerhaven, Vienna/Linz and Wolfurt will also be connected with six round trips each per week. Up to nine round trips per week also take place between the economic centers of Trieste and Budapest, which will include volumes to and from Asia, Africa and the Middle East.

The production capacity built up by RCG has also been impressive and has made a significant contribution to the acquisition of further major customers in northern Italy. Here, 480,000 additional tons are transported on Group-owned traction stock from Germany. Thanks to many years of good and reliable cooperation with the port of Koper, the Rail Cargo Group has been able to acquire further new customers.

Infrastructure – Capital expenditure in expansion and safety

Infrastructure expansion

ÖBB invests EUR 2.5 billion annually in the modernization of its networks and thus makes a significant contribution to the domestic economy.

According to the 2017 to 2022 master plan, EUR 15.2 billion will be invested by 2022 – a large part of this in the reinvestment in or expansion of railway stations, park & ride facilities or terminals and in major line expansions to further modernize and make rail traffic more attractive.

Hard work continues to be put into the implementation of major projects such as the expansion of the southern route (including the Koralm railway and the Semmering base tunnel) and the Brenner base tunnel, which are the focus of transport policy objectives, in order to create a highly attractive rail system for generations with the 2025+ target network.

The extension of the axis from the Czech border to Klagenfurt, which is intended to connect the northern economic areas with Italy, will also strengthen international connections.

Park & Ride expansion

The strategic objective is the demand-oriented construction/commissioning of more than 2,000 car parking spaces and at least 1,200 covered bicycle parking spaces per year. The main focus for the construction of new park & ride facilities (car parking spaces) at railway stations is on major metropolitan areas (e.g., within a radius of 30 km from capital cities). There are no plans to build park & ride facilities directly in the capitals. Park & ride facilities should be located to ensure that motorized individual transport is addressed in a structured way near the "source" (switch to public transport).

Well-being at the train station – safety and service

Safety is a fundamental prerequisite for ensuring that customers feel comfortable in railway stations. For this reason, 150 additional employees have been employed to ensure safety; they are also available as contact persons. Significant investments have also been made in the expansion of video surveillance in order to further improve customers' sense of safety at the station.

Further measures such as improvements in lighting, color scheme, brightness and visibility of paths are gradually being implemented in 175 stations. Following the expansion of the S-bahn in the metropolitan areas in recent years, the main S-Bahn line from Vienna-Meidling to Floridsdorf and the S-Bahn line Handelskai to Hütteldorf were provided with new color-coded routes in a successful cooperation with the Vienna lines last summer to ensure better orientation for customers in the Vienna network.

ÖBB as an employer – Fit for the future

New personnel strategy

Due to the impending generational change, one third of the employees will leave ÖBB by 2022. During the same period, 10,000 new colleagues will join the company. For ÖBB this is a great challenge – and an equally great opportunity. The new personnel strategy gives the company the tools it needs to seize this opportunity. As an important component of the corporate strategy, it is part of a coherent strategic concept for a strong and modern company. Connected with and motivated by the common vision "We move people with passion", this will make a contribution to the positive development of the company. Four priorities have been defined: "Attractive employer", "Talent management", "Culture" and "Organizational development".

Change of perspective

The "Change of perspective" project was launched in April 2017. Every manager takes on the role of an employee in his or her own area of responsibility or in a partner area on one day per year. Partner area means that the change of perspective is carried out in an upstream or downstream company area, i.e., process-related and company-wide.

The goals of the change of perspective are:
- To bring managers closer to customers, giving them a better understanding of customer needs and allowing them to find better solutions
- To improve cooperation within ÖBB and thus strengthen our team – one ÖBB
- To promote understanding of the challenges and needs of ÖBB coworkers by accompanying them in their tasks
- To express appreciation and respect for the daily achievements of ÖBB coworkers
- To receive suggestions from ÖBB coworkers on how to improve business or processes
- To listen to ÖBB coworkers and absorb the valuable knowledge they impart

Employer branding

For the coming generational change it is indispensable to appear and be perceived as an attractive employer on the internal and external labor market.

Key functions

Employees in the bus driver, train driver, dispatcher, shuttle and train attendant professions were invited to apply as the face of advertising for the new employee campaign. In this initiative, employees from key positions were taken from behind the curtain and presented – with the aim of making these professions even more widely known and inspiring potential new employees.

Sustainability and climate protection – rail and bus as a sustainable mobility provider

Construction of hydroelectric power plants Tauernmoos/Obervellach II

ÖBB already covers 92% of its traction power requirements from renewable energy. ÖBB's ten hydroelectric power plants are the backbone of renewable energy generation and together generate almost one third of total traction power requirements. With the planned new construction of the pumped storage power plant Tauernmoos (Salzburg) and the power plant Obervellach II (Carinthia), ÖBB-Infrastruktur AG will continue to focus on the environmentally sustainable production of traction power.

E-Hybrid locomotive research project

In a two-year lighthouse project, ÖBB-Produktion together with the Federal Ministry of Transport, Innovation and Technology and the companies TecSol and HET have developed two prototypes of an e-hybrid shunting locomotive. In 2017, the project was successfully completed and the first locomotive was taken over by ÖBB Infrastruktur. Thanks to innovative energy storage concepts and a combination of hydrogen and electric drive, both prototypes can also run emission-free without an overhead cable. In addition to reducing noise and exhaust emissions, the e-hybrid locomotive also has the potential to significantly reduce maintenance and operating costs compared to expensive diesel locomotives.

Innovation – new ideas to drive success

Innovation as an important lever for achieving strategic objectives

Innovation is an essential lever for achieving the strategic goals of the ÖBB Group. Some successes have already been achieved in recent years. However, the work must be continued and innovation must be firmly anchored as a strong driving force in the company.

Open innovation

ÖBB pursues innovation in many ways, including many projects and services resulting from employee initiatives, research and development, the ideas workshop and ongoing strategic initiatives. Particularly noteworthy is the "Open Innovation" program, which offers the Group's innovation drivers a broad range of services to support customer-centric innovation. In addition to suitable premises such as the Service Design and Open Innovation Lab, this includes a wide range of methods and competent staff to facilitate innovations. The "Open Innovation" principle involves opening the innovation process to ideas and suggestions from external stakeholders. The involvement of customers, employees and suppliers produces ideas that can be developed into marketable products. In order to make the exchange with external providers of ideas as simple and interactive as possible, the Open Innovation Platform was launched in 2016, and it now has over 2,500 registered users. In 2017, the platform was fundamentally revised and will be available to users in 2018 with new functions.

In order to promote the innovative strength of ÖBB employees in the best possible way and thus move the Group forward, the Ideas Workshop is open to all employees to contribute their suggestions for improvements. In 2017, 778 ideas were submitted, 17.1% of which were implemented. Each idea implemented generated a benefit of EUR 40,000.

The principle of "rapid prototyping" is applied when innovation initiatives are implemented: Prototypes are quickly developed from ideas, which are immediately tested in the market by customers and further developed on the basis of feedback. This repetitive process allows ideas to be efficiently and quickly transformed into relevant products, services and processes. This method makes it possible to understand customer needs in a short time and to tailor the products to them.

In 2016/2017, four so-called challenges – specific problems – were addressed to the ÖBB community via the Open Innovation Platform: The four challenges dealt with the topics of "Finding a seat", "Well-being at the train station", "Digitalization in rail freight transport" and "Traveling with luggage". Numerous prototypes and innovative solutions for customers have been developed and are currently being put into practice as quickly as possible. In addition, customer needs are continuously assessed in tests and workshops and the findings are quickly implemented by the departments.

C.6. Other important events and outlook

Outlook for the ÖBB Group

Deepening and further development of the Group strategy – We want to move into a successful future!

The assessment of the situation shows clearly: The company is on the right track, but there is still a lot to be done in some areas! Growth is the key. However, the changed market environment in freight and passenger transport calls for further development and adaptation of the path to achieving these goals.

New challenges require a high degree of flexibility and the courage to change.

The future challenges in the areas of customers, society, markets, competitors and the state are diverse and are developing rapidly. Shifts in customer and industry segments, changes in consumer behavior, the emergence of integrated mobility, changes due to unknown technologies of the future and the development of smart cities are only the beginning. Similarly, the requirements in the areas of climate protection and sustainability are (rightly) increasing. The forthcoming generational change in the ÖBB and the greater importance of diversity management require new standards and instruments for employees. Furthermore, the productivity pressure of increasing competition in freight transport and liberalization in passenger transport as well as the requirements in the area of safety and security will continue to increase in the future.

ÖBB must master the challenges in order to maintain its position in what has become a highly competitive market. The question is not whether we change, but how we change. To this end, internal processes must first be subjected to constant critical scrutiny and regulations, rules and structures must be screened and checked for meaningfulness. In doing so, the effects on the Group as a whole should be kept in mind in every decision. Customers rightly don’t care about internal structures. ÖBB is viewed as one company; our actions must take this into account. Old habits must be questioned and development opportunities must be placed in the foreground. Customers must know that they can continue to rely on ÖBB in the future.

Objectives

ÖBB has set itself ambitious goals for all challenges and has already taken a step in the right direction:

Growth

Growth and internationalization as the only response to the changed conditions and as the only alternative to downsizing

Quality and reliability

Quality assurance and development, especially in ÖBB’s core competencies of punctuality, safety and comfort (cleanliness and information)

Efficiency

Strict cost management in all areas

These goals are specified and implemented in defined action areas and initiatives in the following six dimensions.

Increasing customer needs

Customers and companies are placing ever increasing demands on mobility services and logistics solutions. They constantly evaluate the offerings on the market. Consistency and reliability at all points of contact with customers is of particular importance.

Demographic change and changing employee needs

The transfer of knowledge to new employees is of great importance. In addition, younger generations are placing new demands on their jobs. New technologies, increasing customer requirements and the competitive situation require new competencies and job profiles in the company.

Increasing competitive and efficiency pressure

Profitability is the basis for a sustainable increase in quality for customers and employee satisfaction. The profitable use of resources creates sustainable added value for customers, employees and owners.

High demands on operational excellence

In terms of customer orientation and quality leadership, safety, punctuality, reliability and productivity must be further optimized.

Climate protection, resource efficiency and social responsibility

Rail and bus, as sustainable and climate-friendly means of transport, will make a significant contribution to achieving climate targets. At the same time, ÖBB is taking measures to optimally cope with the consequences of climate change. In addition to the efficient use of resources (energy, space, etc.) and the reduction of emissions (noise, pollutants, etc.), ÖBB assumes its responsibility towards people, the environment and society (securing jobs, economic growth, regional value creation, etc.).

Innovation and digitalization

Innovation and digitalization are key catalysts for achieving strategic goals. The successful implementation of customer and market-relevant ideas secures and improves the company's market position.

Results guidance

The budget and medium-term planning from 2018 to 2023 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 EUR 22.4 billion in the planning period.

D. Non-financial performance indicators

D.1. Real estate management

ÖBB owns 25,700 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 78.3 million (previous year: EUR 77.5 million) to profits (revenues less carrying values and provisions) in financial year 2017 from the sale of properties.

D.2. Human capital report

ÖBB Group ranks among Austria's largest employers. As of December 31, 2017, there were 41,107 (previous year 40,265) active employees (excluding apprentices) on a Group-wide basis. Year on year, the number of employees increased slightly. ÖBB Group ranks among Austria's foremost training centers. As of the end of 2017, the Group employed 1,743 (previous year: 1,689) apprentices, together with a further 157 apprentices (previous year: 138) 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 46.1 years (previous year: 45.9 years). The percentage of women (including apprentices) was 12.3%, (previous year: 11.7%).

The employee structure at ÖBB Group

Number of employees (headcount)	Dec 31, 2017	Dec 31, 2016	Change Reporting date	in %	Average 2017	2016
Employees	12,302	11,518	784	7%	11,968	11,189
Workers	7,087	6,273	814	13%	6,747	6,032
Tenured employees	21,718	22,474	-756	-3%	22,101	22,865
Total (excl. apprentices)	**41,107**	**40,265**	**842**	**2%**	**40.816**	**40,086**
Apprentices*	1,743	1,689	54	3%	1,562	1,495
Total (incl. apprentices)	**42,850**	**41,954**	**896**	**2%**	**42,378**	**41,581**

*A further 157 apprentices were also employed through the Allgemeine Privatstiftung für berufliche Bildung (general private trust for vocational training) in financial year 2017.

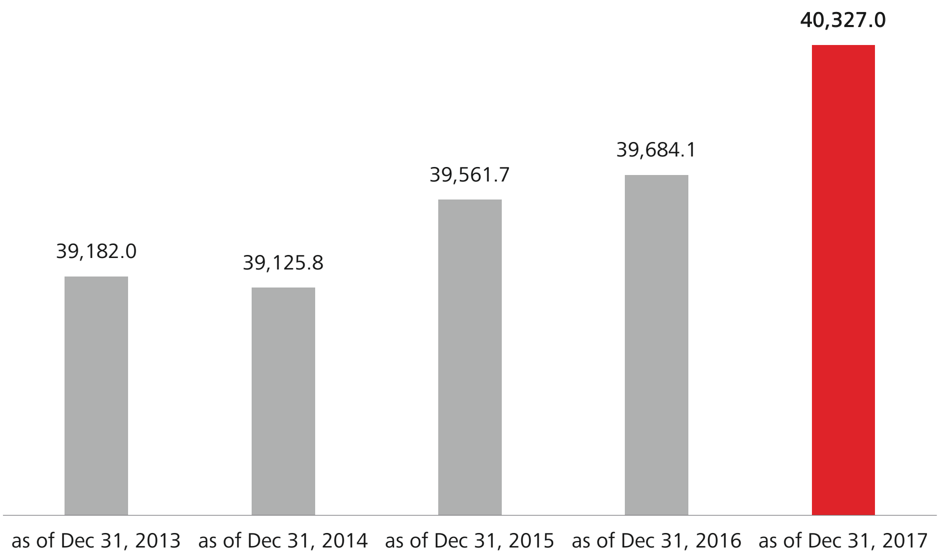
Number of employees (FTE)	Dec 31, 2017	Dec 31, 2016	Change Reporting date	in %	Average 2017	2016
Employees	12,020.9	11,285.6	735.3	7%	11,709.6	10,962.7
Workers	7,013.9	6,213.8	800.1	13%	6,684.5	5,980.8
Tenured employees	21,292.2	22,184.7	-892.5	-4%	21,731.1	22,615.1
Total (excl. apprentices)	**40,327.0**	**39,684.1**	**642.9**	**2%**	**40,125.2**	**39,558.6**
Apprentices*	1,743.0	1,689.0	54.0	3%	1,562.1	1,495.3
Total (incl. apprentices)	**42,070.0**	**41,373.1**	**696.9**	**2%**	**41,687.3**	**41,053.9**

*A further 157 apprentices were also employed through the Allgemeine Privatstiftung für berufliche Bildung (general private trust for vocational training) in financial year 2017.

Tenured employees are ÖBB employees who are subject to the General Terms and Conditions of Employment with Austrian Federal Railways (AVB), joined the company prior to January 1, 1995, and cannot be dismissed, pursuant to the provisions of the AVB.

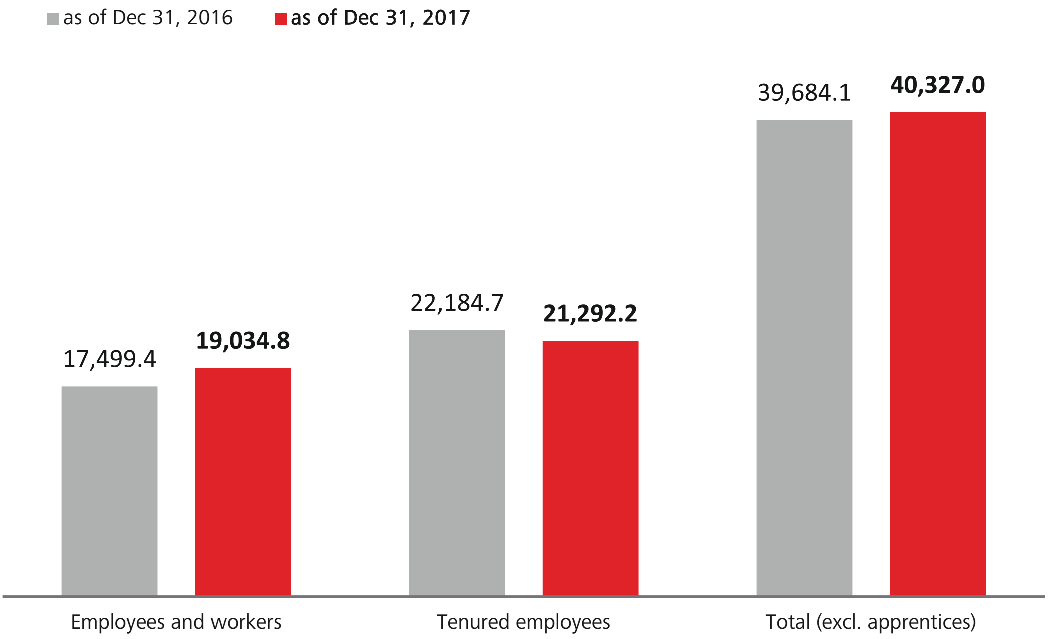
Due to the use of partial-retirement by tenured employees, the change in the number of employees based on FTE is higher than the change in the number of employees based on headcount.

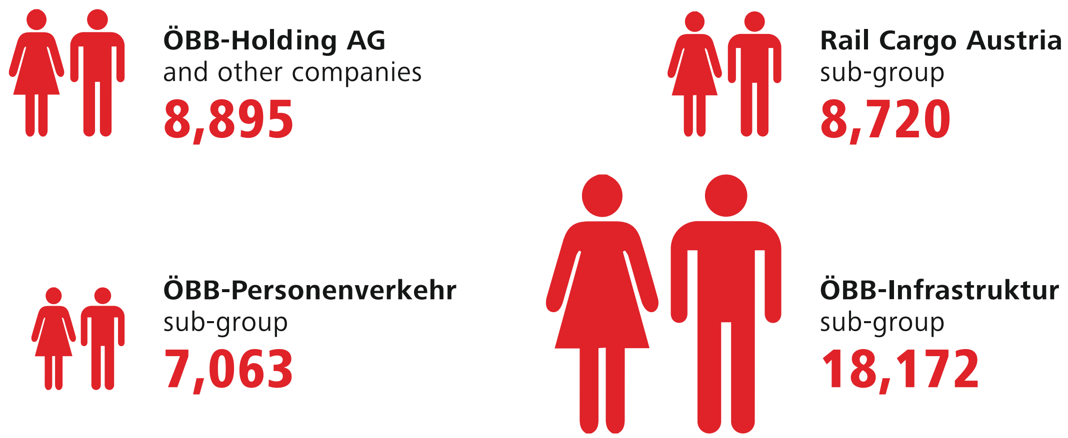
Development of number of employees (FTE) excl. apprentices in the ÖBB Group



Consolidated Management Report

Employee structure of the ÖBB Group (FTE)





The ÖBB-Infrastruktur sub-group was the most HR-intensive business unit as of December 31, 2017, accounting for 42% of all employees.

Apprenticeship program in the ÖBB Group

ÖBB Group is Austria’s largest training center for technical apprenticeships, and offers 22 apprenticeship professions. ÖBB is currently training 1,900 young people to become highly skilled workers. The ÖBB-Personenverkehr and Rail Cargo Austria sub-groups mainly offer training in apprenticeship 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 & mechanical engineering category in Tyrol two times, and in the electrical engineering category in both Lower Austria and Vienna.

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 “Women & Girls in Technology”, the apprenticeship program is committed to making technical training even more attractive for women and girls, and this year for the first time it reached a proportion of 17% women.

The ÖBB-Infrastruktur AG training project “Diversity as an opportunity” is a training project specially designed to meet the needs of young refugees. 70 young people who fled their countries (primarily from Afghanistan and Syria) unaccompanied by an adult caregiver are currently 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 prize for mobility”.

In 2017, the apprentice exchange program with the French railway company SNCF was again carried out with the participation of 20 apprentices. The Austrian apprentices traveled to France at the end of June 2017 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.

Currently, around EUR 67.5 million is being invested in the construction and conversion of five apprenticeship workshops and one apprentice hostel. These include the new modern central apprenticeship workshop in Vienna’s 10th district, which combines the three existing Viennese apprenticeship workshops Penzing, Innstraße and Floridsdorf. From fall 2018, 650 young people and 50 trainers will be working here to further expand the role of the company as the largest trainer for apprenticeship professions in the country.

Group personnel development

Group personnel development focuses on strategically relevant training activities for different levels of management, experts and employees and supports the expansion of know-how and Group-wide networking. A further focus is technical process definition and implementation of Group-wide projects. In 2017, for example, a learning management system (a modern HR IT solution in which the ÖBB Group’s training offering is available) was implemented and planning for training needs throughout the Group was implemented using this tool for the first time.

A total of nine courses for executives and experts were completed as part of the ÖBB Academy in 2017. The seventh program “trainees for mobility” for 14 college graduates with an engineering or business education began in September 2017. Also in September, fifteen junior employees started the new trainee program SAP Juniors with the aim of increasing the number of SAP experts in the ÖBB Group.

The 18-month program “MORE! Juniors” was successfully concluded in October. In this special trainee program, young graduates were integrated into and trained in the ÖBB Group’s accounting department.

In the ÖBB training catalog with more than 180 different course titles, the ÖBB Education team provides a wide range of professional and multidisciplinary training courses and welcomed 8,000 participants during the year.

The continuous advancement and development of our employees is a key factor for future success. To ensure that this challenge is met professionally, the training and further education opportunities offered by Group personnel development are evaluated and further developed on an ongoing basis. In 2017, the focus was on the further development and reorientation of services for team coordinators and managers and on the development of integrated forms of learning such as blended learning (combination of face-to-face events and e-learning).

Employer Branding

In the next six years, the ÖBB Group will face a special challenge: In addition to changing external conditions – such as increasing competitive pressure and technical progress – it is above all an internal company development that calls for action: A quarter of the workforce will leave the company, most of them for reasons of age. The aim is to attract around 10,000 new employees to ÖBB by 2022.

One focus of the "Future of the ÖBB" program, which was conceived in 2017 and will be implemented in 2018, is the reorientation of the ÖBB employer brand. The aim is to develop a differentiable, authentic, credible, relevant, consistent and above all appealing employer brand that is anchored in the minds of employees and potential employees in the long term. The new brand will create a uniform corporate image on the job market and will be based on the ÖBB brand core.

Equality in the ÖBB Group

Numerous measures to increase the proportion of women and thus to increase diversity have been put in place and are beginning to have an effect. These include targeted recruiting, especially of female apprentices, cooperation programs with schools such as the "Girls! Tech-Camp", an ÖBB/IBM technology camp for schoolgirls, places for women in ÖBB Academy training programs, career workshops, specific coaching offers for women, workshops on gender and diversity management and the Equal Treatment Act. In addition, there are offers for better reconciling the commitments of work and private life, including in affiliated kindergartens (Timi's Mini MINTs, with special focus on math, IT, natural sciences and technology) and hourly childcare provided by flying nannies. The share of women attending training courses at the ÖBB Academy is 27%. 37.5% of the Supervisory Board mandates (calculated in accordance with the Equal Treatment Act) were held by women as of the balance sheet date.

Diversity in the company is on the rise. Interculturalism plays an increasingly important role. Internal discussion events, training for managers such as "Working in and with multicultural teams" and workshop series are intended to refine and promote understanding and sensitivity in multicultural cooperation. In addition to the ÖBB-Infrastruktur AG training project for young refugees, the cooperation with the AMS also focuses on young women with asylum status.

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 is based on the three pillars of "Health promotion and prevention", "Health as a management task", and "Occupational rehabilitation". On the topic of "Health as a management task", 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 a high degree of professional expertise. The occupational rehabilitation program was available to around 50% of employees in 2017.

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 in 2017 was the project "Redesign P32 - health policies for employee suitability". This came into force on April 1, 2017, and is currently in a review phase. The aim is to further develop the Directive and make it available to all railway operators in Austria. Another focal point is the evaluation of psychological stress in the workplace. The first Group report was prepared for this purpose, and work is also being done on the conceptual design of follow-up evaluations.

In 2017, the steering committee for occupational safety dealt with the topic of "Employee safety and support in the event of an attack". This was done under the leadership of Group security.

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.

As of December 31, 2017, 540 employees had made use of legally permitted semi-retirement pursuant to Section 27 Unemployment Insurance Act (AlVG). In addition, the Group has provided age-appropriate part-time work to 357 tenured employees as of the reporting date – four years before meeting the requirements for statutory semi-retirement.

ÖBB employee survey

Following three Group-wide employee surveys, the survey was redesigned in 2017. The questionnaire has been streamlined and made more visually appealing. In addition, the focus will be on online participation. The NEW employee survey will be conducted in the second quarter of 2018.

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.

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 derived from current challenges. Key technical topics will include automation, alternative drive technologies and new methods and possibilities in maintenance. Another technical focus topic is big data analytics. “Predictive” or “condition-based maintenance” is expected to increase efficiency and reduce costs in the maintenance of rolling stock and infrastructure.

Overview, orientation and prioritization are the goals of the ÖBB innovation map. Employees have the opportunity to find out about the strategic orientation and the project portfolio on the intranet using ten innovation fields and innovation focal points.

In addition to conventional research and development, ÖBB Open Innovation Challenges are used to deal with current topics through interaction with customers, partners, start-ups, employees, universities and universities of applied sciences. The ÖBB Ideas Workshop, as a company suggestion scheme for all employees, gives employees the opportunity to make a personal contribution to the further development of the company with their own ideas.

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 97 R&D projects in 2017. The current project portfolio amounts to EUR 26.8 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 is 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 CSR and sustainability performance in a special sustainability report. The contents reported reflect the aspects that are relevant and material to the business activities. The 2016/2017 ÖBB Sustainability Report was 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 ÖBB’s understanding of sustainability and outline the 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. ÖBB's transport services make a substantial contribution to climate protection in Austria. 2.9 million tons per year of CO_2 emissions are saved by using ÖBB rail transport services in Austria. The use of climate-friendly hydropower makes an important contribution to ÖBB's positive CO_2 footprint. ÖBB already covers around 92% of the traction power it requires from hydropower – almost one-third of which is derived from its own power plants. With a continuous reduction of the specific CO_2 emissions of 147,677 tons of CO_2 since 2006, in 2017, ÖBB reduced its emissions by 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 another important lever for improving energy efficiency. The positive results are reflected in the reduction of energy costs and protection of the environment through reduced emissions. ÖBB is thus making an important contribution to Austria's climate protection goals and to securing our environment.

ÖBB also assumes responsibility for nature and the environment through various species protection projects such as nesting aids for swallows and the construction of bridges for animals as well as the implementation of various compensatory measures (renaturation) in the form of nature and flood protection or tree and shrub planting, far beyond the legal obligations.

ÖBB is planning a rapid phase-out of glyphosate and announced in 2017 that it will withdraw from the use of glyphosate well before the EU deadline of five years has expired. Together with Global 2000, a research project is intensively looking for an alternative to weed killers.

One undesirable 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, 37% of the freight cars are already equipped with "quiet" brake blocks and thus are noise-remediated.

D.5. Accessibility

Barrier-free and convenient access to trains and buses for people with disabilities, people with strollers, the elderly and passengers with luggage or bicycles is an important goal.

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. In 2016, 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

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 2015/2016, for example, special importance was placed on convenient low-floor entrances, wide doors, open transitions and stronger color contrasts for people with visual impairment. In 2017, 85 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 in night travel, together with an accompanying person.

Postbus

All new purchased low-floor vehicles are equipped with mechanical and electrical folding ramps. Making all seats suitable for disabled passengers is already standard practice. The special-purpose area is fitted with a restraint system. By 2017, 88% of the bus fleet was barrier free.

Intercity buses

ÖBB continues to offer long-distance bus connections in southern Austria to supplement the top trains in long-distance transport to Italy. Five ÖBB Intercity buses (ICB) have been in use for several years. The double-decker buses offer generous seating comfort in 1st and 2nd class and are equipped with toilets and air conditioning. In 1st class, passengers can expect elegant leather seats, work surfaces and sockets as well as free newspapers and drinks. The ICBs are barrier-free. In addition to a low-floor entrance and wheelchair space, the buses also have spaces for passengers with limited mobility, which can be booked separately on request.

Infrastructure

Since the end of 2017, almost 80% of all passengers in 220 stations have benefited from modern, barrier-free stations. In 2025, around 90% of passengers will be able to use a total of 270 stations without barriers.

Ten additional stations are designed to be barrier-free every year. In 2017, the focus was on Lower Austria, Tyrol, Styria and Carinthia. The modernization of stations and stops will be consistently continued in the ÖBB-Infrastruktur AG network in 2018.

The successful "Stakeholder Dialogs", a direct exchange with people with disabilities, were also planned again in 2017 and will be implemented in 2018.

In 2017, a cooperative agreement was concluded with the "Austrian Council for the Disabled", the umbrella organization of associations for the disabled. The interests and concerns of people with disabilities and people with reduced mobility are to be addressed even better through the use of a communication and coordination platform.

D.6. Safety

Security is an essential feature for both customers and employees. Responsibly addressing safety risks strengthens the trust 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.

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, trend monitoring, and the safety program contribute significantly to detecting safety risks in time to create proactive measures to control residual risks.

Annual capital investments of over EUR 2.5 billion in new construction, expansion, and maintenance of infrastructure facilities also help ensure safe operational management. Both the general approach to the security strategy, such as the focus on measures with the greatest impact, and the development of the safety and error culture, make another significant contribution to security.

In 2017, a Group-wide operational safety index was introduced, which makes it possible to record the development of the safety performance of the ÖBB Group uniformly across all companies. The index is composed of relevant operational incidents (e.g. train collisions, train derailments) as well as events that make an actual incident probable ("defects or accident precursors") and presents the Group's operational security in Austria at a glance as a reporting indicator.

In 2017, the Group's operational safety improved compared with the previous year and fell just short of the five-year average.

A comprehensive package of measures was developed and implemented in 2017 in connection with attacks on employees. This concerns, for example, the reinforcement of service and control teams and the support of train attendants by security personnel on certain train connections on local transport. Furthermore, body cameras have been tested in pilot operation.

D.7. Punctuality

Punctuality is a central component of the identity of the ÖBB Group. As the most punctual railway in the EU, it is part of the daily task to fulfill the customer promise of punctuality and to further develop operational quality, taking into account the changing conditions (networked supply, high traffic density, stronger demand). In 2017, 85.5% of ÖBB's long-distance transport and 96.4% of ÖBB's local transport were on time.

Current challenges include the active management of restrictions (e.g., due to construction measures) along a route axis, both in planning and in day-to-day operations. In order to increase the reliability of facilities and vehicles, investments in new technologies and innovations are being made so that maintenance can be carried out in a more targeted manner and possible failures can be predicted at an early stage.

Currently, one third of all delays in ÖBB traffic are caused by unpunctual trains from abroad. This makes intensive cooperation with neighboring railways necessary as part of punctuality management.

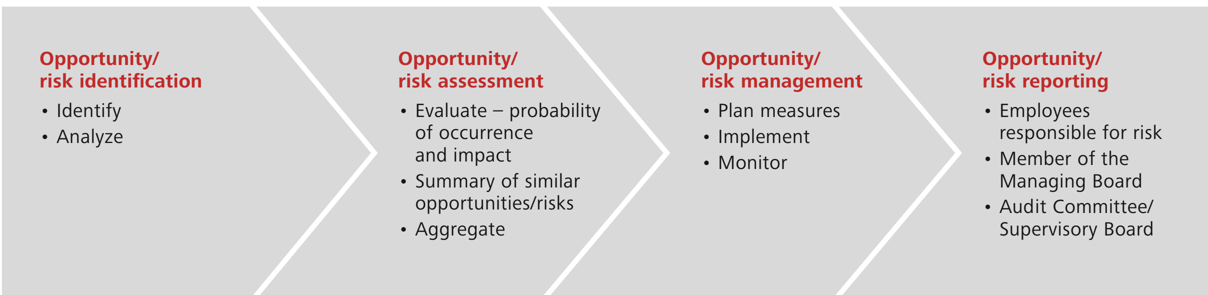
E. Opportunity and risk report

The opportunity and 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 and 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 opportunity and risk portfolio is conducted in sync with the planning processes.

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 and risk situation. 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 and risk management process



This process is supported by risk management software. Following an assessment and consolidation of the individual opportunities and risks in the corporate opportunity and risk 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 and risk situation.

For the year 2017, the most important opportunities and risks, none of which pose a danger to the portfolio, are allocated to the opportunity and 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 and distribution

Risks exist primarily as a result of increasing competition. These risks are mitigated by observing and analyzing customer behavior and making targeted adaptations to our portfolio of products and services. This measure also increases the opportunity to attract new customers and to further exploit the market potential of existing customers.

Personnel, management and organization:

There is a risk here that failure to implement or incomplete implementation of planned measures, such as efficiency improvements or recruiting and knowledge transfer, could lead to increases in personnel expenses. Rigorous control procedures minimize this risk.

Law and 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. For example, ÖBB aims to phase out the use of glyphosate for vegetation control before the end of the EU deadline of five years.

Purchasing and 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 and investment interests

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 (97% [previous year: 98%] after nominal) are non-structured standard hedges (plain vanilla interest rate swaps). One structured derivative accounts for 3% (previous year: 2%) of the nominal volume. This structured derivative has a total nominal volume of EUR 20.0 million with a term through 2022.

Risk definition and risk management with respect to financial instruments

ÖBB-Holding AG, which only enters into financial transactions on behalf of 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 Euro. 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 equal volumes and maturity.

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 price 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 losing the deferred tax benefit that was generated at the time of the initial transaction. In 2016, two transactions were prematurely terminated while maintaining the net present value advantage; two further transactions ended in 2017 when the call option was exercised. 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 see 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 has been formulated.

As part of the continuous improvement process, the project “Development of the internal control system in the ÖBB Group” was started in 2016 and completed in 2017. 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. In the second half of 2017, a large part of the identified further development measures had already been implemented. The realization of all identified development steps is planned for 2018.

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 with defined ICS key categories and, within these categories, with the relevant ICS key risks.

Risk assessment and control activities

Key risks are identified 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.

Here, too, reference should be made to the approach established as part of the development project, where a set of generic key risks has been formulated for the identified ICS key categories, which must be addressed directly and bindingly 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 development project mentioned above, regulations have been adapted to the newly defined requirements and, where necessary, content has been 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 ÖBB-Holding AG in harmonizing its activities through suitably coordinated auditing, evaluation, and commenting tasks.

SAP 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.

From 2016 to 2018, the ÖBB Group will design and implement a modern accounting system within the ÖBB Group with the MORE! project. This includes aspects such as modernizing, merging and streamlining the SAP ERP system as well as developing a new starting point for the future of accounting and ensuring innovation security. This includes issues such as setting up a ledger solution for the general ledger, relieving the ERP system of master and transaction data no longer required, harmonization and cleaning up of settings, master data and organizational structures, and standardization and improvement of processes. Unused settings, organizational units, master data and transaction data were cleaned up in several modules of the ERP system. The productive migration took place in January 2018, with all postings taking place in the new system as of January 1, 2018.

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 to 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 4, 2018

The Board of Management

Mag. (FH) Ing. Andreas Matthä

Mag. Josef Halbmayr MBA

“I particularly liked the idea of working for an eco-friendly transport company.”

WERNER PREM, Management of new/expansion projects with his successor, THOMAS FRUHMANN (more on the topic of generational change starting on page 30)

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income 2017

Consolidated Income Statement 2017

	Note	2017 in kEUR	2016 in kEUR
Revenue	4	5,521,844.0	5,246,752.9
Change in finished goods, work in progress and services not yet chargeable		694.8	2,335.7
Other own work capitalized	5	359,528.7	368,118.6
Other operating income	6	872,793.0	798,590.6
Total income		**6,754,860.5**	**6,415,797.8**
Cost of materials and purchased services	7	-1,926,352.4	-1,730,437.4
Personnel expenses	8	-2,543,232.0	-2,478,453.6
Depreciation and amortization	9	-1,033,276.7	-967,704.0
Other operating expenses	10	-461,905.0	-427,810.3
Earnings before interest and taxes (EBIT excluding investments accounted for using the equity method)		**790,094.4**	**811,392.5**
Earnings of investments accounted for using the equity method	17	3,030.6	2,523.8
Interest income	11	30,131.1	46,746.6
Interest expenses	11	-654,126.5	-698,566.4
Other financial income	12	49,373.1	34,941.5
Other financial expenses	12	-42,206.0	-30,816.9
Financial result (incl. earnings of investments accounted for using the equity method)		**-613,797.7**	**-645,171.4**
Earnings before income taxes (EBT)		**176,296.7**	**166,221.1**
Income taxes	13	-9,122.1	-5,181.4
Net income		**167,174.6**	**161,039.7**
Consolidated net income attributable on a pro rata basis:			
to the shareholder of the parent company		175,812.4	160,269.6
to non-controlling interests		-8,637.8	770.1

Consolidated Statement of Comprehensive Income 2017

Other comprehensive income 2017

	Note	2017 in kEUR	2016 in kEUR
Net income		**167,174.6**	**161,039.7**
Remeasurement gains (losses) on defined benefit plans	24	2,994.2	-4,470.9
Items that will never be reclassified ("recycled") subsequently to the income statement		2,994.2	-4,470.9
Cash flow hedges	24	25,906.7	12,989.8
Available for sale reserve	24	-2,014.0	-1,569.3
Unrealized income from currency translation	24	-234.3	4,293.4
Items that are or may be reclassified ("recycled") subsequently to the income statement		23,658.4	15,713.9
Other comprehensive income		26,652.6	11,243.0
Comprehensive income		**193,827.2**	**172,282.7**
Comprehensive income attributable on a pro rata basis:			
to the shareholder of the parent company		202,465.0	171,512.6
to non-controlling interests		-8,637.8	770.1

Consolidated Statement of Financial Position as of December 31, 2017

Assets	Note	Dec 31, 2017 in kEUR	Dec 31, 2016 in kEUR
Non-current assets			
Property, plant and equipment	14	25,575,630.7	24,385,698.5
Intangible assets	15	744,663.0	718,653.2
Investment property	16	158,772.4	160,008.0
Investments recorded at equity	17	61,331.0	61,200.3
Other financial assets	18	310,510.5	312,475.3
Other receivables and assets	20	156,629.7	149,704.1
Deferred tax assets	13	75,689.4	89,055.6
		27,083,226.7	**25,876,795.0**
Current assets			
Inventories	21	244,206.6	220,712.3
Trade receivables	20	564,456.5	544,529.7
Other receivables and assets	20	309,525.5	306,442.0
Income tax receivables	13	489.6	665.2
Other financial assets	18	35,471.7	241,287.0
Non-current assets held for sale	19	979.5	7,818.4
Cash and cash equivalents	22	112,617.1	145,819.7
		1,267,746.5	**1,467,274.3**
		28,350,973.2	**27,344,069.3**

Shareholders' equity and liabilities	Note	Dec 31, 2017 in kEUR	Dec 31, 2016 in kEUR
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	-106,933.7	-130,592.0
Retained earnings	24	244,094.0	57,378.0
Equity attributable to the shareholder of the parent company		**2,297,972.5**	**2,087,598.2**
Non-controlling interests	23	7,915.4	5,520.5
		2,305,887.9	**2,093,118.7**
Non-current liabilities			
Financial liabilities	25	22,839,416.6	20,550,583.9
Provisions	26	513,235.7	475,917.2
Other liabilities	27	51,222.1	62,581.5
Deferred tax liabilities	13	13,287.7	13,862.8
		23,417,162.1	**21,102,945.4**
Current liabilities			
Financial liabilities	25	709,870.9	2,248,201.3
Provisions	26	172,198.8	207,078.5
Trade payables	27	748,510.0	937,173.2
Other liabilities	27	997,343.5	755,552.2
		2,627,923.2	**4,148,005.2**
		28,350,973.2	**27,344,069.3**

Consolidated Statement of Cash Flow 2017

	Note	2017 in kEUR	2016 in kEUR
Earnings before income taxes (EBT)		176,297	166,221
Non-cash expenses and income			
+ Depreciation and amortization on property, plant and equipment, intangible assets and investment property	9	1,208,778	1,149,182
+ Depreciation /- appreciation on non-current financial assets		158	908
- Amortization of investment grants	9	-175,502	-181,478
+ Losses / - gains on disposal of property, plant and equipment, intangible assets and investment property		-50,189	-27,570
+ Losses / - gains on disposal of financial assets		0	2,528
- Gains on exchange rates / + losses on exchange rates		327	57
- Other non-cash income / + other non-cash expenses		410	-2,200
+ Interest expenses	11	654,127	698,566
- Interest income	11	-30,131	-46,747
Changes in assets and liabilities			
- Increase / + decrease in inventories	21	-25,051	-14,297
- Increase / + decrease in trade receivables and other assets		-32,408	-56,204
+ Increase / - decrease in trade payables and other liabilities and deferrals		204,604	211,878
+ Increase / - decrease in provisions	26	2,158	-26,209
- Interest paid		-718,629	-743,413
+ Interest received		21,692	13,018
- Income tax paid	13	-7,632	-6,590
Cash flow from operating activities a)		**1,229,009**	**1,137,650**
+ Proceeds from disposal of property, plant and equipment and intangible assets		93,523	60,378
- Expenditures for property, plant and equipment and intangible assets	14, 15	-2,449,522	-2,226,598
+ Proceeds from disposal of financial assets		35	51,954
- Expenditures for investments in financial assets		-2,518	-1,718
+ Proceeds / - Repayments of investment grants	14, 15	133,601	211,093
+ Proceeds from the sale of consolidated subsidiaries and other business units		0	421
- Expenditures for the acquisition of consolidated companies and other business units		-11,515	-12,438
+ Dividends received		1,502	7,736
+ Redemption of loans granted / - grant of loans (from investing activities)		3	2
Cash flow from investing activities b)		**-2,234,891**	**-1,909,170**
- Payments to non-controlling interests		-970	-771
+ Proceeds from issue of bonds and loans	25	3,270,084	2,201,666
- Redemption of bonds and loans		-2,168,298	-1,506,346
- Payment of finance lease receivables		-13,723	-12,274
+ Proceeds from grant of loans / - redemption of other loans		-112,602	-28,023
Cash flow from financing activities c)		**974,491**	**654,252**
Cash flow from operating activities a)		1,229,009	1,137,650
Cash flow from investing activities b)		-2,234,891	-1,909,170
Free Cash Flow (a+b)		**-1,005,883**	**-771,521**
Funds at the beginning of the period		*135,832*	*254,084*
Foreign currency translation		269	-984
Change in the funds resulting from cash flows (a+b+c)		-31,392	-117,269
Funds at the end of the period		**104,709**	**135,832**

For details on the composition of the fund, please refer to Note 34.

Consolidated Statement of Changes in Shareholders' Equity 2017

in kEUR	Share capital	Additional paid-in capital	Cash flow hedge reserve	Available for sale reserve	Foreign currency translation	Retained earnings	Total equity	Non-controlling interests	Total shareholders' equity
	Equity attributable to the shareholder of the parent company								
			Other reserves						
As of Jan 1, 2016	*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*
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**

in kEUR	Share capital	Additional paid-in capital	Cash flow hedge reserve	Available for sale reserve	Foreign currency translation	Retained earnings	Total equity	Non-controlling interests	Total shareholders' equity
	Equity attributable to the shareholder of the parent company								
			Other reserves						
As of Jan 1, 2017	*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*
Net income						175,812.4	175,812.4	-8,637.8	167,174.6
Other comprehensive income			25,906.7	-2,014.0	-234.3	2,994.2	26,652.6		26,652.6
Comprehensive income			**25,906.7**	**-2,014.0**	**-234.3**	**178,806.6**	**202,465.0**	**-8,637.8**	**193,827.2**
Dividends distributed to non-controlling shareholders								-1,167.3	-1,167.3
Effects from capital consolidations						7,909.3	7,909.3	12,200.0	20,109.3
As of Dec 31, 2017	**1,900,000.0**	**260,812.2**	**-68,808.4**	**4,862.0**	**-42,987.3**	**244,094.0**	**2,297,972.5**	**7,915.4**	**2,305,887.9**

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, 2017

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 Bundesbahnstrukturgesetz [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 31.12.2017 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 on 31.12.2017 and were endorsed by the European Union, 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 31.12.2016 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.

Revised and amended standards/interpretations		Effective as of1)	Impact on the Consolidated Financial Statements
IAS 7	Statement of Cash Flows	Jan 1, 2017	yes
IAS 12	Income taxes – recognition of deferred tax assets for unrealized losses	Jan 1, 2017	no
AIP 2014-2016	Improvements to IFRS, cycle 2014-2016	Jan 1, 2017	no

1) applicable for financial years starting on or after the indicated date.

The amendments to IAS 7 are part of the IASB's Disclosure Initiative, which aims to improve information provided to users of financial statements about an entity's financing activities. This initiative requires disclosures on changes in financial liabilities whose proceeds from the issuance of debt and repayments are shown in the cash flow statement under cash flow from financing activities. In particular, the presentation of cash flows from financing activities is supplemented by a reconciliation statement, which is disclosed outside the cash flow statement. The reconciliation separately the changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates or changes in fair values. The amendments to IAS 7 are to be applied prospectively, i.e., no prior year figures have to be determined. Additional information on IAS 7 can be found in Note 34.

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 impacts of the new and amended standards are 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 1, 2018	no
IFRS 9	Financial Instruments	Jan 1, 2018	yes
IFRS 16	Leases	Jan 1, 2019	yes
IFRS 17	Insurance Contracts	Jan 1, 2021[2)]	no
Amended standards and interpretations			
IFRS 15	Clarifications to IFRS 15	Jan 1, 2018	no
IFRS 2	Share-based Payment	Jan 1, 2018	no
IFRS 4	Applying IFRS 9 with IFRS 4 "Insurance Contracts"	Jan 1, 2018	no
IAS 40	Disposals of Financial Investments; Investment Property	Jan 1, 2018	no
AIP 2014-2016	Improvements to IFRS	Jan 1, 2018	no
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Jan 1, 2018	no
IFRS 9	Prepayment Features with Negative Compensation	Jan 1, 2019	no
IAS 28	Long-term Interests in Associates and Joint Ventures	Jan 1, 2019[2)]	no
IFRIC 23	Uncertainty over Income Tax Treatments	Jan 1, 2019[2)]	no
IAS 19	Plan amendments, curtailments and settlements	Jan 1, 2019[2)]	no
AIP 2015-2017	Improvements to IFRS	Jan 1, 2019[2)]	no

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 impacts of IFRS 15 were evaluated by working groups. In this evaluation, the ÖBB Group assessed all relevant subject areas in the main revenue streams (passenger and baggage transport, freight transport, rental income, real estate recovery projects, infrastructure use, maintenance and repair, energy supplies, traction services). All sales are based on short-term contracts for which no variable remuneration has been agreed. For revenue, no significant changes are expected in the amount and timing of income recognition. However, the scope of the required disclosures in the notes will be expanded. The ÖBB Group will initially adopt IFRS 15 with effect from January 1, 2018.

IFRS 9 contains provisions for the recognition, measurement and derecognition of financial instruments and for hedge accounting, and replaces the previous IAS 39 standard in these areas. In particular, the rules on the classification and measurement of financial assets, which now depend on the business model and contractual cash flows, have been revised. Depending on the type of financial asset and the two criteria mentioned, financial are subsequently measured at either amortized cost of at fair value through profit or loss or through otter comprehensive income. The most significant amendment of IFRS 9 is the new regulation on the recognition of impairments on financial assets, which now provides for the recognition of expected losses (expected loss model).

The ÖBB Group currently has financial assets mainly in the form of trade receivables, financial assets in connection with cross-border leasing transactions (CBL) and cash and cash equivalents. Securities previously reported as Available for Sale Financial Assets (AfS) are debt instruments and will in the future be reported at amortized cost since they only contain cash flows from repayments and interest. Beginning January 1, 2018 these financial assets are no longer measured at fair value and the relating AfS reserve is transferred to retained earnings.

The first-time application of the classification provisions of IFRS 9 is not expected to have a material impact on the ÖBB-Infrastruktur Group. In accordance with IFRS 9 trade and other receivables are measured at amortized cost as previously under IAS 39. The measurement of financial assets in connection with CBL transactions or cash and cash equivalents also remains unchanged. Equity instruments that were previously measured at cost in accordance with IAS 39.46 (c) will in the future be measured at fair value through the income statement. Since the ÖBB Group has no financial liabilities classified as held for trading or for which the fair value option has been exercised, the first-time application of IFRS 9 does not result in any changes to the accounting treatment of financial liabilities.

For trade receivables, the expected loss is determined on the basis of actual payment defaults in the last three years using the simplified impairment model. The Group has calculated the expected defaults separately for each business segment (= sub-groups). The Group estimates that the application of the impairment provisions of IFRS 9 as of January 1, 2018, will lead to an increase in recognized impairments of kEUR 242. For further details on the business segments see Note 33.

The Board of Management expects the impairment of financial assets in connection with CBL transactions will increase impairments of kEUR 3,302.

Cash and cash equivalents are generally invested with financial institutions with excellent credit ratings having short maturities (< 3 months) and are measured at amortized cost in accordance with IFRS 9. Cash and cash equivalents have a low probability of default due to their short maturity and the good external ratings of the financial institutions. Therefore, the application of the expected loss model has only a minor impact on the impairment of cash and cash equivalents.

Furthermore, no impact on the net assets, financial position, and results of operations in the area of hedge accounting is expected, since the accounting treatment of hedging transactions is based on the Company's internal risk management. In general, the scope and level of detail of the Notes will increase. The option to continue to apply IAS 39 is not applied.

It is intended to make use of the exception not to adjust comparative information for previous periods with regard to the change in classification and measurement (including impairment). Differences between the carrying amounts of financial assets resulting from the initial application of IFRS 9 are recognized in retained earnings as of January 1, 2018.

The new IFRS 16 replaces the previous provisions of IAS 17 and the associated interpretations, in particular the accounting treatment of leases by the lessee. The lessee now recognizes a liability for future lease payments for each lease. The liability is discounted at initial recognition and reduced in subsequent years by lease payments and, at the same time, increased by unwinding of interest. Simultaneously, a right of use in the amount of the present value of future lease payments is capitalized and subsequently depreciated using the straight-line method. The previous distinction between operating lease and finance lease is therefore no longer applicable. This accounting regulation does not have to be applied to low-value assets or short-term leasing contracts. For lessors, however, the provisions of the new standard are comparable with the previous provisions of IAS 17. IFRS 16 also contains regulations on sale-and-leaseback transactions and the required disclosures in the notes.

The impact of IFRS 16 on the Group is currently being evaluated by working groups. The lease liability is recognized at the present value of the remaining lease payments. The rights of use are recognized at the amount that would have resulted from retroactive application. Based on the consolidated financial statements as of December 31, 2016, it is expected that the non-current assets will increase by EUR 353.9 million and the debt will increase by EUR 367.4 million. The difference of EUR 13.5 million expected from today's perspective is recognized in equity as of January 1, 2019. EBIT would improve by EUR 6.5 million and the financial result would deteriorate by EUR 6.5 million. EBT would remain unchanged. In addition, the scope and level of detail of the Notes will increase. The Group does not plan to early adopt IFRS 16 but to apply the Standard from January 1, 2019, without adjusting the previous year's amounts. In 2018, the consolidated financial statements as of December 31, 2017, and their first-time application as of January 1, 2019 will be prepared.

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. 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):

	Reporting date rate		Annual average rate	
rounded in EUR	Dec 31, 2017	Dec 31, 2016	2017	2016
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)	7.440	7.560	7.464	7.533
New Turkish Lira (TRY)	4.546	3.707	4.121	3.343
Polish Zloty (PLN)	4.177	4.410	4.257	4.363
Romanian Leu (RON)	4.659	4.539	4.569	4.490
Russian Ruble (RUB)	69.392	64.300	65.938	74.145
Czech Korunas (CZK)	25.535	27.021	26.326	27.034
Hungarian Forint (HUF)	310.330	309.830	309.190	311.440
US Dollar (USD)	1.199	1.054	1.130	1.107

Consolidation

Subsidiaries (capital consolidation)

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed or has rights to variable returns from its involvement with the entity and has the ability to exercise control over the entity 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 statement of 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 an 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 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 remeasured; its subsequent 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 purposes of impairment testing, the goodwill acquired through business combinations is allocated from the time of acquisition onward to the cash-generating unit within the Group that is expected to achieve synergies through the combination. Whether or not other assets or liabilities of the acquired entity are allocated to these cash-generating units is irrelevant.

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 agreement is an agreement in which two or more parties holding joint control have rights to the net assets of the agreement.

Joint ventures are contractual arrangements between two or more parties governing a business activity performed jointly by those parties. Joint ventures in which rights to the net assets of the arrangement are held and not to its assets and liabilities 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.

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.

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 72 (previous year: 65) subsidiaries are consolidated and nine (previous year: nine) associated companies and one (previous year: one) joint venture are recognized using the equity method, i.e., resulting in a total of 82 (previous year: 76) 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 2016 and 2017

The basis of consolidation has developed as follows:

Basis of consolidation	Full consolidation	Consolidation using the equity method	Total
As of Jan 1, 2016	61	10	71
thereof foreign companies	*28*	*7*	*35*
Change in basis of consolidation	4	0	4
Acquisitions	1	0	1
As of Dec 31, 2016	**66**	**10**	**76**
thereof foreign companies	*33*	*7*	*40*
Change in consolidation type after acquisition	1	-1	0
Change in basis of consolidation	5	0	5
Acquisitions	1	0	1
As of Dec 31, 2017	**73**	**9**	**82**
thereof foreign companies	*36*	*6*	*42*

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

Together with Stadler Rail AG, Bussnang (CH), ÖBB-Technische Services-GmbH formed the joint venture ÖBB STADLER Service GmbH, Linz. With effect from July 4, 2017, the Group acquired 60% of the shares in ÖBB STADLER Service GmbH, which up to this date was wholly owned by Stadler Rail AG. Founded in 2011, the company provides maintenance and repair services for rail vehicles. The purpose of the joint venture is the maintenance of the KISS fleet of the WESTbahn. For ÖBB-Technische Services-GmbH, the merger means an increase in the utilization of its maintenance location in Vienna West and improved access to the external maintenance business. Stadler Rail AG is contributing its extensive expertise in the field of maintenance to the joint venture and can continue its long-standing cooperation with WESTbahn in cooperation with ÖBB-Technische Services-GmbH in Vienna.

In the five months ended December 31, 2017, the subsidiary contributed revenues of EUR 4.0 million and net income of EUR 0.2 million to comprehensive income. If the acquisition had taken effect on January 1, 2017, the company would have increased revenue by a further EUR 5.5 million and the operating result by a further EUR 0.3 million.

The acquisition cost of EUR 9.4 million, which was settled by payment in liquid funds, was offset by pro rata equity of EUR 1.6 million (excluding customer relationships and related deferred taxes) as of August 1, 2017, 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 using the partial goodwill method. The resulting difference of EUR 0.2 million after fair value adjustments can be broken down as follows:

Calculation of difference	in kEUR
Purchase price	9,350
pro rata equity (before consideration of customer relationships and deferred taxes) as of August 1, 2017	-1,640
Difference	**7,710**
Customer relationship (60%)	-10,062
Difference after fair value adjustment	**-2,352**
Deferred tax	2,516
Difference	**163**

The transaction costs incurred in the transaction are included in other operating expenses. No contingent liabilities were assumed. The remaining difference was not capitalized as goodwill, but derecognized to reduce net income. Carrying amounts of kEUR 6,124.8 were allocated to non-controlling interests.

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 kEUR
Non-current assets	
Customer relationships	16,770.8
Other assets	183.5
	16,954.3
Current assets	
Trade receivables	2,010.1
Inventories	9,106.5
Cash and cash equivalents	3,281.3
	14,397.9
Non-current liabilities	
Deferred tax customer relationships	-4,192.7
	-4,192.7
Current liabilities	
Provisions	-785.0
Trade payables	-10,885.9
Other liabilities	-176.6
	-11,847.5
Total of acquired net assets at fair value (incl. customer relationships and deferred taxes)	**15,312.0**

With effect from December 13, 2016, INTEREUROPA, Globalni logisticni servis, delniska druzba, acquired 24% of the shares in Rail Cargo Logistics d.o.o. (Until February 2017: INTEREUROPA-FLG, d.o.o), which resulted in Rail Cargo Logistics – Austria GmbH holding 74% of the shares. The subsidiary operates as a freight forwarding and logistics company in Slovenia and Southeastern Europe and offers logistics solutions on various transport routes. As of December 31, 2016, the company was still consolidated using the equity method; the change to full consolidation took place as of January 1, 2017. Rail Cargo Logistics - Austria GmbH has thus reached a majority of the voting rights and can achieve positive synergy effects, such as better capacity utilization. The purchase price of kEUR 220 was paid in full in cash.

The change from consolidation using the equity method to full consolidation as of January 1, 2017, did not have a material effect on consolidation. No customer relationships, hidden reserves or goodwill were capitalized. In 2017, the subsidiary contributed revenues of EUR 8.8 million and net income of EUR 0,2 million to comprehensive income. The acquired assets had a total fair value of EUR 2.0 million as of January 1, 2017 and consist primarily of trade receivables of EUR 1.6 million and other receivables and cash and cash equivalents of EUR 0.4 million. This is offset by provisions of EUR 0.5 million, trade payables of EUR 1.2 million and other liabilities of EUR 0.1 million, with the net assets acquired amounting to EUR 0.2 million at fair value.

On April 30, 2016, the Group acquired all shares in the German freight carrier PCT Private Car Train GmbH (now Rail Cargo Carrier - PCT GmbH), which until that time belonged to the German ARS-Altmann Group. 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. The resulting difference of EUR 12.1 million was allocated to EUR 5.7 million customer relationships less EUR 1.7 million deferred taxes and EUR 8.1 million goodwill.

Acquisition of a division

Q Logistics GmbH (until December 29, 2016: European Contract Logistics - Austria GmbH), Vienna, acquired the “cargo” division of Quehenberger Logistics GmbH, Straßwalchen, by way of contribution as of January 1, 2017. In return, an interest in Q Logistics GmbH was sold, which corresponds to a 40% interest in the share capital of Q Logistics GmbH. As a result, the Group’s share of Q Logistics GmbH of 100% was reduced to 60%. Quehenberger Logistics GmbH’s general cargo operations comprise all assets, legal positions and employees assigned to the general cargo business of Quehenberger Logistics GmbH. The assets and liabilities assumed at the time of initial consolidation of the division as of January 1, 2017 comprise property, plant and equipment (kEUR 3,701), inventories and other assets (kEUR 420), leasing liabilities (kEUR 1,721), provisions (kEUR 3,821) and other liabilities (kEUR 788) as well as rental and customer contracts and goodwill (excluding the company itself). The assets transferred were measured at fair value.

With respect to the part of the business acquired, the fair value of the consideration was determined in the amount of kEUR 13,921 and compared with the pro rata net assets existing as of January 1, 2017, amounting to kEUR -2,209, resulting in an increase in the amount of kEUR 16,130. There was no net cash inflow or outflow. Transaction costs incurred in this context were reported under other operating expenses.

The following overview provides details regarding the required adjustments to fair values and the deferred tax. The residual difference in the amount of kEUR 11,581 was classified as goodwill.

Calculation of goodwill (full goodwill method) as of Jan 1, 2017	in kEUR
Consideration paid (40% share of ECL)	8,408
Minority shareholdings at fair value	5,513
Acquisition cost including minority shareholdings	**13,921**
- Pro rata net assets as of January 1, 2017 (IFRS equity general cargo division 100%)	-2,209
Difference between acquisition cost/equity	**16,130**
Fair value adjustments of intangible assets (identified customer relationships)	-6,065
Difference after fair value adjustment	**10,065**
Deferred taxes on customer relationships (25%)	1,516
Goodwill (full goodwill) as of Jan 1, 2017	**11,581**

Goodwill results in part from the synergy effects that are expected from the contribution of the "general cargo" segment to the Group. In addition, a stronger market position is expected, which should contribute to an improvement in the competitive situation. The total amount of minority interests resulting from the transaction in the consolidated financial statements as of January 1, 2017 was kEUR 6,013. This consists of kEUR 5,513 due to minority interests in the general cargo division and kEUR 500 due to the transfer of 40% of Q Logistics GmbH to Quehenberger Logistics GmbH.

In the course of 2017, however, market conditions changed significantly, so that goodwill as of December 31, 2017 had to be adjusted by kEUR 4,200 following an impairment test (Notes 3 and 15). This valuation loss was allocated to minority interests on a pro rata basis in the amount of kEUR 1,680.

3. Summary of significant accounting policies

Basis of preparation of financial statements

The consolidated financial statements are prepared using 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".

As in the previous year, useful lives are:

	Years
Buildings	
Substructure	20-150
Power plants	*80*
Tunnels	*80-150*
Railway tracks	*100*
Other substructures	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, extensions, and value-improving capital expenditures are capitalized. The distinction between maintenance measures and repairs that are expensed immediately and capital expenditures that are capitalized is based on the rules of IAS 16 or accounting principles derived therefrom for Group-specific circumstances. The cost and accumulated depreciation 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 is mostly 20 years.

Generally, 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 2018 and medium-term plan 2019–2023) 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 AG:
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 31.12.2017 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 2017 in connection with certain intermediate push-pull control cars and other coaches.

Cash-generating units of Rail Cargo Austria AG:
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 railcar transport)
- Cars: Rail Cargo Wagon (RCW) – railcar lessor
- TS: Technical Services (TS) – Maintenance of rolling stock

As of January 1, 2017, a new Board of Management of RCA AG was appointed, a new allocation of responsibilities resolved and the framework conditions for the further development and management of RCG were redefined. The following key points were defined:

- Focus on overall strategic management of the Group
- Reporting for monitoring and control is based on sub-group view ("RCG" or "RCG without TS")
- Resource allocation takes place at sub-group level, broken down into freight transport and technical services
- Use of freight cars
  - Long-term comprehensive use within the cargo business units and investment in universally usable cars (Innowagen and Baseframe)
  - Railcar usage for Intermodal business unit largely free of overlap
- Traction vehicles are used for the entire production in freight transport at home and abroad (mixed production)

In the financial year 2017, the following cash-generating units were defined for management purposes on the basis of these framework conditions: CGU Cargo, CGU Intermodal and CGU TS. The entire pool of traction units is used jointly across the Group and recognized as a joint asset in the impairment test. The freight cars and other assets were allocated to the CGUs in accordance with their use. The CGU structure was applied retroactively as of January 1, 2017, for the first time. At the time of the changeover, an impairment test was carried out both on the basis of the old CGU structure and on the basis of the new CGU structure. In both variants, RCG's assets were recoverable as of January 1, 2017.

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: Growth = long-term return * 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%. Further details can be found in the following table.

The following discount rates were applied:

For the cash-generating units of Rail Cargo Austria	Cargo	Intermodal	TS
as of Dec 31, 2017			
Austria			
Before tax			
Interest rate 2018 - 2023	5.9%	6.2%	5.2%
Interest rate perpetuity	5.0%	5.3%	4.4%
Growth - perpetual annuity	*0.9%*	*0.9%*	*0.8%*
After tax			
Interest rate 2018 - 2023	4.5%	4.7%	3.8%
Interest rate perpetuity	3.6%	3.8%	3.0%
Hungary			
Before tax			
Interest rate 2018 - 2023	6.8%	7.7%	5.9%
Interest rate perpetuity	5.5%	6.4%	4.8%
Growth - perpetual annuity	*1.2%*	*1.3%*	*1.1%*
After tax			
Interest rate 2018 - 2023	6.2%	6.6%	5.3%
Interest rate perpetuity	5.0%	5.3%	4.3%

For the cash-generating units of Rail Cargo Austria	Cargo	Intermodal	TS
as of Jan 1, 2017			
Austria			
Before tax			
Interest rate 2017 – 2022	6.6%	6.9%	5.6%
Interest rate perpetuity	5.6%	5.9%	4.8%
Growth - perpetual annuity	*1.0%*	*1.0%*	*0.8%*
After tax			
Interest rate 2017 – 2022	5.1%	4.9%	4.0%
Interest rate perpetuity	4.1%	3.9%	3.2%
Hungary			
Before tax			
Interest rate 2017 – 2022	8.7%	8.9%	6.9%
Interest rate perpetuity	7.2%	7.5%	5.7%
Growth - perpetual annuity	*1.5%*	*1.5%*	*1.1%*
After tax			
Interest rate 2017 – 2022	7.2%	7.4%	5.6%
Interest rate perpetuity	5.8%	5.9%	4.5%

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 AG:
No indicators of impairment were identified for any cash-generating unit either for 2016 or for 2017 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 Article 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 Austrian Federal Railways Act. The basis for the financing of the Company is given in Article 47 of the Austrian 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 Austrian 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 Austrian 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 Austrian Federal Railways Act, which also conforms to the official task according to the Austrian 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 seq. If indicators are identified, the recoverable amount of the investment must be determined in accordance with IAS 36. If there is an impairment loss, 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 Austrian 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 and cash in banks 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 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 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 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 in which they occur in the other financial result.

If there is an indication that an impairment loss 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 the 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.

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 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 ÖBB Group 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 shareholders’ 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 expensed as incurred in accordance with IAS 38. 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 Austrian 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 Austrian Federal Railways Act (partial tax exemption).

The following business areas of ÖBB-Infrastruktur AG were essentially categorized as subject to income tax:

- Income from power transactions
- The provision of services not related to railway infrastructure
- Management (including development and sale) of real estate not representing railway assets as defined in Article 10a of the Austrian 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 and 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 against which the temporary differences or loss carry-forwards can be utilized will be available.

Deferred taxes are offset directly with equity or credited to them 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 2017 discount rate applied to long-term personnel provisions (severance payments and anniversaries) was adjusted to the changed conditions in 2016. 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 2017 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) CGU		**Increase in the parameter/** in EUR million			**Decrease in the parameter/** in EUR million		
Assumptions	Change in assumption in %	Cargo	Intermodal	TS	Cargo	Intermodal	TS
Interest rate	+/-0.25	-38.3 (PY: 0.0.)	-6.2 (PY: 67.4.)	-30.2 (PY: -19.2.)	86.0 (PY: 136.8.)	13.2 (PY: 73.0.)	25.5 (PY: 25.1.)
Perpetuity	EBIT +/-2.5% and growth of +/-0.1%	44.8 (PY: 108.2.)	8.2 (PY: 73.0.)	6.0 (PY: 10.6.)	-3.5 (PY: 59.7.)	0.0 (PY: 73.0.)	-14.3 (PY: 0.0.)

Of the total goodwill of EUR 196,2 million (previous year: EUR 189,2 million), EUR 188,5 million (previous year: EUR 188,7 million) is attributable to CGU Cargo, EUR 0,4 million (previous year: EUR 0,5 million) to CGU Intermodal and EUR 7,4 million (previous year: 0,0 million) to other subsidiaries.

c. Estimated useful lives of property, plant and equipment and intangible assets

The estimated useful lives are determined according to the facts and circumstances assuming ordinary 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 130,4 million (previous year: EUR 118,4 million) or decrease it by EUR 108,7 million (previous year: EUR 108,9 million), respectively. Useful lives are reviewed annually or as required to ensure they are reasonable.

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 to 80 years. As a result, amortization increased by EUR 4,4 million in 2016. This results in an annual impact of a similar magnitude 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 8,3 million (previous year: EUR 4,3 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 2017 resulted in an impairment in the amount of EUR 5.9 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 ÖBB Group would have to pay, under reasonable consideration, to settle or transfer the obligation as of the reporting 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 Group will continue to exist and therefore the tracks will continue to be operated. 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. The amount of the expected asset retirement costs depends largely on the assumptions of the decommissioning scenarios. For the amounts 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, 2017, 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 impacts will not significantly exceed the provisions recognized, and therefore will not have any material consequences on the Consolidated Financial Statements.

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 financing, 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, 2017 amounts to EUR 2.305,9 million (previous year: EUR 2.093,1 million).

B. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND THE CONSOLIDATED INCOME STATEMENT

4. Revenue

	2017 in EUR million	2016 in EUR million
Passenger and baggage transport	1,982.4	1,895.9
thereof traffic service orders by the federal government	*685.5*	*660.7*
thereof traffic service orders by the provinces and communities	*360.9*	*339.7*
Goods transport	1,896.6	1,712.9
thereof public services contracted by the federal government	*91.1*	*80.6*
Government grant pursuant to Article 42 Austrian Federal Railways Act for operation of the infrastructure	1,064.8	1,109.8
Rent and lease	206.5	201.4
Recovery objects	63.4	47.1
Infrastucture usage charge	54.7	51.1
Maintenance/repair	49.9	38.3
Energy	27.8	25.3
Traction services	22.1	26.8
Other revenue	153.6	138.2
Total	**5,521.8**	**5,246.8**

The government grant pursuant to Article 42 Austrian 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 Austrian Federal Railways Act on the basis of Regulation (EC) 1370/2007 for 2016.

Advance payments received in connection with construction contracts amount to EUR 21,9 million (previous year: EUR 11,6 million).

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

	2017 in EUR million	2016 in EUR million
Grant from the Federal Government pursuant to Article 42 Federal Railways Act for infrastructure	753.3	691.6
Proceeds from the disposal of property, plant and equipment, intangible assets, investment property and non-current assets held for sale	65.5	55.0
Compensation received	10.7	11.9
Exchange rate differences	3.7	5.0
Miscellaneous other operating income	39.6	35.1
Total	**872.8**	**798.6**

The government grant pursuant to Article 42 of the Austrian Federal Railways Act for expansion and reinvestments 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

Cost of materials and purchased services	2017 in EUR million	2016 in EUR million
Raw materials and supplies	166.5	166.3
Power	78.5	78.0
Other expenses for materials	105.7	100.5
Subtotal expenses for materials	**350.7**	**344.8**
Third-party transport services	783.0	684.5
Rent for rail and road vehicles	173.5	160.8
Infrastucture usage charge	98.7	68.9
Other services received	520.5	471.4
Subtotal expenses for services received	**1,575.7**	**1,385.6**
Total	**1,926.4**	**1,730.4**

The other cost of materials mainly comprises 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 sold real estate recovery projects, which is recognized as an expense, amounted to EUR 4,5 million (previous year: EUR 5,9 million).

8. Personnel expenses and employees

	2017 in EUR million	2016 in EUR million
Wages and salaries	1,966.9	1,912.9
Statutory social security contributions	527.6	517.9
Pension costs	27.4	28.0
Expenses for severance payments	15.7	14.3
Other social expenses	5.6	5.4
Total	**2,543.2**	**2,478.5**

The interest expense from the accretion of personnel provisions is reported under personnel expenses.

The employee structure is composed as follows:

Number of employees (headcount)	Dec 31, 2017	Dec 31, 2016	Change Reporting date	in %	Average 2017	2016
Employees	12,302	11,518	784	7%	11,968	11,189
Workers	7,087	6,273	814	13%	6,747	6,032
Tenured employees	21,718	22,474	-756	-3%	22,101	22,865
Total (excl. apprentices)	**41,107**	**40,265**	**842**	**2%**	**40,816**	**40,085**
Apprentices	1,743	1,689	54	3%	1,562	1,495
Total (incl. apprentices)	**42,850**	**41,954**	**896**	**2%**	**42,378**	**41,581**

Number of employees (FTE)	Dec 31, 2017	Dec 31, 2016	Change Reporting date	in %	Average 2017	2016
Employees	12,020.9	11,285.6	735.3	7%	11,709.6	10,962.7
Workers	7,013.9	6,213.8	800.1	13%	6,684.5	5,980.8
Tenured employees	21,292.2	22,184.7	-892.5	-4%	21,731.1	22,615.1
Total (excl. apprentices)	**40,327.0**	**39,684.1**	**642.9**	**2%**	**40,125.2**	**39,558.6**
Apprentices	1,743.0	1,689.0	54.0	3%	1,562.1	1,495.3
Total (incl. apprentices)	**42,070.0**	**41,373.1**	**696.9**	**2%**	**41,687.3**	**41,053.9**

Due to the use of partial retirement (“Altersteilzeit”) by tenured employees, the change in the number of employees based on FTE tenured employees is higher than the change in the number of employees based on headcount.

9. Depreciation and amortization

	2017 in EUR million	2016 in EUR million
Depreciation on property, plant and equipment	1,139.5	1,086.9
thereof low-value assets	*6.7*	*6.3*
Amortization of intangible assets	65.4	56.4
Depreciation on investment property	3.9	5.9
thereof impairment (Note 16)	*1.6*	*1.6*
less amortization of investment grants	-175.5	-181.5
Total depreciation and amortization	**1,033.3**	**967.7**

10. Other operating expenses

The other operating expenses of the ÖBB Group are composed as follows:

	2017 in EUR million	2016 in EUR million
Cost of operation	96.5	100.6
Compensation for travel and other expenses	50.1	48.7
Non-income taxes	47.7	46.1
Marketing, sales and customer service	35.7	30.7
Rent, lease and license expenses	33.5	31.6
Loss on disposal of property, plant and equipment and intangible assets	15.3	27.4
Legal and consultancy fees	9.9	12.2
Miscellaneous other operating expenses	173.2	130.5
Total	**461.9**	**427.8**

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:

Total auditors' fees	2017 in kEUR	2016 in kEUR
Annual financial statements and consolidated financial statements audit	1,617	1,572
Other auditing services	0	16
Consulting services	4	4
Other services	143	59
Total	**1,764**	**1,651**

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:

Fee of the auditor of the consolidated annual financial statements	2017 in kEUR	2016 in kEUR
Annual financial statements and consolidated financial statements audit	470	452
Other auditing services	0	11
Other services	26	14
Total	**496**	**477**

As in the previous year, the annual and consolidated financial statements for the financial year 2017 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:

Interest income/expenses	2017 in EUR million	2016 in EUR million
Interest income	30.1	46.8
Interest expenses	-654.1	-698.6
Total	**-624.0**	**-651.8**

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 490,5 million (previous year: EUR 523,7 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:

Other financial result	2017 in EUR million	2016 in EUR million
Other financial income	49.4	34.9
thereof from measurement/foreign currency translation differences	*40.0*	*17.9*
thereof income from disposal and appreciation of financial assets	*0.0*	*-1.6*
thereof income from investments	*0.4*	*0.7*
Other financial expenses	-42.2	-30.8
thereof from measurement/foreign currency translation differences	*-37.5*	*-13.7*
Total	**7.2**	**4.1**

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 foreign exchange rate differences, measurement 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:

	2017 in EUR million	2016 in EUR million
Current income tax	-3.8	-4.7
Deferred tax expense/tax benefit	-5.3	-0.5
Income taxes	**-9.1**	**-5.2**

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:

	2017 in EUR million	2016 in EUR million
Recognized amounts as of Jan 1	*75.2*	*77.8*
Change in deferred taxes		
thereof in profit and loss	*-5.3*	*-0.5*
thereof in other comprehensive income	*-7.5*	*-2.1*
Recognized amounts as of Dec 31	**62.4**	**75.2**
thereof deferred tax assets	*75.7*	*89.1*
thereof deferred tax liabilities	*-13.3*	*-13.9*

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.

	2017 in EUR million	2016 in EUR million
Income before income tax according to IFRS	176.3	166.2
Adjustment of tax-exempt portion pursuant to Article 50 (2) Austrian Federal Railways Act	68.0	49.5
Taxable portion of the income	**244.3**	**215.7**
Group tax rate	*25%*	*25%*
Expected income/ expense from taxes in the financial year	-61.0	-53.9
Tax rate differences between foreign companies and the corporate tax rate	0.7	-0.7
Other tax-exempt income and other reductions	9.4	15.3
Non-deductible operating expenses and other additions	-6.8	-4.0
Effects of taxes from previous years recognized in the financial year	-6.7	0.0
Effects of tax rate changes	0.0	1.1
Offsetting from consolidation	4.2	21.2
Effects of changes in recognition	36.0	9.2
Other effects	15.1	6.6
Accounted income taxes	**-9.1**	**-5.2**
Effective corporate tax rate	**3.7%**	**2.4%**

The effects of changes in recognition consist of the offsetting of positive tax results with preliminary group losses of EUR 27.2 million and of necessary recognition adjustments based on the assessment of the recoverability of deferred tax assets.

Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities as of December 31, 2017 and December 31, 2016 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: in EUR million	Deferred tax assets Dec 31, 2017	Deferred tax liabilities Dec 31, 2017	Deferred tax assets Dec 31, 2016	Deferred tax liabilities Dec 31, 2016
Non-current assets				
Property, plant and equipment	77.0	-50.8	48.7	-26.4
Intangible assets	7.6	-13.6	7.9	-9.1
Investment property	0.8	-0.1	0.8	-0.1
Financial assets	10.2	-7.9	13.0	-4.8
	95.6	**-72.4**	**70.4**	**-40.4**
Current assets				
Inventories	7.8	-0.3	5.8	-0.4
Trade receivables	0.3	0.0	0.3	0.0
Financial assets	0.0	-2.1	0.0	-2.0
	8.1	**-2.4**	**6.1**	**-2.4**
Non-current liabilities				
Financial liabilities	18.6	-10.5	24.7	-5.1
Provisions	12.3	-4.3	21.9	-2.7
Other liabilities	5.0	-2.6	6.7	0.0
	35.9	**-17.4**	**53.3**	**-7.8**
Current liabilities				
Financial liabilities	14.2	0.0	6.1	0.0
Provisions	4.2	-4.8	5.4	-16.4
Trade payables	0.0	-0.5	0.0	-1.0
Other liabilities	3.4	-1.5	3.1	-1.2
	21.8	**-6.8**	**14.6**	**-18.6**
Deferred tax assets/deferred tax liabilities	**161.4**	**-99.0**	**144.4**	**-69.2**
Offsetting	-85.7	85.7	-55.3	55.3
Accumulated deferred tax assets/deferred tax liabilities	**75.7**	**-13.3**	**89.1**	**-13.9**

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 31.12.2017 in an amount of EUR 49,8 million (previous year: EUR 51,1 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 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 73,4 million (previous year: EUR 87,3 million) and deferred tax liabilities in the amount of EUR 0,0 million (previous year: EUR 0,0 million) is probable. In addition, deferred tax assets in the amount of EUR 2,3 million (previous year: EUR 1,8 million) and deferred tax liabilities in the amount of EUR -13,3 million (previous year: EUR -13,9 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 5.562,3 million (previous year: EUR 5.621,9 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 3.688,1 million (previous year: EUR 3.797,0 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

2017 in EUR million	Land and buildings	Lease of land and buildings	Auto-mobiles and trucks	Auto-mobiles and trucks leased	Technical equipment and machinery	Leasing technical equipment and machinery	Other plant, furniture and fixtures	Assets under con-struction and pre-payments	Total
Cost									
Cost as of Jan 1, 2017	*26,891.9*	*7.4*	*6,806.3*	*391.7*	*9,482.7*	*1.7*	*323.2*	*3,493.5*	*47,398.4*
Translation differences	1.0	0.0	0.9	0.0	0.2	0.0	0.1	0.1	2.3
Additions	24.6	0.0	70.5	14.7	2.1	0.0	14.1	2,249.2	2,375.2
Business acquisition	0.0	0.0	0.0	0.0	0.2	0.0	0.3	0.0	0.5
Disposals	-62.5	0.0	-189.3	-0.1	-42.6	0.0	-27.7	-6.5	-328.7
Transfers	1,001.2	0.0	506.3	-30.4	388.1	0.0	14.7	-1,884.2	-4.3
Cost as of Dec 31, 2017	**27,856.2**	**7.4**	**7,194.7**	**375.9**	**9,830.7**	**1.7**	**324.7**	**3,852.1**	**49,443.4**
Accumulated depreciation as of Jan 1, 2017 (incl. impairment)	*-8,601.4*	*-7.4*	*-3,596.5*	*-214.7*	*-5,172.5*	*-1.5*	*-245.6*	*-1.1*	*-17,840.7*
Translation differences	-0.5	0.0	-0.7	0.0	-0.1	0.0	-0.1	0.0	-1.4
Depreciation and amortization	-522.9	0.0	-242.9	-15.1	-320.8	-0.2	-37.6	0.0	-1,139.5
Business acquisition	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0	-0.2
Disposals	42.6	0.0	171.1	0.1	37.7	0.0	27.4	0.3	279.2
Transfers	3.0	0.0	-31.6	28.6	-0.7	0.0	0.7	0.0	0.0
Appreciations	0.0	0.0	3.8	0.0	0.0	0.0	0.0	0.0	3.8
Accumulated depreciation as of Dec 31, 2017	**-9,079.2**	**-7.4**	**-3,696.8**	**-201.1**	**-5,456.5**	**-1.7**	**-255.3**	**-0.8**	**-18,698.8**
Carrying amounts before investment grants as of Jan 1, 2017	**18,290.5**	**0.0**	**3,209.8**	**177.0**	**4,310.2**	**0.2**	**77.6**	**3,492.4**	**29,557.7**
Carrying amounts before investment grants as of Dec 31, 2017	**18,777.0**	**0.0**	**3,497.9**	**174.8**	**4,374.2**	**0.0**	**69.4**	**3,851.3**	**30,744.6**
Investment grants									
As of Jan 1, 2017	*-9,601.1*	*0.0*	*-427.7*	*0.0*	*-2,953.7*	*0.0*	*-9.0*	*-472.7*	*-13,464.2*
Additions	-32.8	0.0	-7.8	0.0	-13.1	0.0	0.0	-115.0	-168.7
Disposals	49.9	0.0	3.0	0.0	18.5	0.0	0.0	0.1	71.5
Transfers	-73.3	0.0	1.8	0.0	-8.3	0.0	-0.9	81.0	0.3
Cost as of Dec 31, 2017	**-9,657.3**	**0.0**	**-430.7**	**0.0**	**-2,956.6**	**0.0**	**-9.9**	**-506.6**	**-13,561.1**
Accumulated depreciation as of Jan 1, 2017	*5,518.5*	*0.0*	*333.5*	*0.0*	*2,433.1*	*0.0*	*7.1*	*0.0*	*8,292.2*
Depreciation and amortization	111.6	0.0	11.1	0.0	45.4	0.0	0.5	0.0	168.6
Disposals	-41.7	0.0	-9.6	0.0	-17.4	0.0	0.0	0.0	-68.7
Transfers	0.0	0.0	-0.7	0.0	0.0	0.0	0.7	0.0	0.0
Accumulated depreciation as of Dec 31, 2017	**5,588.4**	**0.0**	**334.3**	**0.0**	**2,461.1**	**0.0**	**8.3**	**0.0**	**8,392.1**
Investment grant as of Jan 1, 2017	**-4,082.6**	**0.0**	**-94.2**	**0.0**	**-520.6**	**0.0**	**-1.9**	**-472.7**	**-5,172.0**
Investment grant as of Dec 31, 2017	**-4,068.9**	**0.0**	**-96.4**	**0.0**	**-495.5**	**0.0**	**-1.6**	**-506.6**	**-5,169.0**
Carrying amounts after investment grants as of Jan 1, 2017	**14,207.9**	**0.0**	**3,115.6**	**177.0**	**3,789.6**	**0.2**	**75.7**	**3,019.7**	**24,385.7**
Carrying amounts after investment grants as of Dec 31, 2017	**14,708.1**	**0.0**	**3,401.5**	**174.8**	**3,878.7**	**0.0**	**67.8**	**3,344.7**	**25,575.6**

2016 in EUR million	Land and buildings	Lease of land and buildings	Auto-mobiles and trucks	Auto-mobiles and trucks leased	Technical equipment and machinery	Leasing technical equipment and machinery	Other plant, furniture and fixtures	Assets under con-struction and pre-payments	Total
Cost									
Cost as of Jan 1, 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 1, 2016 (incl. impairment)	*-8,184.6*	*-7.6*	*-3,568.3*	*-149.3*	*-4,886.6*	*-1.4*	*-233.9*	*-1.6*	*-17,033.3*
Translation differences	0.1	0.0	-1.8	-0.2	-0.1	0.0	-0.1	0.0	-2.1
Depreciation and amortization	-499.2	0.0	-211.7	-14.7	-322.6	-0.1	-38.7	0.0	-1,087.0
Business acquisition	0.0	0.0	0.0	-5.3	0.0	0.0	-0.2	0.0	-5.5
Disposals	79.9	0.2	140.2	0.2	36.4	0.0	27.3	0.5	284.7
Transfers	2.1	0.0	45.1	-45.4	0.4	0.0	0.0	0.0	2.2
Appreciations	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**	**-3,596.5**	**-214.7**	**-5,172.5**	**-1.5**	**-245.6**	**-1.1**	**-17,840.7**
Carrying amounts before investment grants as of Jan 1, 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 investment grants as of Dec 31, 2016	**18,290.5**	**0.0**	**3,209.8**	**177.0**	**4,310.2**	**0.2**	**77.6**	**3,492.4**	**29,557.7**
Investment grants									
As of Jan 1, 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 1, 2016	*5,448.3*	*0.0*	*328.1*	*0.0*	*2,401.7*	*0.0*	*6.7*	*0.0*	*8,184.8*
Depreciation and amortization	115.5	0.0	11.0	0.0	47.6	0.0	0.4	0.0	174.5
Business acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	-44.7	0.0	-5.6	0.0	-16.2	0.0	0.0	0.0	-66.5
Change in reporting entities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6
Accumulated depreciation as of Dec 31, 2016	**5,518.5**	**0.0**	**333.5**	**0.0**	**2,433.1**	**0.0**	**7.1**	**0.0**	**8,292.2**
Investment grant as of Jan 1, 2016	**-4,122.0**	**0.0**	**-86.6**	**0.0**	**-553.5**	**0.0**	**-2.2**	**-398.4**	**-5,162.7**
Investment grant 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 1, 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**	**3,115.6**	**177.0**	**3,789.6**	**0.2**	**75.7**	**3,019.7**	**24,385.7**

The ÖBB Group received non-repayable investment grants for property, plant and equipment that are presented as a reduction to acquisition cost. These investment grants are indicated in the schedule of intangible assets. The amortization of the assets for which the grants were received and the corresponding amortization of investment grants are recognized in profit or loss under depreciation and amortization.

Additions to property, plant 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 or from 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 2017, in accordance with IAS 23, the ÖBB Group capitalized interest on the cost of qualifying assets amounting to EUR 79,6 million (previous year: EUR 65,7 million). The capitalization rate for borrowed capital was 2,71 bis 3,2%, (previous year: 3,08 bis 3,18 %). Of the federal subsidies, the amount of EUR 77,6 million (previous year: EUR 62,0 million) was recognized as an investment grant for capitalized interest.

Losses were incurred from disposals of property, plant and equipment of EUR 15,3 million (previous year: EUR 27,4 million), resulting from scrapping and demolishing assets, the sale of vehicles and other equipment, and the disposal of planning project costs. Compensation contributions were received to an insignificant extent in both financial years.

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	
in EUR million	2017	2016	2017	2016
Automobiles and trucks	181.2	197.7	1,328.3	1,390.4
Other technical equipment and machinery	0.0	187.9	0.0	0.0

In addition, there were financial lease assets of EUR 49,0 million (previous year: EUR 172,2 million) subject to restrictions on disposal rights. Purchase obligations amounting to EUR 2.211,7 million (previous year: EUR 2.551,8 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, 2017 in EUR million	Dec 31, 2016 in EUR million
Republic of Austria	2,931.8	2,822.8
former Eisenbahn-Hochleistungsstrecken AG	1,275.7	1,300.6
Schieneninfrastrukturfinanzierungs GmbH	1,165.6	1,221.1
ASFINAG	78.4	83.2
Other third parties	120.9	107.8
Total	**5,572.4**	**5,535.5**
of which on property, plant and equipment	*5,169.0*	*5,172.0*
of which on intangible assets	*403.4*	*363.5*

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 transport fleet. For further information, see Note 30.

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

2017 in EUR million	Concessions, property rights, licenses	Investment grants to third parties	Goodwill	Down payments on intangible assets	Total
Cost 2017					
Cost as of Jan 1, 2017	*371.5*	*1,221.4*	*284.1*	*30.8*	*1,907.8*
Translation differences	0.1	0.0	-0.4	0.0	-0.3
Additions	1.9	49.5	12.1	40.6	104.1
Business acquisition	22.8	0.0	0.0	0.0	22.8
Disposals	-6.3	-1.5	0.0	-0.5	-8.3
Transfers	34.4	13.1	0.0	-42.4	5.1
Cost as of Dec 31, 2017	**424.4**	**1,282.5**	**295.8**	**28.5**	**2,031.2**
Accumulated amortization as of Jan 1, 2017 (incl. impairment)	*-249.5*	*-480.9*	*-95.2*	*0.0*	*-825.6*
Translation differences	0.0	0.0	0.3	0.0	0.3
Depreciation and amortization	-34.3	-26.4	-4.7	0.0	-65.4
Disposals	6.1	1.5	0.0	0.0	7.6
Accumulated amortization as of Dec 31, 2017 (incl. impairment)	**-277.7**	**-505.8**	**-99.6**	**0.0**	**-883.1**
Carrying amounts before investment grants as of Jan 1, 2017	**122.0**	**740.5**	**188.9**	**30.8**	**1,082.2**
Carrying amounts before investment grants as of Dec 31, 2017	**146.7**	**776.7**	**196.2**	**28.5**	**1,148.1**
Investment grants					
As of Jan 1, 2017	*-31.1*	*-675.4*	*0.0*	*0.0*	*-706.5*
Additions	-0.4	-46.3	0.0	0.0	-46.7
Disposals	-1.7	0.4	0.0	0.0	-1.3
Transfers	0.1	-0.4	0.0	0.0	-0.3
As of Dec 31, 2017	**-33.1**	**-721.7**	**0.0**	**0.0**	**-754.8**
Accumulated depreciation as of Jan 1, 2017	*17.3*	*325.8*	*0.0*	*0.0*	*343.0*
Depreciation and amortization	1.7	5.3	0.0	0.0	7.0
Disposals	1.7	-0.4	0.0	0.0	1.3
Accumulated amortization as of Dec 31, 2017	**20.7**	**330.7**	**0.0**	**0.0**	**351.4**
Investment grant as of Jan 1, 2017	**-13.8**	**-349.6**	**0.0**	**0.0**	**-363.5**
Investment grant as of Dec 31, 2017	**-12.4**	**-391.0**	**0.0**	**0.0**	**-403.4**
Carrying amounts after investment grants as of Jan 1, 2017	**108.2**	**390.9**	**188.9**	**30.8**	**718.7**
Carrying amounts after investment grants as of Dec 31, 2017	**134.3**	**385.7**	**196.2**	**28.5**	**744.7**

With regard to the additions to intangible assets in 2017 and 2016, see Note 2 “Business Acquisition”. Concessions, industrial property rights, licenses and development costs include additions of EUR 22.8 million (previous year: EUR 5.7 million) to capitalized customer relationships due to initial consolidations and EUR 9.4 million to master agreements acquired in the previous year.

2016 in EUR million	Concessions, property rights, licenses	Investment grants to third parties	Goodwill	Down payments on intangible assets	Total
Cost 2016					
Cost as of Jan 1, 2016	*331.9*	*1,034.4*	*269.5*	*19.2*	*1,655.0*
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 1, 2016 (incl. impairment)	*-229.2*	*-455.1*	*-91.7*	*0.0*	*-776.0*
Translation differences	-0.1	0.0	-1.8	0.0	-1.9
Depreciation and amortization	-28.4	-26.3	-1.7	0.0	-56.4
Disposals	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 1, 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					
As of Jan 1, 2016	*-32.0*	*-594.9*	*0.0*	*0.0*	*-626.9*
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**
Accumulated amortization as of Jan 1, 2016	*15.7*	*320.5*	*0.0*	*0.0*	*336.1*
Translation differences	0.0	-0.1	0.0	0.0	-0.1
Depreciation and amortization	1.6	5.4	0.0	0.0	7.0
Accumulated amortization as of Dec 31, 2016	**17.3**	**325.8**	**0.0**	**0.0**	**343.0**
Investment grant as of Jan 1, 2016	**-16.3**	**-274.4**	**0.0**	**0.0**	**-290.7**
Investment grant as of Dec 31, 2016	**-13.8**	**-349.6**	**0.0**	**0.0**	**-363.5**
Carrying amounts after investment grants as of Jan 1, 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**

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. The average useful life of investment grants to third parties is 18,3 (previous year: 18,7) years.

Research and development expenses totaled more than EUR 4,1 million (previous year: EUR 1,8 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 4,9 million (previous year: EUR 4,2 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 mainly attributed to the Segment Rail Cargo Austria and to a lesser extent other companies 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 and building rights. These properties have the same useful lives as the real estate assets recognized under property, plant and equipment.

In 2016, impairment losses pursuant to IAS 36 in the amount of EUR 1,6 million had to be recognized and they are presented under depreciation and amortization. The assets developed as follows:

	2017 in EUR million	2016 in EUR million
Cost		
As of Jan 1	*340.2*	*339.9*
Additions	0.0	1.5
Additions due to transfer from inventories	2.0	0.0
Additions at cost from subsequent acquisitions	0.9	0.0
Disposals at cost	-0.8	-2.4
Transfers from/to tangible assets	-0.2	1.2
As of Dec 31	**342.1**	**340.2**
Accumulated depreciation		
As of Jan 1	*-180.2*	*-176.0*
Depreciation	-3.9	-4.3
Impairment	0.0	-1.6
Disposals	0.8	2.2
Transfers	0.0	-0.5
As of Dec 31	**-183.3**	**-180.2**
Net carrying amounts as of Jan 1	**160.0**	**163.9**
Net carrying amounts as of Dec 31	**158.8**	**160.0**

All investment property held by ÖBB Group is leased under operating lease agreements. Rental income from these leases (excluding operating costs) amounted to EUR 19,6 million (previous year: EUR 19,7 million). Directly attributable expenses (including repairs and maintenance, but excluding operating costs) amount of EUR 6,6 million (previous year: EUR 6,8 million without operating costs). In addition, operating expenses of EUR 0,3 million (previous year: EUR 0,5 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 578,0 million (previous year: EUR 559,1 million). For 75% (previous year: 71%) of the properties, the valuation is performed by external experts and is based on market data. The fair values of the remaining investment properties were determined by experts of ÖBB-Immobilienmanagement GmbH using discounted cash flow calculations based on the actual rents generated by the relevant properties. The resulting fair values were classified as level 3 in accordance with IFRS 13. Since 75% of the fair values were determined by external appraisers for which no sensitivities can be calculated, no sensitivities were determined for the remaining 25% (EUR 142.8 million) either, as the meaningfulness in this respect is very limited.

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, I-39100 Bolzano – and in several associated companies.

	2017 in EUR million	2016 in EUR million
Interest in one joint venture	40.6	40.6
Interest in associated companies	20.7	20.6
As of Dec 31	**61.3**	**61.2**

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 applied in the Group.

	Galleria di Base del Brennero - Brenner Basistunnel BBT SE	
	Dec 31, 2017 in EUR million	Dec 31, 2016 in EUR million
Revenue	0.0	0.0
Depreciation	-1.1	-1.2
Interest income	0.0 *)	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**
Cash and cash equivalents	92.1	98.7
Other current assets	103.5	286.5
Non-current assets	15.0	13.9
Current liabilities	127.4	80.9
thereof current financial liabilities	*124.0*	*78.8*
Non-current liabilities	2.1	237.1
thereof non-current financial liabilities	*0.0*	*0.0*
Net assets 100%	**81.1**	**81.1**
Interest of the Group in the net assets of the investee as of Jan 1	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**

*) low value transactions

Galleria di Base del Brennero – Brenner Basistunnel BBT SE (henceforth 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. Italy's 50% by TFB Societá 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 18,9 million (previous year: EUR 16,7 million) and total expenses of EUR 18,9 million (previous year: EUR 17,2 million). BBT SE received investment grants of EUR 47,0 million (previous year: EUR 173,0 million). In both reporting years, the Austrian government refunded EUR 41,3 million (previous year: EUR 73,7 million) of this amount, while EUR 3,5 million (previous year: EUR 1 million) were refunded by the province of Tyrol on the basis of the share purchase agreement dated April 18, 2011. The non-current liabilities relate to investment grants received but not yet spent on this 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).

Development of investments in associated companies	2017 in EUR million	2016 in EUR million
As of Jan 1	*20.6*	*26.3*
Change in consolidation type, initial and final consolidation, increase in shareholding	-0.2	-0.8
Share of income	3.0	2.5
Distributions and other changes	-2.7	-7.4
As of Dec 31	**20.7**	**20.6**

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

2017	Current in EUR million	Non-current in EUR million	Total in EUR million
Investments	0.0	10.8	10.8
Financial assets - leasing	3.1	191.6	194.7
Other financial assets	32.4	108.1	140.5
Total	**35.5**	**310.5**	**346.0**

2016	Current in EUR million	Non-current in EUR million	Total in EUR million
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**

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 transactions. 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 (previous 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 49,0 million (previous year: EUR 105,9 million). In addition, financial assets amounting to EUR 20,5 million (previous year: EUR 119,8 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

Non-current assets held for sale	2017 in EUR million	2016 in EUR million
As of Jan 1	*7.8*	*0.9*
Disposals by sale	-7.8	-0.9
Reclassification from tangible fixed assets	1.0	7.8
As of Dec 31	**1.0**	**7.8**
of which reported at amortized cost	*0.1*	*7.8*
of which reported at fair value less costs to sell	*0.9*	*0.0*

The assets shown under this balance sheet item in the reporting year 2017 relate to one piece of land and two branch lines in Austria and one property in Poland. In the previous year, these were properties in Vienna, Upper Austria and Tyrol as well as branch lines. The fair values correspond to the agreed purchase price or the expected outcome of negotiations with the contractual parties, and are therefore allocated to hierarchy level 3 pursuant to IFRS 13. The assets are only recognized as held for sale if an appropriate resolution has been adopted by the Board of Management and sale in the next financial year is highly probable.

The expected proceeds on assets held for sale in 2018 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 23,7 million (previous year: EUR 6,6 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.

Development of fair value	2017 in EUR million	2016 in EUR million
As of Jan 1	*0.0*	*0.8*
Disposal/Reclassification	0.9	-0.8
As of Dec 31	**0.9**	**0.0**

Two railway lines in Carinthia with a carrying amount of EUR 0,3 million were classified as held for sale between December 31, 2017 and the date of preparation of the consolidated financial statements, which had not yet fulfilled the criteria as assets held for sale as of December 31, 2017, as specific Board of Management resolutions have not yet been passed.

20. Trade and other receivables

Dec 31, 2017	Current in EUR million	Non-current in EUR million	Total in EUR million
Trade receivables	564.5	0.0	564.5
thereof from construction contracts	*8.6*	*0.0*	*8.6*
Other receivables and deferrals	309.5	156.6	466.1
Income tax receivables	0.5	0.0	0.5
Total	**874.5**	**156.6**	**1,031.1**

Dec 31, 2016	Current in EUR million	Non-current in EUR million	Total in EUR million
Trade receivables	544.5	0.0	544.5
thereof from construction contracts	*10.8*	*0.0*	*10.8*
Other receivables and deferrals	306.4	149.7	456.1
Income tax receivables	0.7	0.0	0.7
Total	**851.7**	**149.7**	**1,001.4**

In both the year under review and the previous 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 68,7 million (previous year: EUR 58,8 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 250,6 million (previous year: EUR 247,9 million). These deferrals relate primarily to prepaid guarantee premiums amounting to EUR 157,6 million (previous year: EUR 161,6 million) and salaries including fees for January, which were paid in December, amounting to EUR 61,8 million (previous year: EUR 59,2 million).

The allowances mainly refer to trade receivables and developed as follows:

	2017 in EUR million	2016 in EUR million
As of Jan 1	*35.7*	*41.3*
Utilization	-4.1	-2.9
Release	-3.1	-8.6
Additions	10.7	5.9
As of Dec 31	**39.2**	**35.7**

Past due receivables and impaired receivables that are not overdue are presented as follows:

31/12/2017 Analysis of past due/ impaired receivables in EUR million	Gross carrying amount (before impairment)	thereof not individually impaired	thereof individually impaired (gross)	Allowance	thereof individual allowance	thereof portfolio allowance	Net carrying amount
Receivables not past due but impaired	11.6	0.0	11.6	5.9	3.9	2.0	5.7
up to 90 days past due	89.8	85.9	3.9	2.6	2.0	0.6	87.2
90 to 180 days past due	8.5	7.4	1.1	0.8	0.8	0.0	7.7
180 to 360 days past due	15.3	10.4	4.9	3.5	3.5	0.0	11.8
more than 360 days past due	58.8	31.6	27.2	26.4	23.8	2.6	32.4
Total exposure	**184.0**	**135.3**	**48.7**	**39.2**	**34.0**	**5.2**	**144.8**

31/12/2016 Analysis of past due/ impaired receivables in EUR million	Gross carrying amount (before impairment)	thereof not individually impaired	thereof individually impaired (gross)	Allowance	thereof individual allowance	thereof portfolio allowance	Net carrying amount
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**

Overdue unimpaired receivables amounting to EUR 135,3 million (previous year: EUR 97,4 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.

After periodical evaluation of this balance sheet item, it became apparent that credits from suppliers were shown under the item trade receivables and these were to be reclassified to other current receivables and assets. In order to improve comparability, the previous year's figures were also adjusted by EUR 10.4 million. Please refer to Note 22 for a further reclassification of EUR 5.2 million.

More information is provided in Note 29.1.c.

21. Inventories

This line item is composed as follows:

	Dec 31, 2017 in EUR million	Dec 31, 2016 in EUR million
Inventories	232.9	219.1
Finished goods	8.5	1.3
Down payments	2.8	0.3
Total	**244.2**	**220.7**
thereof measured at cost	*215.3*	*189.6*
thereof measured at net realizable value	*28.9*	*31.1*

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 2,0 million (previous year: EUR 1,2 million) and is recognized in costs of materials and purchased services. There were no reversals of impairment losses recognized in the income statement in the two reporting years. Real estate recovery projects were recognized under inventories in the amount of EUR 45,6 million (previous year: EUR 46,8 million).

22. Cash and cash equivalents

	Dec 31, 2017 in EUR million	Dec 31, 2016 in EUR million
Cash on hand and cash	6.0	3.9
Cash in banks	106.6	141.9
Total	**112.6**	**145.8**

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.

Following periodic evaluation of the balance sheet item “Cash and cash equivalents”, it became apparent that deposits and collateral deposited with banks have a maturity of more than three months, which meant that they had to be reclassified to other receivables and assets. In order to achieve better comparability, the prior year amount of EUR 5.2 million was reclassified accordingly.

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 to ÖBB-Holding AG. The development of this item is shown in the Consolidated Statement of Changes in Shareholders’ Equity.

24. Reserves and retained earnings

	Dec 31, 2017 in EUR million	Dec 31, 2016 in EUR million
Additional paid-in capital	260.8	260.8
Other reserves	-106.9	-130.6
thereof cash flow hedge reserve	*-68.8*	*-94.7*
thereof available for sale reserve	*4.9*	*6.9*
thereof translation differences	*-43.0*	*-42.8*
Retained earnings	244.1	57.4

Further information on the changes in shareholders’ equity is provided in the Consolidated Statement of Changes in Shareholders’ Equity. In addition, actuarial losses from the revaluation of severance provisions amounting to EUR 8,2 million (previous year: EUR 11,2 million) are reported under “retained earnings”, Actuarial losses in the Statement of Comprehensive Income include income taxes in the amount of EUR 0,1 million (previous year: EUR 0,6 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	
in EUR million	Development of carrying amount	Income taxes included therein	Development of carrying amount	Income taxes included therein
As of Jan 1, 2016	*-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**
Realized gains and losses	29.7	-2.2	-0.1	0.0
Changes in the fair values	-3.8	-4.7	-1.9	0.0
As of Dec 31, 2017	**-68.8**	**17.6**	**4.9**	**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 Statement of Changes in Shareholders' Equity for further explanation.

25. Financial liabilities

The financial liabilities are composed as follows:

Dec 31, 2017 in EUR million	up to 1 year	1 to 5 years	more than 5 years	Total
Bonds	0.0	5,386.3	8,869.9	14,256.2
Bank loans	224.3	686.7	4,145.7	5,056.7
Financial liabilities leasing	16.5	171.3	163.0	350.8
Other financial liabilities	469.1	1,264.7	2,170.1	3,885.6
Total	**709.9**	**7,490.7**	**15,348.7**	**23,549.3**

Dec 31, 2016 in EUR million	up to 1 year	1 to 5 years	more than 5 years	Total
Bonds	431.0	3,887.7	9,973.2	14,291.9
Bank loans	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**

The total amount of liabilities with a maturity of more than five years mainly relates to bonds, bank loans with EUROFIMA or banks, liabilities to the federal government (OeBFA), and liabilities from cross-border lease agreements.

Guarantees of the federal government

The federal government has guaranteed bonds and liabilities to banks amounting to EUR 14.208,9 million (previous year: EUR 14.208,6 million). Additionally, liabilities to EUROFIMA of EUR 1.839,4 million (previous year: EUR 1.931,2 million) are also secured by federal government guarantees. Financial liabilities of EUR 66,4 million (previous year: EUR 75,1 million) are guaranteed by Österreichische Kontrollbank Aktiengesellschaft.

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 [1]	XS0232778083	3.5000%
100,000,000.00	EUR	2006 - 2036	XS0243862876	2.9900%
100,000,000.00	EUR	2006 - 2036	XS0244522396	2.9900%
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 [1]	XS0307792159	4.8750%
100,000,000.00	EUR	2007 - 2037	XS0321318163	4.0000% (PY: 4.1715%) [2]
100,000,000.00	EUR	2007 - 2037	XS0324893626	4.0000% (PY: 4.3975%) [2]
50,000,000.00	EUR	2007 - 2037	XS0324895670	4.0000% (PY: 4.3975%) [2]
100,000,000.00	EUR	2007 - 2037	XS0328866982	4.0000% (PY: 4.2270%) [2]
50,000,000.00	EUR	2007 - 2037	XS0331427905	4.0000% (PY: 4.1950%) [2]
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 [1]	XS0436314545	4.5000%
50,000,000.00	EUR	2011 - 2019 [1]	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 [1]	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) Increase
2) In 2017, interest rates were reduced as agreed after premature termination was not exercised.

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 three (previous year: five) in the amount of USD 54,7 million (previous year: USD 85.7 million) with the CUSIP numbers A5790#AD0 (maturing in 2026), A5790#AE8 (maturing in 2025) and A5790#AF5 (maturing in 2025) are still outstanding.

Liabilities due to banks include EUR 3.953,2 million (previous year: EUR 3.775,9 million) in loans from the European Investment Bank (EIB). Liabilities of EUR 94,5 million (previous year: EUR 94,5 million) are collateralized.

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 1.839,4 million (previous year: EUR 1.931,2 million), of which in 2017, EUR 71,2 million (previous year: EUR 1,8 million) had a residual term of less than one year. Liabilities to the federal government (OeBFA) and negative present values of derivative financial instruments are also recognized under this item.

A short-term loan of EUR 1 billion to refinance a redeemed bond was granted in 2016 by the Republic of Austria and borrowed from the OeBFA. Long-term refinancing was procured in 2017. ÖBB-Infrastruktur AG will take out the necessary financing from 2017, mainly through loans from the Republic of Austria, to be provided by the Austrian Bundesfinanzargentur (OeBFA) rather than by borrowing directly on the capital markets. According to Eurostat criteria, ÖBB-Infrastruktur AG is classified as a state sector. Given that the Republic of Austria has access to more favorable interest rate terms and conditions on the capital market, the decision to provide long-term financing through loans awarded by the Republic of Austria was made after consultation with the Federal Ministry of Finance and the Federal Ministry of Transport, Innovation, and Technology. This addition to the financing instruments of ÖBB-Infrastruktur AG does not affect the existing bonds issued by ÖBB-Infrastruktur AG nor the guarantees of the same by the Republic of Austria.

Financial liabilities due to the Federal Government (OeBFA) are as follows:

Fair value	Currency	Term	Nominal interest rate	Effective interest rate
400,000,000.00	EUR	2017 - 2027	0.500%	0.5532%
50,000,000.00	EUR	2017 - 2027	6.250%	0.3983%
100,000,000.00	EUR	2017 - 2034	2.400%	1.0777%
200,000,000.00	EUR	2017 - 2047	1.500%	1.5492%
553,650,000.00	EUR	2017 - 2086	1.500%	1.7704% *)
1,303,650,000.00	**EUR**			

*) Average effective interest rate

Financial lease liabilities of EUR 103,9 million (previous year: EUR 140,8 million) are secured by financial assets, and other financial liabilities of EUR 1.241,7 million (previous year: EUR 1.318,4 million) are collateralized in rem, mainly in the form of vehicles.

In both financial years, the Group has fulfilled all obligations under the loan and credit agreements.

See Note 30 for details on lease transactions, and Note 29 for information pursuant to IFRS 7.

26. Provisions

ÖBB Group recognizes 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, 2017 in EUR million	Dec 31, 2016 in EUR million
Statutory severance payments	68.9	68.1
Pensions	1.2	1.3
Anniversary bonuses	219.1	230.0
Other provisions for personnel	1.0	0.7
Total	**290.2**	**300.1**
thereof long-term	*290.2*	*300.0*

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, 2017	Dec 31, 2016
Discount rate severance payments and pensions	1.90%	1.80%
Discount rate anniversary bonuses	1.40%	1.30%
Rate of compensation increase	3.60%	3.80%
Rate of pension payment increases	2.00%	2.00%
Employee turnover rate anniversary bonuses of tenured employees	0.00 - 3.07%	0.00 - 3.03%
Employee turnover rate anniversary bonuses of other workers and employees	0.00 - 7.81%	0.00 - 7.93%

The Group is usually exposed to the following actuarial risks relating to severance payments and anniversary bonuses: Interest rate risk and salary risk.

Interest rate risk: A decline in the bond coupon results in higher provisions.

Salary risk: The present value of the provisions is determined on the basis of the planned future salaries of the beneficiary employees. As such, the provisions increase if the beneficiaries' salaries increase.

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 BGBI 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 8,2 million (previous year: EUR 7,3 million) into the defined contribution plan (VBV Vorsorgekasse AG and APK-PENSIONSKASSE 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 costs and the development of the severance provisions:

	2017 in EUR million	2016 in EUR million
Defined benefit commitments as of Jan 1	*68.1*	*60.2*
Service cost	3.2	2.9
Interest cost	1.2	1.4
Subtotal recorded in net income	4.4	4.3
Actuarial losses (+)/gains (-) from changes in demographic assumptions	0.0	0.0
Actuarial losses (+)/gains (-) from changes in financial assumptions	-3.0	5.8
Experience adjustments	-0.5	-0.7
Recognized in other comprehensive income	-3.5	5.1
Severance payments	-2.4	-2.0
Company sales and acquisitions	2.3	0.5
Defined benefit commitments as of Dec 31	**68.9**	**68.1**

Severance provisions amounting to EUR 1,4 million (previous year: EUR 4,4 million) are due in 2018; severance provisions amounting to EUR 8,8 million (previous year EUR 7,6 million) are due between 2019 to 2022; and severance provisions amounting to EUR 58,7 million (previous year: EUR 56,1 million) are due after 2022. The duration is 15,2 (previous year: 16,0) 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 in DBO		Decrease of the parameter/ change in DBO	
	in %	2017 in EUR million	2016 in EUR million	2017 in EUR million	2016 in EUR million
Interest rate	+/-0.5	-7.5	-5.2	2.4	5.1
Salary increase	+/-0.5	2.3	5.0	-7.5	-5.1

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 up 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:

	2017 in EUR million	2016 in EUR million
Defined benefit commitments as of Jan 1	*230.0*	*227.7*
Service cost	3.3	10.1
Interest cost	2.9	4.0
Anniversary bonuses	-21.2	-19.9
Reclassifications	0.0	0.0
Company sales and acquisitions	0.9	0.0
Actuarial losses (+)/gains (-)	-5.5	8.0
Experience adjustments	8.7	0.1
Defined benefit commitments as of Dec 31	**219.1**	**230.0**

The average maturity is 8,4 (previous year: 8,9) 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 in DBO		Decrease of the parameter / change in DBO	
		2017 in EUR million	2016 in EUR million	2017 in EUR million	2016 in EUR million
Interest rate	+/-0.5	-8.9	-9.7	9.2	10.9
Salary increase	+/-0.5	9.0	10.1	-8.8	-9.5

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 employees in Austria a defined contribution plan. Contributions of ÖBB Group are calculated as a percentage of salary and may not exceed 1.2%. Expenses relating to this plan totaled EUR 18,0 million (previous 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 1.9% (previous year: 2.0%) and a retirement age of 60.

26.2. Other provisions

in EUR million	As of Jan 1, 2017	Change in scope of consolidation	Utilization	Release	Transfers	Accretion expenses	Additions	As of Dec 31, 2017
Asset retirement obligations	77.5	0.0	-0.4	-13.2	0.0	0.3	1.7	65.9
Public services according to EU Directive 1370/2007	44.4	0.0	0.0	0.0	0.0	-1.3	5.1	48.2
Environmental protection measures	40.1	0.0	-0.1	-5.9	0.0	0.3	17.6	52.0
Reimbursement of travel expenses	38.7	0.0	-2.4	-6.8	0.0	-0.5	1.5	30.5
Bad debts and public services	21.7	0.0	-3.1	-6.6	0.0	-0.1	15.1	27.0
Demolition cost and similar obligations	17.3	0.0	-3.1	-4.5	0.0	0.1	8.8	18.6
Litigations	14.4	0.0	-0.5	-2.3	0.0	0.0	1.7	13.3
Loss set aside	17.3	0.0	-14.4	-5.4	0.0	0.0	8.8	6.3
Reorganization	9.2	0.0	-3.4	-2.0	0.0	0.0	0.7	4.5
Non-income taxes and fees	2.3	0.0	-0.7	-0.3	0.0	0.0	2.1	3.4
Others	100.1	1.4	-9.3	-4.9	-2.4	-0.4	41.1	125.6
Total	**383.0**	**1.4**	**-37.4**	**-51.9**	**-2.4**	**-1.6**	**104.2**	**395.3**
thereof long-term	*175.9*							*223.1*

The amounts in the column “Transfers” represent transfers to 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 in 2015 newly added railway line segments which are to be decommissioned. This provision was recognized only for routes whose decommissioning is sufficiently certain. In the reporting year, cost and interest rate adjustments necessitated the accrual of additional provisions in the amount of EUR 1,7 million (previous year: EUR 1,1 million). The reversal of the provision relates to routes sold in 2017. In addition, it was agreed in the reporting period with purchasers of railway lines that they would assume the asset retirement obligation in return for an investment grant. Provisions that exceeded the promised grants were reversed.

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. The provision in the amount of EUR 5.9 million for environmental protection measures was reversed in 2017. Most of the reversals result from plots of land being deleted from the list of suspected contaminated sites. 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. An additional environmental protection provision of EUR 16.7 million was recognized in the reporting period due to soil contamination by heavy metals in the vicinity of traction power pylons identified in 2017.

A provision of EUR 48,2 million (previous year: EUR 44,4 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 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 properties. With regard to the provision for clean-up costs, a reassessment of an item led to a reversal of the provision in the amount of EUR 4.1 million, as the actual contamination was lower than expected.

Miscellaneous other provisions include mainly 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 bis 2,2% (previous year: 0,2 bis 1,3). Adjustments due to the change in the discount rate were insignificant.

Of the other provisions, EUR 223,1 million (previous year: EUR 175,9 million) are classified as non-current. The anticipated cash outflow for these provisions is after 2018. Cash outflows relating to provisions classified as current are expected in 2018. Provisions with uncertain payment dates were mainly classified as current.

27. Trade payables and other liabilities

Dec 31, 2017	Current in EUR million	Non-current in EUR million	Total in EUR million
Trade payables	748.5	0.0	748.5
Other liabilities	997.4	51.2	1,048.6
thereof deferral of federal subsidies	*621.1*	*0.0*	*621.1*
thereof accrued personnel liabilities	*163.7*	*0.0*	*163.7*
thereof other deferrals	*70.2*	*49.5*	*119.7*
thereof taxes	*52.7*	*0.0*	*52.7*
thereof social security	*33.5*	*0.0*	*33.5*
Total	**1,745.9**	**51.2**	**1,797.1**

Dec 31, 2016	Current in EUR million	Non-current in EUR million	Total in EUR million
Trade payables	937.2	0.0	937.2
Other liabilities	755.5	62.6	818.1
thereof accrued personnel liabilities	*161.3*	*0.0*	*161.3*
thereof deferral of federal subsidies	*395.5*	*0.0*	*395.5*
thereof other deferrals	*68.4*	*60.6*	*129.0*
thereof taxes	*45.8*	*0.0*	*45.8*
thereof social security	*33.7*	*0.0*	*33.7*
Total	**1,692.7**	**62.6**	**1,755.3**

The management estimates that the carrying amounts of the trade payables approximate their respective fair values. Trade payables include payables in the amount of EUR 22,7 million (previous year: EUR 26,0 million) that have a remaining maturity of more than 1 year 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 13,2 million (previous year: EUR 16,7 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 4,0 million (previous year: EUR 5,6 million), advance ticket sales of EUR 31,4 million (previous year: EUR 30,3 million) and accrued income from earnings from land lease agreements amounting to EUR 34,3 million (previous year: EUR 40,1 million).

On February 19, 2018, the Rail Control Commission (SCK) issued a decision on the charge for the use of the traction power network and delivered it on February 27, 2018. In this decision, the maximum tariffs granted and to be applied for 2017 were prescribed. ÖBB-Infrastruktur AG filed an appeal against the decision with the Federal Administrative Court and applied for a suspensive effect. The decision is therefore not yet legally binding.

C. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Other guarantees and contingent liabilities

	2017 in EUR million	2016 in EUR million
Contingent liabilities from lease transactions	54.3	237.7
Other contingent liabilities	33.8	28.0
Total	**88.1**	**265.7**

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 1,3 million (previous year: EUR 1,5 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 (97% [previous year: 98%] 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 3% (previous year: 2%) of the nominal volume in both reporting years. This structured derivative has a total nominal volume of EUR 20.0 million (previous year: EUR 20.0 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) **Dec 31, 2017**	Fixed interest financial instruments in EUR million	Variable interest financial instruments in EUR million
Financial assets	283.1	22.4
Trade receivables	1.1	0.0
Other receivables and assets	0.4	0.0
Cash and cash equivalents	4.5	93.0
Total	**289.1**	**115.4**
Financial liabilities	22,601.2	418.8
of which to the Federal Government (OeBFA)	*1,287.9*	*0.0*
Total	**22,601.2**	**418.8**

Financial instruments (current and non-current) **Dec 31, 2016**	Fixed interest financial instruments in EUR million	Variable interest financial instruments in EUR million
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
of which to the Federal Government (OeBFA)	*1,000.8*	*0.0*
Total	**21,812.5**	**446.1**

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 and income (changes of the fair value of the financial assets) and are therefore included in profit-related sensitivity calculations.

	Effect in income statement		Effect in shareholders' equity	
Sensitivity analysis interest rate risk as of Dec 31, 2017 in EUR million	+100 base points	-100 base points	+100 base points	-100 base points
Assets				
Financial assets	0.2	-0.2	0.0	0.0
Cash and cash equivalents	1.4	-1.4	0.0	0.0
Liabilities				
Financial liabilities	-4.2	4.1	32.2	-32.2
Consolidated effect 2017	**-2.6**	**2.5**	**32.2**	**-32.2**

	Effect in income statement		Effect in shareholders' equity	
Sensitivity analysis interest rate risk as of Dec 31, 2016 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**

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 2017	USD in mil.
Trade receivables	11.0
Other financial assets	178.0
Trade payables	-9.0
Other financial liabilities	-180.0
	0.0
less forward foreign exchange contracts/currency swaps	0.0
Net exchange rate risk	**0.0**

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
	-3.0
less forward foreign exchange contracts/currency swaps	0.0
Net exchange rate risk	**-3.0**

Sensitivity analysis for exchange rate risk

If the EUR had gained or lost 10% against the USD, the result in the two reporting years would have been EUR 1,0 million higher or 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, positive present value derivatives). 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 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 a 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 price 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 and cash equivalents, 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 circumstances, 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:

Credit risk from financial instruments	Gross exposure (carrying amount plus impairments) in EUR million	less collateral (FV) in EUR million	Net exposure in EUR million
Total exposure 2017			
Financial assets	346.0	0.0	346.0
Trade receivables	594.5	-1.7	592.8
Other receivables and assets	96.0	0.0	96.0
Cash and cash equivalents	112.6	0.0	112.6
Risk current and non-current assets	**1,149.1**	**-1.7**	**1,147.4**
thereof neither past due nor impaired			*963.4*
thereof not past due because renegotiated or impaired			*11.6*
thereof past due and not impaired			*135.3*
thereof past due			*37.1*
Contingent liabilities from lease transactions	54.3	0.0	54.3
Other contingent liabilities	33.8	0.0	33.8
Credit risk from issued guarantees	**88.1**	**0.0**	**88.1**
Total credit risk as of Dec 31, 2017	**1,237.2**	**-1.7**	**1,235.5**
Total exposure 2016			
Financial assets	563.6	0.0	563.6
Trade receivables	568.7	-12.0	556.7
Other receivables and assets	65.2	-0.8	64.4
Cash and cash equivalents	145.8	0.0	145.8
Risk current and non-current assets	**1,343.3**	**-12.8**	**1,330.5**
thereof neither past due nor impaired			*1,152.5*
thereof not past due because renegotiated or impaired			*35.1*
thereof past due and not impaired			*97.4*
thereof past due			*45.5*
Contingent liabilities from lease transactions	237.7	0.0	237.7
Other contingent liabilities	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**

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.

		non-cash	Carrying value of 2018 cash flows		Carrying value of 2019-2022 cash flows		Carrying value of 2023 et seq. cash flows	
in EUR million	Carrying amount Dec 31, 2017	Carrying amounts Dec 31, 2017	Interest *) 2018	Redemption *) 2018	Interest 2019-2022	Redemption 2019-2022	Interest 2023 et seq.	Redemption 2023 et seq.
Original financial liabilities								
Bonds	14,256.2	45.7	487.8	0.0	1,628.3	5,386.3	1,897.4	8,824.2
Bank loans	5,056.7	0.0	125.0	224.3	464.8	686.7	935.8	4,145.7
Finance leasing, sub-lease and CBL liabilities	350.8	90.5	11.9	8.6	37.6	107.3	25.8	144.5
Other financial liabilities	3,769.5	40.4	60.2	433.1	180.8	1,144.1	697.5	2,151.8
Trade payables	726.6	0.0	0.0	703.9	0.0	22.7	0.0	0.0
Other liabilities	141.6	0.0	0.0	130.6	0.0	9.8	0.0	1.2

*) Other financial liabilities include liabilities for accrued interest payments on bonds and liabilities to banks. The actual interest payments in 2018 from these accrued liabilities are reported under "Bonds and liabilities to banks" and not under "Other financial liabilities."

		Cash flows 2018		Cash flows 2019-2022		Cash flows 2023 et seq.	
in EUR million	Carrying amount Dec 31, 2017	Interest 2018	Redemption 2018	Interest 2019-2022	Redemption 2019-2022	Interest 2023 et seq.	Redemption 2023 et seq.
Derivative financial receivables							
Other derivatives not designated as hedges	22.2	0.0	51.2	0.0	5.2	0.0	0.0
Power derivatives with cashflow hedges	6.3	0.0	8.4	0.0	13.5	0.0	0.0
Cash paid		*0.0*	*8.4*	*0.0*	*13.5*	*0.0*	*0.0*
Derivative financial liabilities							
Interest rate derivatives not designated as hedges	4.0	0.8	0.0	3.3	0.0	0.0	0.0
Interest derivatives - Cash flow hedges	101.9	24.9	0.0	67.5	0.0	36.3	0.0
Power derivatives - Cash flow hedges	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Other derivatives not designated as hedges	10.2	0.0	80.0	0.0	38.2	0.0	3.9
Financial guarantees							
Guarantees from cross-border leasing	54.3	3.9	2.7	13.3	13.3	4.9	38.3
Other contingent liabilities	33.8	0.0	14.4	0.0	11.1	0.0	8.3

		non-cash	Carrying value of 2017 cash flows		Carrying value of 2018-2021 cash flows		Carrying value of 2022 et seq. cash flows	
in EUR million	Carrying amount Dec 31, 2016	Carrying amounts Dec 31, 2016	Interest *) 2017	Redemption *) 2017	Interest 2018-2021	Redemption 2018-2021	Interest 2022 et seq.	Redemption 2022 et seq.
Original financial liabilities								
Bonds	14,291.9	81.3	489.0	400.1	1,712.5	3,887.7	1,981.0	9,922.8
Bank loans	4,523.7	65.5	117.9	249.2	445.7	602.3	940.5	3,606.7
Finance leasing, sub-lease and CBL liabilities	464.3	212.2	11.9	6.7	42.9	102.5	38.9	143.0
Other financial liabilities	3,519.0	58.8	45.9	1,105.5	119.3	1,317.5	15.4	804.7
Trade payables	925.6	0.0	0.0	899.6	0.0	26.0	0.0	0.0
Other liabilities	70.0	0.0	0.0	68.5	0.0	1.5	0.0	0.0

*) Other financial liabilities include liabilities for accrued interest payments on bonds and liabilities to banks. The actual interest payments in 2017 from these accrued liabilities are reported under "Bonds and liabilities to banks" and not under "Other financial liabilities."

in EUR million	Carrying amount Dec 31, 2016	Cash flows 2017 Interest 2017	Cash flows 2017 Redemption 2017	Cash flows 2018-2021 Interest 2018-2021	Cash flows 2018-2021 Redemption 2018-2021	Cash-flows 2022 et seq. Interest 2022 et seq.	Cash-flows 2022 et seq. Redemption 2022 et seq.
Derivative financial receivables							
Other derivatives not designated as hedges	13.7	0.0	58.9	0.0	26.5	0.0	0.0
Interest 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
Cash paid		*0.0*	*12.4*	*0.0*	*9.9*	*0.0*	*0.0*
Derivative financial liabilities							
Interest rate derivatives not designated as hedges	3.4	0.3	0.0	1.3	0.0	0.3	0.0
Interest derivatives - Cash flow 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

The table includes all financial instruments held in the portfolio as of the reporting date for which payments have already been contractually agreed. Plan numbers 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, 2017 Maturity	Number of swaps	Nominal volume in EUR million
Portfolio	27	720.8
thereof maturing 2018	*4*	*77.0*
thereof maturing 2019	*1*	*100.0*
thereof maturing 2020	*6*	*93.9*
thereof maturing 2021	*2*	*200.0*
thereof maturing 2022 et seq.	*14*	*249.9*

Dec 31, 2016 Maturity	Number of swaps	Nominal volume in EUR million
Portfolio	34	867.3
thereof maturing 2017	*7*	*146.5*
thereof maturing 2018	*4*	*77.0*
thereof maturing 2019	*1*	*100.0*
thereof maturing 2020	*6*	*93.9*
thereof maturing 2021 et seq.	*16*	*449.9*

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 (incl. cashflow hedges from power derivatives) recognized in other comprehensive income, an amount of EUR 25,9 million (previous year: EUR 13,0 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 29,7 million [previous year: EUR 30,2 million]). Further, ineffective portions of hedge accounting relationships amounting to EUR 0,3 million (previous year: EUR 0,2 million) were recognized through profit or loss. As of the reporting date, EUR 1,2 million (previous year: EUR 1,4 million from the expiry of cash flow hedges is recognized in equity through other comprehensive income, which will materialize as follows: 2018EUR 0,1 million, 2019-2021: EUR 0,6 million, 2022 and after: EUR 0,5 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 through profit or loss at their respective fair value.

Power derivatives designated as hedges Maturity	Dec 31, 2017 Number of swaps	Nominal volume in EUR million		Dec 31, 2016 Number of swaps	Nominal volume in EUR million
Portfolio	17	20.8	Portfolio	21	23.8
thereof maturing 2018	*7*	7.7	*thereof maturing 2017*	*11*	14.4
thereof maturing 2019	*6*	*6.8*	*thereof maturing 2018*	*4*	*4.0*
thereof maturing 2020	*4*	*6.3*	*thereof maturing 2019*	*5*	*4.1*
thereof maturing 2021	*0*	*0.0*	*thereof maturing 2020*	*1*	*1.3*

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 2017, the recognition of power purchase and power sale forwards as hedging transactions resulted in an amount of EUR 7,3 million (previous year: EUR 10,1 million) less income taxes in the amount of EUR 1,7 million (previous year: EUR 2,6 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, 2017			
Power derivatives not designated as hedges **Maturity**	Number of swaps Purchases	Nominal volume in EUR million	Number of swaps Sale	Nominal volume in EUR million
Portfolio	97	116.0	60	58.6
thereof maturing 2018	*65*	*77.9*	*55*	*53.4*
thereof maturing 2019	*25*	*28.3*	*5*	*5.2*
thereof maturing 2020	*7*	*9.9*	*0*	*0.0*

	Dec 31, 2016			
Power derivatives not designated as hedges **Maturity**	Number of swaps Purchases	Nominal volume in EUR million	Number of swaps Sale	Nominal volume in EUR million
Portfolio	70	83.0	59	48.1
thereof maturing 2017	*44*	*57.2*	*48*	*38.4*
thereof maturing 2018	*24*	*25.2*	*11*	*9.7*
thereof maturing 2019	*2*	*0.7*	*0*	*0.0*

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 included in an effective hedging relationship 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, credit 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 29.4 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 16.886,2 million (previous year: EUR 17.384,0 million), for which a level 1 measurement exists. Of this amount, EUR 16,185.5 million (previous year: EUR 17,384.0 million) has unadjusted quoted prices (level 1 valuation), while a valuation model based on market prices was used for EUR 700.7 million (previous year: EUR 0.0 million). Level 1 measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The source of the quotations is 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 48,1 million (previous year: EUR 84.4 million). These were valued based on input parameters in accordance with level 2.

Financial assets Dec 31, 2017 in EUR million	Carrying amount	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
Non-current assets										
Financial assets	310.5	0.0	310.5	69.5	11.0	0.0	225.6	0.0	4.4	332.9
Other receivables and assets	156.6	147.0	9.6	0.0	0.0	0.0	9.6	0.0	0.0	9.6
Current assets										
Financial assets	35.5	0.0	35.5	0.0	0.0	22.2	11.4	0.0	1.9	35.5
Trade receivables	564.5	8.6	555.9	0.0	0.0	0.0	555.9	0.0	0.0	555.9
Other receivables and assets	309.5	223.7	85.8	0.0	0.0	0.0	85.8	0.0	0.0	85.8
Cash and cash equivalents	112.6	0.0	112.6	0.0	0.0	0.0	0.0	112.6	0.0	112.6
Total carrying amount per category				**69.5**	**11.0**	**22.2**	**888.3**	**112.6**	**6.3**	

Financial liabilities Dec 31, 2017 in EUR million	Carrying amount	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
Non-current liabilities								
Financial liabilities	22,839.4	0.0	22,839.4	22,643.8	6.2	77.7	111.7	26,393.5
Other liabilities	51.2	40.2	11.0	1.3	0.0	0.0	9.7	11.0
Current liabilities								
Financial liabilities	709.9	0.0	709.9	666.7	8.0	24.2	11.0	716.6
Trade payables	748.5	21.9	726.6	726.6	0.0	0.0	0.0	726.6
Other liabilities	997.3	866.7	130.6	130.6	0.0	0.0	0.0	130.6
Total carrying amount per category				**24,169.0**	**14.2**	**101.9**	**132.4**	

Financial assets Dec 31, 2016 in EUR million	Carrying amount	Less non-financial instru-ments	Financial instrume nts	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
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	544.5	10.8	533.7	0.0	0.0	0.0	533.7	0.0	0.0	533.7
Other receivables and assets	306.4	245.3	61.1	0.0	0.0	0.0	61.1	0.0	0.0	61.1
Cash and cash equivalents	145.8	0.0	145.8	0.0	0.0	0.0	0.0	145.8	0.0	145.8
Total carrying amount per category				**173.6**	**13.8**	**13.7**	**948.1**	**145.8**	**2.3**	

Financial liabilities Dec 31, 2016 in EUR million	Carrying amount	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
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**	

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.

as of Dec 31, 2017 in EUR million	Gross carrying amount reported	Potential offset amount not reported in the financial statement	Net amount after potential offsetting
Power derivative assets	22.2	-9.7	12.5
Power derivative liabilities	-6.3	0.0 *)	-6.3

as of Dec 31, 2016 in EUR million	Gross carrying amount reported	Potential offset amount not reported in the financial statement	Net amount after potential offsetting
Power derivative assets	13.7	-6.8	6.9
Power derivative liabilities	-9.1	0.0 *)	-9.1

*) low value transactions

Net financial results by category

The net financial result by category is presented below:

Result of subsequent measurement Dec 31, 2017 in EUR million	Interest income/ expenses	At fair value	Foreign currency translation	Result from impairment	Result from disposal	Result from investments
Loans and Receivables (LaR)	18.8	0.0	-20.0	0.0	0.0	0.0
Held-to-Maturity Investments (HtM)	0.0	0.0	0.0	0.0	0.0	0.0
Available for Sale Financial Assets (AfS)	4.0	0.0	-6.0	-0.2	-7.9	0.3
Financial Instruments Held for Trading (FAHfT, FLHfT)	0.0	8.2	0.0	0.0	0.0	0.0
Financial Liabilities Measured at Amortized Cost (FLAC)	-621.9	0.0	28.7	0.0	7.9	0.0
Hedge Accounting	-25.7	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	0.0	0.0	-0.1	0.0	0.0	0.0

Result of subsequent measurement Dec 31, 2016 in EUR million	Interest income/ expenses	At fair value	Foreign currency translation	Result from impairment	Result from disposal	Result from investments
Loans and Receivables (LaR)	30.2	-0.1	9.4	0.0	-1.6	0.0
Available for Sale Financial Assets (AfS)	5.7	0.2	3.6	0.0	0.0	0.9
Financial Instruments Held for Trading (FAHfT, FLHfT)	0.0	12.6	0.2	0.0	0.0	0.0
Financial Liabilities Measured at Amortized Cost (FLAC)	-662.4	0.0	-12.5	0.0	0.0	0.0
Hedge Accounting	-31.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	0.2	0.0	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 621,9 million [previous year: EUR 662,4 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 further 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	
in EUR million	Carrying amounts Dec 31, 2017	Carrying amounts Dec 31, 2016	Carrying amounts Dec 31, 2017	Carrying amounts Dec 31, 2016
Interest rate swaps				
without hedge relation	0.0	0.0	4.0	3.4
with cash flow hedges	0.0	0.1	101.9	130.1
Power forwards				
without hedge relation	22.2	13.7	6.3	9.1
with cash flow hedges	6.3	2.2	0.0	0.1
Other derivatives				
Derivatives without a hedging relationship	0.0	0.0	3.9	4.3
Total	**28.5**	**16.0**	**116.1**	**147.0**

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, 2017	Level 1	Level 2	Total
Derivatives designated as hedge instrument	0.0	6.3	6.3
Derivatives held for trading	0.0	22.2	22.2
Available for sale reserve	20.5	49.0	69.5
Financial assets	**20.5**	**77.5**	**98.0**
Derivatives held for trading	0.0	14.2	14.2
Derivatives designated as hedge instrument	0.0	101.9	101.9
Financial liabilities	**0.0**	**116.1**	**116.1**

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**

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 25,700 (previous year: 26,000) lease agreements, predominantly with indefinite terms, which can be terminated with a notice period of six months maximum. These include 7,500 (previous year: 6,700) external fixed-term rental agreements that end between 2018 and 2107 (previous year: 2017 and 2059). The long-term agreements relate to building rights 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 31.12.2017 amount to:

Dec 31, 2017 in EUR million	Total	up to 1 year	1 to 5 years	more than 5 years
Land and buildings	264.3	26.3	51.7	186.3
Other technical equipment and machinery	0.4	0.0	0.1	0.3
Other plant, furniture and fixtures	1.9	1.2	0.7	0.0
Automobiles and trucks	5.2	3.9	1.1	0.2

Dec 31, 2016 in EUR million	Total	up to 1 year	1 to 5 years	more than 5 years
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

Contingent lease payments were recognized in the period under review as income from land and buildings at an amount of EUR 2,7 million (previous year: EUR 2,2 million) and from the transport fleet at an amount of EUR 0,8 million (previous year: 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 as an operating lease. The agreements have different contractual terms customary in the market, depending on the leased object.

30.2. Lessee

Finance leasing

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, 2017	Minimum lease payments in EUR million	Interest expense included in EUR million
2018	28.7	12.3
2019 – 2022	165.8	38.0
after 2022	173.7	25.2
Total of minimum lease payments	**368.2**	**75.5**
less interest	-75.5	
Present value of lease payments	**292.7**	

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**	

Contingent lease payments were made in the amount of EUR 0,4 million (previous year: EUR 0,3 million).

Operating leases

Payments of minimum lease payments amounting to EUR 78,1 million (previous year: EUR 70,0 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:

2017	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million
Land and buildings	25.2	96.3	189.7
Automobiles and trucks	32.1	44.6	0.0
Other technical equipment and machinery	0.3	0.6	0.3
Total	**57.6**	**141.5**	**190.0**

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**

The operating lease agreements mainly refer to buildings, transport fleet, furniture and fixtures, and computer equipment. Contingent lease payments have not been agreed. The term of the lease agreements ends in 2040 (signaling and control center). In the reporting years 2017 and 2016, 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 two (previous year: four) cross-border lease ("CBL") transactions, and ÖBB-Produktion Gesellschaft mbH and ÖBB-Personenverkehr AG each entered into one CBL transaction (previous year: one), both of which were still valid as of 31.12.2017.

The two remaining CBL transactions of ÖBB-Infrastruktur AG are linked via subleases of ÖBB-Produktion GmbH and ÖBB-Personenverkehr.

All four CBL transactions are sale-and-leaseback transactions. 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-lease-back transactions are no longer used.

Some 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. Minimum ratings are no longer used.

Rolling stock subject to the CBL transactions is maintained regularly in accordance with the provisions of the agreements and may, in principle, not be sold, leased, pledged as collateral, or decommissioned.

Termination of CBL transactions

In the reporting year 2017, two CBL transactions were ended through exercise of a purchase option. One of the transactions related to ÖBB-Infrastruktur AG itself, the second transaction was linked via sublease agreements of ÖBB-Personenverkehr AG.

In the reporting year 2016, one CBL transaction was terminated prematurely, a second ended through exercise of a 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 terminated by exercise of the call option.

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 prepayment 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 March 1, 2017.

In April 2015, three further transactions were remediated following downgraded ratings in financial year 2014. Appropriate provisions were accrued. 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, two of which still existed as of December 31, 2017. The purchase of the U.S. treasury notes was carried out via loans in the corresponding currencies (private placement). The existing PUAs, which are no longer required as collateral after the establishment of the deposit account, are serving to repay the private placements entered into for the purchase of the U.S. treasury notes. The securities swap legally relates in its entirety to ÖBB-Infrastruktur AG in its external relation. The same holds true for the surviving PUAs and the private placement. One (previous year: one) CBL transaction with two (previous year: two) securities accounts are recharged to ÖBB-Personenverkehr AG via the sublease agreements. One CBL transaction with two securities accounts affects ÖBB-Infrastruktur AG 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 31.12.2017, the net present value benefit not yet amortized amounted to EUR 7,8 million (previous year: EUR 9,8 million). Income from the release of the net present value benefit amounting in 2017 to EUR 2,0 million (previous year: EUR 7,7 million) 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 securities accounts and 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 internally in its entirety to ÖBB-Personenverkehr AG and ÖBB-Produktion GmbH. 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 with respect to 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, 2017, there were allowances on investments in the amount of EUR 0,1 million (previous year: EUR 0,1 million).

In the Consolidated Financial Statements as of 31.12.2017, financial assets associated with non-linked leasing transactions amounted to EUR 194,8 million (previous year: EUR 314,0 million). On 31.12.2017, related financial liabilities amounted to EUR 295,2 million (previous year: EUR 416,1 million). These lease liabilities include finance lease liabilities in the amount of EUR 168,8Million (previous year: EUR 173,8 million).

Accounting for transactions without substance (linked transactions)

In accordance with SIC 27, the Group 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 31.12.2017, contingent liabilities from CBL transactions amounted to EUR 54,3 million (previous year: EUR 237,7 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, the company now named ÖBB-Infrastruktur AG was granted a concession to operate a railway in the Principality of Liechtenstein that was valid until December 31, 2017. Due to the timely application of ÖBB for renewal of this license, it continues to apply unchanged until the application has been completed (Art. 7 para. 2 EBG).

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 ended on December 31, 2017. Following timely application, this license was extended by decision of the Swiss DETEC of March 3, 2017 for the St. Margrethen – Bregenz section for a period of fifty years, i.e. until December 31, 2067; and for the Buchs SG – Feldkirch section for a period of five years, i.e. until December 31, 2022.

On this basis, ÖBB-Infrastruktur AG continues to be authorized and obligated to maintain the uninterrupted and proper operation of the railway in Lichtenstein and on the Swiss border sections, which serves for public transportation. The infrastructure assets in Liechtenstein and Switzerland are the property of ÖBB-Infrastruktur AG. As of 31.12.2017, these assets had a carrying amount of EUR 27,1 million (previous year: EUR 14,7 million). The concessionaire assumes responsibility for the conveyance of people, luggage, and freight.

An extension of the Lichtenstein concession continues to be pursued. The new Liechtenstein Railways Act came into effect in 2012. 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 was rejected by the Principality of Liechtenstein. The progress of the negotiations on this issue significantly impacts the timeframe of the concession proceedings. In a letter dated February 17, 2017, the Liechtenstein government confirmed to the Swiss FOT that "Liechtenstein had no objections to the application for a five-year infrastructure concession for the Swiss section of the Feldkirch-Buch line. We would like to state that the Swiss concession procedure cannot prejudice the extension of the concession in the Liechtenstein concession procedure, which has not yet been concluded."

Because in recent meetings of the Trilateral Steering Committee the Liechtenstein delegation had no negotiating power granted by the government of Liechtenstein (explicit reference was made to the period of activity of the current government, which ended 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. At the last steering committee meeting in July 2017, a working group was set up to examine possible alternatives to the project pursued so far, in support of the vital political discussions.

At the same time, ÖBB-Infrastruktur AG also obtained a commitment from the Principality of Liechtenstein on November 8, 2017, that allows operation to continue unchanged on the Liechtenstein section of track even after formal expiry of the concession at the end of 2017 and while the concession proceedings are still ongoing, and that the Principality of Liechtenstein will not make any decisions or implement any measures that would make it impossible for ÖBB-Infrastruktur AG to comply with the terms and conditions for using the railway network. In concrete terms, the government undertakes in this letter that "any non-renewal of the railway concession will be made in such a way as to ensure compliance with the terms of use of the rail network to be announced in the fall for the following calendar year."

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.

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, whether an alternative solution should be sought or whether the line should only be maintained and operated as an existing line.

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 Group 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:

	Members of the Supervisory Board and persons related to other bodies			Associated companies		Subsidiaries, not consolidated	
in EUR million, rounded	2017 only the Quehenberger Group	2017 other	2016	2017	2016	2017	2016
Sale of goods/rendering of services (total revenue)	15.4	0.1	0.0 *)	32.0	38.9	2.5	12.8
Purchase of goods/ services (total expenditure)	23.4	0.1	0.1	35.0	38.4	7.0	28.6
Receivables as of Dec 31	1.6	0.0	0.0	1.8	4.3	0.2	0.4
Liabilities as of Dec 31	2.5	0.0	0.0 *)	2.2	6.9	0.3	0.6

*) low value transactions

Transactions with the Group's executive bodies, related parties and companies are primarily transactions with companies in which members of the Supervisory Board or managing directors have a controlling influence. The transactions with the Quehenberger Group must be reported for the first time in the reporting year and are presented separately in order to enable a comparison with the previous year's figures.

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 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 685,1 million (previous year: EUR 660,7 million). On the basis of transport service agreements, services are provided for the federal provinces and the communities that were charged at EUR 360,7 million for the financial year (previous year: EUR 339,7 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 2017 to EUR 91,1 million (previous year: EUR 80,6 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 Austrian Federal Railways Act.

ÖBB-Infrastruktur AG bears the costs incurred for the fulfillment of its tasks. The federal government awards 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 revenue that can be achieved from 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 Austrian 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) monitors compliance with the obligations assumed by ÖBB-Infrastruktur AG in the grant agreements according to Article 42 of the Austrian 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.

The master plan for 2017 to 2022 was approved by the Republic of Austria on 10/12/2016 and by the ÖBB-Infrastruktur AG Supervisory Board on 12/13/2016.

In June 2017, 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 (grant agreements in accordance with

Article 42 of the Austrian Federal Railways Act) that regulates the subsidies from 2016 onwards. The subsidies agreement was therefore also valid for 2017.

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 2016-2021, the federal government shall bear 75% of the annual investments in expansion and reinvestments according to the master plan 2016-2021 (with the exception of the Brenner base tunnel) until 2016 and 80% for the years 2017 et seq.; 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 Austrian Federal Railways Act and the objectives (performance and output objectives) according to the grant agreement pursuant to Article 42 (1) of the Austrian Federal Railways Act. Changes in the functionality and/or the scope 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 2017, based on the valid subsidies agreement for 2016 to 2021, an amount of EUR 785,9 million (previous year: EUR 786,6 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 550,5 million (previous year: EUR 514,3 million) were granted.

ÖBB-Infrastruktur AG has provided investment grants for the construction costs of the Brenner base tunnel in the amount of EUR 47,0 million (previous year: EUR 173,0 million) that were reimbursed 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 41,3 million (previous year: EUR 73,7 million).

Infrastructure operation and apprenticeship costs

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 (BMVIT) and the Federal Ministry of Finance.

The agreement on the grant pursuant to Article 42 (1) of the Austrian 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.

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 Austrian 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) of the Austrian 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 Austrian 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 2017 according to Article 42 of the Austrian Federal Railways Act amounts to EUR 2.122,2 million (previous year: EUR 2.068,5 million). The grant for expansion and reinvestment in the amount of EUR 785,8 million (previous year: EUR 786,6 million) was reduced by EUR 32,5 million (previous year: EUR 76,0 million) to EUR 753,3 million (previous year: EUR 691,6 million) due to the investment measures carried out and more favorable interest rate developments and is presented in other operating income. Following improved operating performance and more favorable interest rate trends, the EUR 1.336,4 million (previous year: EUR 1.300,9 million) grant for operation and inspection/maintenance/troubleshooting and repair was reduced by EUR 194,0 million (previous year: EUR 130,1 million) and is recognized in revenue.

The subsidy in the amount of EUR 77,6 million (previous year: EUR 62,0 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. The disclosure in the financial statements is made as a reduction in the subsidy pursuant to Article 42 (1) of the Austrian Federal Railways Act and is presented as investment grants. Consequently, the amount of EUR 1.064,8 million (previous year: EUR 1.109,8 million) was recognized through profit or loss for operation, inspection, maintenance, fault clearance, and repair. The amounts deferred in connection with the grant for expansion and reinvestment in the amount of EUR 31,6 million (previous year: EUR 75,2 million) as well as in connection with the operational management and apprenticeship program in the amount of EUR 194,0 million (previous year: EUR 129,1 million) is presented in other liabilities. Ex post settlement of the annuity relating to the Brenner base tunnel resulted in a repayment portion for ÖBB-Infrastruktur AG of EUR 0,9 million (previous year: EUR 0,8 million), which is recognized as deferred income.

The development of grants in 2017 breaks down as follows:

in EUR million	Total grant	Accruals	Recognized in income 2017
§ 42 (1) Operation	785.9	-271.6	514.3
§ 42 (2) Inspection, maintenance, disposal and repair	550.5	0.0	550.5
Revenue	**1,336.4**	**-271.6**	**1,064.8**
§ 42 (2) Expansion and reinvestment	785.8	-32.5	753.3
Other operating income	**785.8**	**-32.5**	**753.3**
Total	**2,122.2**	**-304.1**	**1,818.1**

The development of grants in 2016 breaks down 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**

Please see Note 25 with regard to the liabilities assumed by the federal government and financing from 2017, which are mainly taken out through loans from the Republic of Austria, to be provided by the Austrian Bundesfinanzierungsagentur (OeBFA).

In addition, the federal states and municipalities regularly provide investment grants to the ÖBB-Infrastruktur AG in connection with investment projects which in the reporting year amounted to EUR 30,1 million (previous year: EUR 34,9 million) (federal states) and EUR 19,7 million (previous year: EUR 23,3 million) (municipalities). Furthermore, EU subsidies amounting to EUR 5,9 million (previous year: EUR 62,5 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. In accordance with section 266 (2) UGB, the ÖBB-Holding AG Board compensation for Board members active in the reporting years amounted to kEUR 1.285 (previous year: kEUR 1.468). This includes claims from previous periods and benefits in kind. Furthermore, statutory contributions to the severance insurance scheme amounted to kEUR 9 in the year under review (previous year: kEUR 14), and contributions to a pension fund amounted to kEUR 40 (previous year: kEUR 52). Compared to the previous year's total of kEUR 62, provisions for vacations declined by kEUR 30 to kEUR 92. In 2017, severance payments of kEUR 382 were paid, which are included in the Board of Management remuneration mentioned above. The current employment contracts do not provide for any severance payment obligations. As of December 31, 2017, provisions for target agreements amounted to kEUR 388 (previous year: kEUR 317).

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 Group itself assumes no pension commitments.

Remuneration of members of the Supervisory Board

In accordance with the rules of procedure for the Supervisory Board of ÖBB-Holding AG, the members of the Supervisory Board may receive remuneration. At the Annual General Meeting in 2017, remuneration for external Supervisory Board members was resolved as follows: The basic remuneration for a Supervisory Board member amounts to EUR 9 thousand 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 EUR 27 thousand (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 130 (previous year: kEUR 127). The remuneration of the other members of the Supervisory Boards of the Group companies amounted to kEUR 79 (previous year: kEUR 63).

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 railcar transport)
- Cars: Rail Cargo Wagon (RCW) – railcar 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, development 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.

2017 in EUR million	Passenger transport	Rail Cargo Austria	Infrastructure	Others	Transition	Total
Total income						
Total income unconsolidated	2,213.8	3,443.6	3,465.4	1,477.4		10,600.2
thereof revenue	*2,178.0*	*3,395.9*	*2,366.4*	*1,462.4*		*9,402.6*
thereof other income	*35.8*	*47.7*	*1,099.0*	*15.0*		*1,197.6*
Elimination of income in the segment	-41.0	-1,202.9	-263.8	-39.2	-2,298.5	-3,845.4
thereof revenue	*-40.4*	*-1,196.1*	*-265.0*	*-38.5*	*-2,340.8*	*-3,880.8*
thereof other income	*-0.6*	*-6.8*	*1.2*	*-0.7*	*42.3*	*35.4*
Total segment income	**2,172.8**	**2,240.7**	**3,201.6**	**1,438.2**	**-2,298.5**	**6,754.8**
thereof revenue	*2,137.6*	*2,199.8*	*2,101.4*	*1,423.9*	*-2,340.8*	*5,521.8*
thereof other income	*35.2*	*40.9*	*1,100.2*	*14.3*	*42.3*	*1,233.0*
Elimination of income between segments	-39.7	-470.2	-735.7	-1,052.9	2,298.5	0.0
thereof revenue	*-35.9*	*-454.0*	*-732.5*	*-1,118.4*	*2,340.8*	*0.0*
thereof other income	*-3.8*	*-16.2*	*-3.2*	*65.5*	*-42.3*	*0.0*
Total income from third parties	**2,133.1**	**1,770.5**	**2,465.9**	**385.4**	**0.0**	**6,754.9**
thereof revenue	*2,101.7*	*1,745.8*	*1,368.9*	*305.4*	*0.0*	*5,521.8*
thereof other income	*31.4*	*24.7*	*1,097.0*	*79.9*	*0.0*	*1,233.1*
Expenses for materials and services received	-1,325.4	-1,537.7	-411.8	-620.3	1,968.8	-1,926.4
Personnel expenses	-389.0	-402.1	-1,126.3	-625.8	0.0	-2,543.2
Depreciation and amortization	-144.9	-70.9	-751.6	-67.1	1.2	-1,033.3
Other operating expenses	-204.7	-172.7	-316.3	-108.7	340.5	-461.9
Earnings before income and tax (EBIT)	**108.9**	**57.3**	**595.6**	**16.3**	**12.0**	**790.1**
Earnings of investments accounted for using the equity method	13.7	10.6	1.5	0.0	-22.8	3.0
Interest income	10.2	1.1	18.2	17.1	-16.5	30.1
Interest expenses	-47.7	-27.2	-575.2	-20.6	16.6	-654.1
Other financial result	1.6	0.6	7.0	-14.7	12.7	7.2
Earnings before income taxes (EBT)	**86.7**	**42.4**	**47.1**	**-1.9**	**2.0**	**176.3**
Income taxes	-10.0	-18.6	14.6	-3.3	8.2	-9.1

Dec 31, 2017 in EUR million	Passenger transport	Rail Cargo Austria	Infrastructure	Others	Transition	Total
Assets	3,470.2	1,890.3	23,155.0	5,397.2	-5,561.7	28,351.0
Investments recorded at equity	337.3	218.3	49.2	0.6	-544.1	61.3
Liabilities						
Liabilities unconsolidated	2,596.5	1,912.7	21,915.7	1,600.8	0.0	28,025.7
Elimination of liabilities in the segment	-38.7	-170.2	-98.5	-182.9	-1,490.3	-1,980.6
Liabilities of the segment	**2,557.8**	**1,742.5**	**21,817.2**	**1,417.9**	**-1,490.3**	**26,045.1**
Elimination of liabilities between segments	-173.0	-499.8	-252.3	-565.2	1,490.3	
Liabilities towards third parties	**2,384.8**	**1,242.7**	**21,564.9**	**852.7**	**0.0**	**26,045.1**

2017 in EUR million	Passenger transport	Rail Cargo Austria	Infrastructure	Others	Transition	Total
Other information						
Investment expenses (property, plant and equipment and intangible assets)	558.4	54.5	1,808.2	58.2	-0.1	2,479.2

2016 in EUR million	Passenger transport	Rail Cargo Austria	Infrastructure	Others	Transition	Total
Total income						
Total income unconsolidated	2,108.3	3,176.1	3,405.1	1,359.5	0.0	10,049.0
thereof revenue	*2,080.7*	*3,120.1*	*2,357.3*	*1,342.8*	*0.0*	*8,900.9*
thereof other income	*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
thereof revenue	*-43.4*	*-1,041.1*	*-249.5*	*-39.8*	*-2,280.3*	*-3,654.1*
thereof other income	*-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**
thereof revenue	*2,037.3*	*2,079.0*	*2,107.8*	*1,303.0*	*-2,280.3*	*5,246.8*
thereof other income	*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
thereof revenue	*-33.4*	*-452.9*	*-719.6*	*-1,074.4*	*2,280.3*	*0.0*
thereof other income	*-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**
thereof revenue	*2,003.9*	*1,626.1*	*1,388.2*	*228.6*	*0.0*	*5,246.8*
thereof other income	*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 in EUR million	Passenger transport	Rail Cargo Austria	Infrastructure	Others	Transition	Total
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	0.0
Liabilities towards third parties	**1,981.6**	**1,152.3**	**21,249.5**	**867.6**	**0.0**	**25,251.0**

2016 in EUR million	Passenger transport	Rail Cargo Austria	Infrastructure	Others	Transition	Total
Other information						
Investment expenses (property, plant and equipment and intangible assets)	420.3	93.9	1,859.8	25.3	0.0	2,399.4

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 accounted for 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 foreign customers, irrespective of the origin of the products and services:

Total income 2017 in EUR million	Passenger transport	Rail Cargo Austria	Infrastructure	Others/ Transition	Total
Domestic	1,271.4	2,162.6	1,245.2	1,354.1	6,033.4
Foreign	221.1	1,142.2	56.4	108.2	1,527.9
thereof Germany	*109.2*	*292.2*	*26.8*	*47.4*	*475.6*
thereof Hungary	*15.1*	*309.5*	*2.5*	*10.8*	*337.9*
thereof Switzerland	*20.7*	*38.8*	*22.9*	*8.1*	*90.5*
other markets	*76.1*	*501.7*	*4.2*	*41.9*	*623.9*
Total unconsolidated	**1,492.5**	**3,304.8**	**1,301.6**	**1,462.3**	**7,561.3**
Income from public service orders	685.5	91.1	0.0	0.0	776.6
Government grant pursuant to Article 42 Federal Railways Act	0.0	0.0	1,064.8	0.0	1,064.8
less internal turnover	-40.4	-1,196.1	-265.0	-2,379.3	-3,880.8
Segment turnover	**2,137.6**	**2,199.8**	**2,101.4**	**-917.0**	**5,521.9**
Other operating income incl. other own work capitalized	35.2	40.9	1,100.2	56.7	1,233.0
Total segment income	**2,172.8**	**2,240.7**	**3,201.6**	**-860.3**	**6,754.9**

Total income 2016 in EUR million	Passenger transport	Rail Cargo Austria	Infrastructure	Others/ Transition	Total
Domestic	1,235.8	2,023.8	1,193.7	1,253.6	5,706.9
Foreign	184.2	1,015.7	53.7	89.2	1,342.8
thereof Germany	*85.9*	*257.2*	*27.8*	*35.7*	*406.6*
thereof Hungary	*12.9*	*300.7*	*1.5*	*10.6*	*325.7*
thereof Switzerland	*18.3*	*35.7*	*20.4*	*10.6*	*85.0*
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 Federal Railways Act	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**

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.

in EUR million	Carrying amounts of segment assets		Additions to property, plant and equipment and intangible assets	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
ÖBB-Personenverkehr segment				
Domestic	2,504.0	2,116.8	552.2	416.4
Foreign	10.5	10.0	3.9	3.9
thereof Eastern Europe	*10.5*	*10.0*	*3.9*	*4.0*
Total	**2,514.5**	**2,126.8**	**556.1**	**420.3**
Rail Cargo Austria segment				
Domestic	524.1	511.1	57.2	47.4
Foreign	399.7	416.1	14.5	46.6
thereof Hungary	*346.4*	*360.0*	*10.2*	*15.1*
thereof Italy	*10.4*	*10.3*	*0.7*	*0.5*
thereof Eastern Europe	*15.6*	*8.4*	*3.3*	*0.2*
Rest of Europe	*27.3*	*37.4*	*0.3*	*30.7*
Total	**923.8**	**927.2**	**71.7**	**94.0**
ÖBB-Infrastruktur segment				
Domestic	22,050.7	21,235.0	1,808.2	1,859.7
Foreign	27.1	14.7	12.9	0.1
Rest of Europe	*27.1*	*14.7*	*12.9*	*0.1*
Total	**22,077.8**	**21,249.7**	**1,821.1**	**1,859.8**
Other group companies/transition				
Domestic	804.0	800.6	30.4	25.2
Foreign	0.2	0.1	0.1	0.1
thereof Eastern Europe	*0.2*	*0.1*	*0.1*	*0.1*
According to Consolidated Financial Statements	**26,320.3**	**25,104.4**	**2,479.3**	**2,399.4**
thereof domestic	*25,882.8*	*24,663.5*	*2,447.9*	*2,348.7*
thereof foreign	*437.5*	*440.9*	*31.4*	*50.7*

34. Notes to 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 as well as liabilities to banks in the amount of EUR 7,9 million (previous year: EUR 10,0 million). The part of the interest payment that is capitalized under IAS 23 as part of the cost of qualified assets is included in operating cash flow. The federal subsidies totaling EUR 77,2 million (previous year: EUR 62,0 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 payments for the acquisition of consolidated companies of EUR 11.5 million comprise the partial payment of the purchase price for the shares in Rail Cargo Carrier - PCT GmbH of EUR 5.0 million, the purchase price for the shares in Rail Cargo Logistics d.o.o. of EUR 0.2 million and the purchase price for the shares in ÖBB STADLER Service GmbH of EUR 9.4 million less the cash balance of the company of EUR 3.3 million.

Significant non-cash transactions carried out in both reporting years mainly refer to the recognition and derecognition of assets and liabilities from CBL transactions and liabilities from CBL transactions as well as the reversal of accrued expenses and deferred income due to finance leasing transactions. As regards proceeds and expenditures with respect to the acquisition of consolidated companies, please refer to Note 35 and the figures in brackets there.

The previous year's figure had to be adjusted for the balance sheet item cash and cash equivalents (see Note 22). This has an effect on cash and cash equivalents in the cash flow statement. In order to improve comparability, the level of cash and cash equivalents in the 2017 cash flow statement was reduced at the beginning of the period. In addition, the cash flow statement for the previous year reduced cash and cash equivalents at the end of the period by EUR 5.2 million and at the beginning of the period by EUR 7.1 million and increased the change in trade receivables and other liabilities and accruals and current other receivables in the cash flow statement for the previous year by EUR 2.0 million.

The following table provides information on the changes in financial liabilities, the cash inflows and outflows of which are disclosed in the cash flow statement under cash flow from financing activities.

in EUR million	As of Dec 31, 2016	Changes with an effect on cash flow	Changes in exchange rates	Other changes in borrowed capital	Other changes in equity	As of Dec 31, 2017
Non-current financial liabilities						
Bonds	13,860.9	0.0	-6.9	402.2	0.0	14,256.2
Bank loans	4,209.0	676.3	-9.2	-43.7	0.0	4,832.4
Financial liabilities leasing	339.4	0.0	-0.1	-5.0	0.0	334.3
Other financial liabilities	2,141.3	1,470.3	-6.6	-188.5	0.0	3,416.5
Total non-current financial liabilities	**20,550.6**	**2,146.6**	**-22.8**	**165.0**	**0.0**	**22,839.4**
Current financial liabilities						
Bonds	431.0	0.0	0.0	-431.0	0.0	0.0
Bank loans	306.5	-71.9	0.0	-14.1	0.0	220.5
Financial liabilities leasing	124.9	-13.7	0.0	-94.7	0.0	16.5
Other financial liabilities	1,375.9	-1,085.5	0.0	175.6	-1.0	465.0
Total excluding financial liabilities, which are part of cash and cash equivalents	2,238.3	-1,171.1	0.0	-364.2	-1.0	702.0
Current liabilities to banks, which are part of the fund of cash and cash equivalents	8.2	0.0	0.0	-4.4	0.0	3.8
Current other financial liabilities, which are part of the fund of cash and cash equivalents	1.8	0.0	0.0	2.3	0.0	4.1
Total current financial liabilities	**2,248.3**	**-1,171.1**	**0.0**	**-366.3**	**-1.0**	**709.9**

For the bonds with a volume of EUR 400.0 million classified as short-term in the previous year, investors did not make use of the right of early redemption in 2017; instead of being repaid, they were reclassified to long-term bond liabilities.

35. Group companies

Information on the 31.12.2017 subsidiaries, associates, investments, other holdings and changes in the ÖBB Group in the 2017 financial year:

Changes in the basis of consolidation

The following companies were consolidated in the reporting year for the first time:

ÖBB-Infrastruktur sub-group
- ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. (previous year: first established)
- ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG (previous year: first established)
- Mariannengasse 16-20 Projektentwicklung GmbH & Co KG (previous year: V0)

Rail Cargo Austria Group sub-group
- Rail Cargo Logistics d.o.o. (Until February 2017: INTEREUROPA-FLG, d.o.o., acquisition of 24%) (previous year: E)
- Rail Cargo Carrier - Croatia d.o.o. (previous year: V0)
- ÖBB STADLER Service GmbH (acquisition of 60% in 2017)

Other subsidiaries
- European Contract Logistics (podjetje za spedicijo, prevoznistvo in trgovino) d.o.o. (previous 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.

Rail Cargo Austria Group	Country, registered office	Type of consolidation
Dissolution following liquidation 2017		
ELATEC Metallverwertungs GmbH i. L. (dissolved in June 2017)	A-1010 Vienna	E0

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	Country, registered office	Type of consolidation	
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 Vienna	E	*)
├▶ 100% Technical Services Hungria Járműjavító Kft.	HU-3527 Miskolc	0	*)
├▶ 60% ÖBB STADLER Service GmbH (acquired in July 2017)	A-4030 Linz	0	*)
├▶ 51% Technical Services Slovakia, s.r.o.	SK-91701 Trnava	0	*)
└▶ 51% TS-MÁV Gépészet 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 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	E0
└▶ 50% HAELA Abfallverwertung GmbH	A-4470 Enns	E0
├▶ 100% Rail Cargo Logistics - Germany GmbH	D-60329 Frankfurt am Main	V
├▶ 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 Warsaw	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 Uluslararasi 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	V (PY: E)
└▶ 49% Rail Cargo Logistics - Goldair SA	GR-19300 Athens/Aspropyrgos	E

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	DE-85283 Wolnzach	V	
├▶ 100% Rail Cargo Carrier d.o.o.	SLO-1000 Ljubljana	V	
├▶ 100% Rail Cargo Carrier - Bulgaria EOOD	BG-1303 Sofia	V	
├▶ 100% Rail Cargo Carrier - Croatia d.o.o.	HR-10000 Zagreb	V (PY: V0)	
├▶ 100% Rail Cargo Carrier - Czech Republic s.r.o.	CZ 130 00 Praha 3	V	
├▶ 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	
└▶ 29,39% RAILPORT ARAD SRL	RO-315200 Judentul Arad	E	
├▶ 33,07% Terminal Brno, a.s.	CZ-61900 Brno	E0	
└▶ 32,56% 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 Vienna	V	
├▶ 100% Technical Services Hungaria Járvmüjavitó Kft.	HU-3527 Miskolc	V	
├▶ 60% ÖBB STADLER Service GmbH (acquired in July 2017)	A-4030 Linz	V	
├▶ 51% Technical Services Slovakia, s.r.o.	SK-91701 Trnava	V	
└▶ 51% TS-MÁV Gépészet 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 Bucharest	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. (established 2016)	A-1020 Vienna	V (PY: V0)
├▶ 100% ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG (established 2016)	A-1020 Vienna	V (PY: 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% Gauermanngasse 2-4 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V
├▶ 100% Mariannengasse 16-20 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V (PY: 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 Bolzano	E
├▶ 43,05% Weichenwerk Wörth GmbH	A-3151 St. Georgen am Steinfeld	E
├▶ 25% 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% (PY: 49.9%) iMobility GmbH (acquisition of 50.1% in August 2017)	A-1040 Vienna	V0 (PY: E0)
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
60% (until May 2017: 100%) Q Logistics GmbH (exchange of 40% of the shares for a division of Quehenberger Logistics GmbH)	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	V (PY: 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% Verkehrsauskunft Österreich VAO GmbH	A-1150 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 previous 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.

	Shareholders' equity in kEUR		Profit or loss in kEUR		
Rail Cargo Austria Group	Dec 31, 2017	Dec 31, 2016	2017	2016	
AUL Abfallumladelogistik Austria GmbH	384	387	-3	-60	2)
HAELA Abfallverwertung GmbH	581	556	25	37	
Rail Cargo Carrier - Slovakia s.r.o.	376	174	-61	7	
Rail Cargo Operator-Port/Rail Services GmbH	11	13	-2	-48	
LOGISZTÁR Kft.	785	848	-63	-41	
Kelenföld Konténer Depo Kft.	1,477	1,463	162	47	
boxXagency Kft.	122	98	82	77	
Terminal Brno, a.s.	2,889	2,606	118	76	1)
ICA Romania s.r.l. i. L.	i. L.	i. L.	i. L.	i. L.	
Agrochimtranspack Kft.	n/a	n/a	n/a	n/a	

Abbreviations and footnotes

i. L. in liquidation
n/a not applicable
1) provisional values 2017
2) values as of September 30

Consolidated Financial Statements

	Shareholders' equity in kEUR		Profit or loss in kEUR	
ÖBB-Infrastruktur Group	Dec 31, 2017	Dec 31, 2016	2017	2016
Austrian Rail Construction & Consulting GmbH	138	138	0	0
Austrian Rail Construction & Consulting GmbH & Co KG	208	208	-2	-2
Netz- und Streckenentwicklung GmbH	94	416	-2	0
Businesscenter Linz Entwicklungs- und Verwertungs GmbH & Co KG	-4	-3	-1	-1
Europaplatz 1 Projektentwicklung GmbH & Co KG	-4	-3	-1	-1
Modul Office Hauptbahnhof Graz GmbH & Co KG	-4	-3	-1	-1
ÖBB-Stiftungs Management Gesellschaft mbH	72	71	0	1
Breitspur Planungsgesellschaft mbH	3,799	4,438	-638	-2,464

	Shareholders' equity in kEUR		Profit or loss in kEUR	
Others	Dec 31, 2017	Dec 31, 2016	2017	2016
European Contract Logistics - Slovakia s.r.o. "v likvidácii" (i. L.)	i. L.	64	i. L	-68
European Contract Logistics - Serbia d.o.o.	n/a	200	n/a	24
Verkehrsauskunft Österreich VAO GmbH	1,747	1,397	-776	-918
iMobility GmbH	184	-716	-1,899	-1,319

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

36. Events after the reporting date

On April 4, 2018, the members of the Board of Management of ÖBB-Holding AG released the audited Consolidated Financial Statements as of 31.12.2017 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.

The 2018 – 2023 master plan was approved by the Council of Ministers and published by the Federal Ministry of Transport, Innovation and Technology on March 22, 2018. This plan forms the basis for the implementation of the capital expenditure program in the coming years.

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 2017 (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	Chairman of the Board of Management
Mag. Josef Halbmayr MBA	

Members of the Supervisory Board

Mag. Arnold Schiefer	from February 9, 2018	Chairman
Mag. Brigitte Ederer	until February 9, 2018	Chairwoman
Dr. Kurt Weinberger		1. Vice Chair
DI Herbert Kasser	until February 9, 2018	2. Vice Chair
Mag. Andreas Reichardt	from February 9, 2018	2. First Vice Chair (from February 28, 2018)
Roman Hebenstreit		3. Vice Chair/Employee Representative
Herbert Willerth	until February 9, 2018	
Dr. Gertrude Tumpel-Gugerell	until February 9, 2018	
Dr. Leopold Specht	until January 18, 2018	
Lic.rer.pol. Paul Blumenthal	until February 9, 2018	
Dr. Norbert Gugerbauer	from February 9, 2018	until March 13, 2018
Dr. Barbara Kolm	from February 9, 2018	
Karl Ochsner	from February 9, 2018	
Dr. Cattina Leitner	from February 9, 2018	
DI Dr. Monika Forstinger	from February 9, 2018	
Mag. Andreas Martinsich		Employee representative
Günter Blumthaler		Employee representative
Mag. Olivia Janisch	from April 10, 2017	Employee representative

A report on compensation paid during the reporting period is presented in Note 32 (“Related party transactions”).

Vienna, April 4, 2018

The Board of Management

Ing. Mag. (FH) Andreas Matthä   Mag. Josef Halbmayr 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, 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial 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, 2017, and its financial performance and cash flows 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 Generally Accepted Accounting Principles and professional requirements and in accordance with any other agreed rules and/or regulations, 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 the Management 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), and for ensuring that they present a true and fair view of the assets, the financial position and the financial performance of the Group. In addition, management is responsible for such internal controls as it 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 made 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 judgment and maintain professional skepticism 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.

Report on Other Legal and Regulatory Requirements

Comments on the Consolidated Management Report

Pursuant to Austrian Generally Accepted Accounting Principles, the consolidated 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 consolidated 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 Information

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.

Vienna, April 4, 2018

BDO Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Christoph Achzet	Mag. Peter Bartos
Auditor	Auditor

*) 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 alternate versions.

GLOSSARY OF TERMS

AVB	General Terms and Conditions of Employment with Austrian Federal Railways
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
CETA	Comprehensive Economic and Trade Agreement
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSR	Corporate social responsibility
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
ECB	European Central Bank
EMTN	Euro Medium Term Note
Equity ratio	= equity / total capital
ERTMS	European Rail Traffic Management System
ETCS	European Train Control System
Free cash flow	= Cash flow from operating activities + Cash flow from investing activities
FTE	Full-time equivalent
GWh	Gigawatt hour
GWL	Public services
IASB	International Accounting Standards Board
ICS	Internal control system
IFAC	International Federation of Accounts
IFRS/IAS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
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)
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
RCC	Rail Cargo Carrier
RCG	Rail Cargo Group
RCO	Rail Cargo Operator
Return on equity	= EBT / equity
Return on total assets	= EBIT / total capital
RO	Railway operator
ROCE	= EBIT / capital employed
R&D	Research and development
SCHIG	Railway infrastructure service company (Schieneninfrastruktur-Dienstleistungsgesellschaft m.b.H.)
SIC	Standard Interpretation Committee
SLF	Free travel for students and apprentices
Tenured employment	Tenured employees are ÖBB employees who are subject to the General Terms and Conditions of Employment with Austrian Federal Railways (AVB), joined the company prior to January 1, 1995, and cannot be dismissed, pursuant to the provisions of the AVB.
TGTkm	Total gross ton-kilometers (= cargo weight + weight of the train x kilometers traveled)
TKM	Ton-kilometers (= tons transported x kilometers traveled)
Total income per employee	total income / average number of employees (headcount)
Traction	Propulsion of trains
TS	ÖBB-Technische Services GmbH
TSI	Technical specification for interoperability
TTIP	Transatlantic Trade and Investment Partnership
WIFO	Austrian Institute of Economic Research
Working capital	= inventories (excl. real estate recovery projects and prepayments on orders) + trade receivables – trade payables

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