Always on the move

ANNUAL REPORT 2016
ÖBB-INFRASTRUKTUR AG

Contents

Consolidated Management Report

A. Group Structure and Investments

The ÖBB-Infrastruktur Group must ensure the economical use and provision of Austrian railway infrastructure for all railway operators without discriminating. In addition, the ÖBB-Infrastruktur Group builds the Austrian railway infrastructure on behalf of and for the benefit of its owner, the Republic of Austria. The financing of the capital expenditures in rail infrastructure development is ensured through the cash flow generated, outside capital and guarantees and investment grants from the federal government on the basis of multi-year master plans. Management, development and utilization of real estate belonging to the ÖBB Group is the responsibility of ÖBB-Immobilienmanagement Gesellschaft mbH, a subsidiary of ÖBB-Infrastruktur AG.

The parent company Österreichische Bundesbahnen-Holding Aktiengesellschaft (hereinafter ÖBB-Holding AG) is a joint-stock corporation under Austrian law. The registered office of the company is at Am Hauptbahnhof 2, A-1100 Vienna, and the company is registered in the Company Register at the Commercial Court Vienna under number FN 247642f. ÖBB-Holding AG holds all shares of ÖBB-Infrastruktur AG.

Investments

All of ÖBB-Infrastruktur Group's investments are listed in detail in the investment overview in the annex to the Group's consolidated financial statements. An overview of the number of investments in Austria and abroad (incl. ÖBB-Infrastruktur AG) is provided below:

	as of Dec 31, 2016	as of Dec 31, 2015
Investments >50%	24	23
Investments 20-50%	3	3
thereof abroad	*1*	*1*
Investments <20%	3	3
thereof abroad	*1*	*1*
Total	**30**	**29**
thereof abroad	*2*	*2*

The ÖBB-Infrastruktur Group

The ÖBB-Infrastruktur Group operates 1,087 railway stations and railway infrastructure in Austria, which is used by ÖBB-Personenverkehr AG, Rail Cargo Austria AG, two other companies belonging to the ÖBB Group and other railway operators not belonging to the ÖBB Group. The continuation requirements for the master plan investments initiated through December 31, 2016 – taking into account the effect of the continuation of the master plan from 2017 to 2022 and a 2.5% increase in value – is EUR 11,879.3 million.

ÖBB-Infrastruktur AG has the following material subsidiaries and investments:

Mungos Sicher & Sauber GmbH & Co KG cleans the railway stations, and provides special cleaning services, such as graffiti removal, as well as security and other services.

ÖBB-Immobilienmanagement Gesellschaft mbH provides modern real estate services, both within and outside the Group. Its responsibilities include the sale and utilization of real estate, project development, station initiative, property management, facility management, space management, and contract management for film productions and events at railway stations.

The procurement and Group-wide rental and utilization of specialty rail vehicles and equipment and road vehicles, their purchasing, financing, servicing, and maintenance are the responsibility of Rail Equipment GmbH & Co KG.

Güterterminal Werndorf Projekt GmbH was established under a private partnership model to create the Werndorf freight terminal and was acquired by the ÖBB-Infrastruktur Group in 2012.

WS Service GmbH was established at the end of 2013 and provides services for and in connection with switch points, and thus in particular their maintenance, inspection, and repair. Weichenwerk Wörth GmbH is Austria's market leader in the production of switch points, insulated rail joints, and switch-related logistics services and has also positioned itself as an exporter to Southeastern and Western Europe primarily in the areas of superstructure and industrial switch points. During financial year 2015, 49% of the shares in WS Service GmbH were exchanged for 13.05% of the shares in Weichenwerk Wörth GmbH. As a result, ÖBB-Infrastruktur AG has a 51% stake in WS Service GmbH. In contrast, the 30% stake in Weichenwerk Wörth GmbH was increased to 43.05%.

In order to continue to meet the expectations and increases in freight transport on the railways in the future and with respect to the demolition costs of the inner city areas of the Vienna-Northwest railway freight station, ÖBB-

Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. and ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG were founded in June and December 2016, respectively, as wholly-owned subsidiaries of ÖBB-Infrastruktur AG.

ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG will be the operator of the intermodal terminal in the ÖBB-Infrastruktur AG freight center in Vienna-South and will act as a provider of services connected with the operation of the intermodal terminal on the market. ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. acts as a general partner of ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG.

Since 2011, ÖBB-Infrastruktur AG has had a 50% stake in Galleria di Base del Brennero – Brenner Basistunnel BBT SE and therefore also in the major project “Construction of the Brenner Base Tunnel”. The necessary funding is provided to ÖBB-Infrastruktur AG in addition to the applicable master plan of the Republic of Austria. For the acquisition of the shares, the Republic of Austria has made a shareholder contribution to ÖBB-Infrastruktur AG via ÖBB-Holding AG in the amount of the cost of the investment.

The object of Breitspur Planungsgesellschaft mbH is planning the continuation of the 1520 mm broad gauge rail infrastructure from the border of Ukraine through Slovakia to and within Austria. ÖBB-Holding AG acquired its 25% shareholding in 2013. A capital increase raised the share of the investment to 28.54% in financial year 2015. In financial year 2016, the share ownership decreased again to 25% due to an increase in the investment of PJSC "Ukrainian Railways" in the company.

Other major subsidiaries of the ÖBB-Infrastruktur Group are ÖBB-Realitätenbeteiligungs GmbH & Co KG, Elisabethstraße 7 Projektentwicklung GmbH & CO KG, Elisabethstraße 9 Projektentwicklung GmbH & Co KG, Gauermanngasse 2-4 Projektentwicklung GmbH & Co KG, Operngasse 16 Projektentwicklung GmbH & Co KG and Rail Equipment GmbH.

B. General Conditions and Market Environment

B.1. General economic conditions

Global economic development

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

After falling in 2015, Chinese exports declined again in 2016 in terms of value. At 2.3%, global trade remained below the long-term growth rate of 3.0% again in 2016. For 2017, global trade is expected to grow by 3.8%. Container handling in the world's largest container ports was up slightly in 2016, rising by 1.3%. Within Europe, the EU's sanctions against Russia again had a negative impact on trade.

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

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

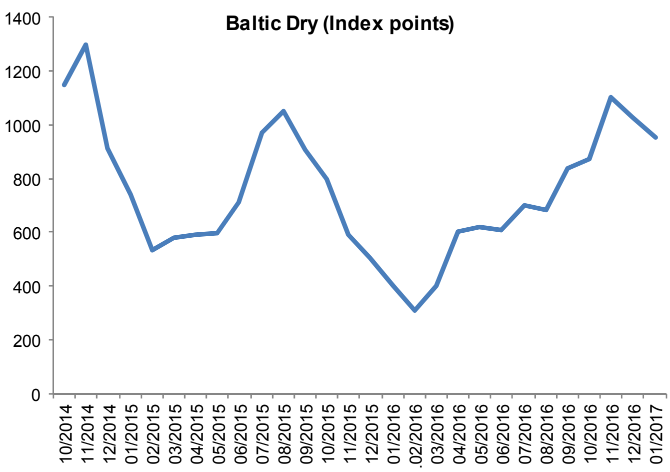
Source: Eurostat, EU Commission, autumn forecast 2016 / IMF, World Economic Outlook – Update 1/2017

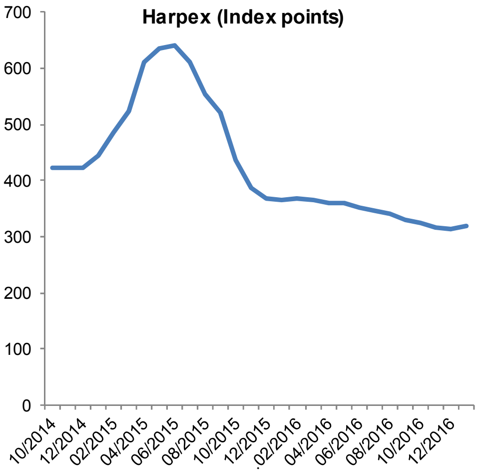
By mid-2015, the confidence of the financial markets in the euro had been particularly negatively affected by the banking and debt crisis. In addition, there was general uncertainty about European institutions, which had great difficulties reaching a consensus in the context of the flow of refugees and migrants to Europe and the conclusion of international trade agreements. A temporary peak was reached with the uncertainty brought about by the popular vote in favor of the British exit from the EU. The rate of the euro had already fallen by around 15.0% to about USD 1.10 in 2015. In December 2016, it briefly slipped below USD 1.05. The low euro exchange rate had a favorable effect on exports for European industry.

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

The prices for some raw materials, especially copper and iron ore, bottomed out at the end of 2016. At the same time, the Organization of Petroleum Exporting Countries decided to cut oil production by 1.8 million barrels per day. As a result, the approximately 10.0% increase in fuel prices already expected for 2017 over 2016 could be exceeded.

Development of global shipping indices (index points)



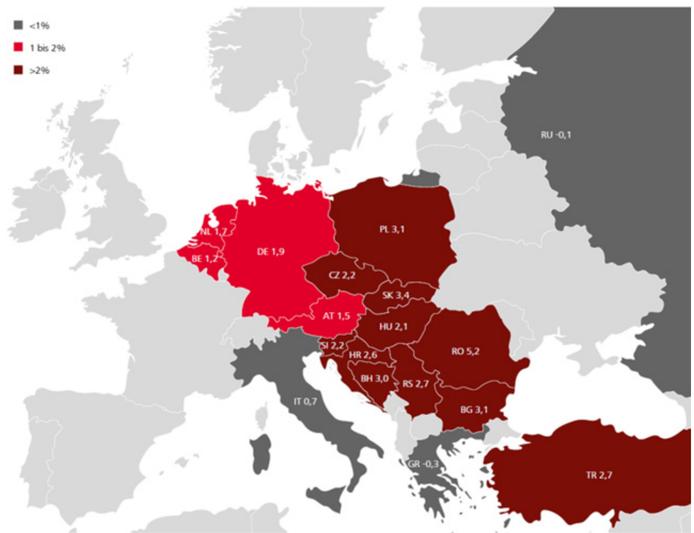


Source: Baltic Exchange, January 20, 2017

Harper-Pedersen, January 20, 2017

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

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



Source: EU Commission, fall forecast November 2016

Austrian economic development

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

Key data and forecasts for the economic situation in Austria

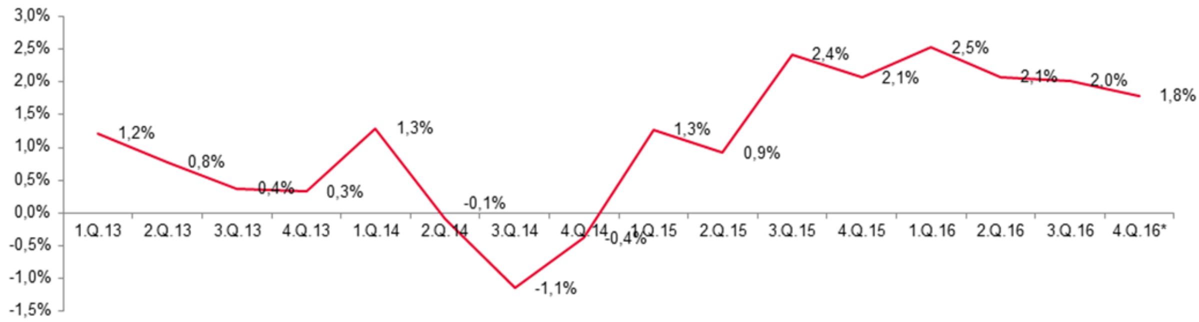
Parameter	Unit	2015	2016	2017
Gross domestic product	Change in % compared to the prior year (real)	1.0	1.5	1.6
Market growth Austria*		3.0	2.7	3.0
Goods exports		3.5	2.8	3.0
Goods imports		4.2	4.5	3.0
Manufacture of goods		1.8	2.0	2.3
Gross capital investment		0.7	3.7	2.6
Crude oil price (Brent/Fateh/WTI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

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

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

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

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



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

Capital markets and national budget

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

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

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

4th railway package – market pillar

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

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

4th railway package – technical pillar

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

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

European Accessibility Act – Barrier-free Directive

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

Train noise

In its 1996 Green Paper on noise protection policy, the European Commission described noise pollution as one of the biggest environmental problems in Europe. EU-wide harmonized noise emission regulations were laid down in 2002 with the EC environmental noise directive (2002/49/EC). For the rail sector, the EU Commission is aiming to establish binding limits for freight cars in cross-border transport from 2022 onward. The travel ban on loud freight cars envisaged in Germany, the Netherlands and Switzerland from 2020 puts these countries on a collision course with the Commission. National measures to combat noise emissions from freight trains may constitute a breach of the principle of the free movement of goods and services. With the participation of ÖBB, binding EU approaches are currently being developed which will be presented in 2017. In any case, the ÖBB is making the case for a European solution. Similarly, there should be no further regulatory and financial burdens placed on the sector which have the effect of distorting competition. For this reason, the European railways in Brussels are strongly committed to co-financing via the CEF Fund (Connecting Europe Facility) for retrofitting measures.

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

B.3. Market environment

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

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

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

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

In the energy sector, due to low electricity prices and effective open markets for traction power in Austria starting from January 1, 2016, the main focus is currently on optimizing reinvestments in aging hydropower plants, taking into account life cycle costs. Over the long term, an expansion and optimization of domestic production (currently around one-third of the annual needs) is targeted in order to reduce dependence on foreign energy sources, although there are also plans to promote the generation of wind and solar energy for railways in the coming years.

Cost and price levels in the construction industry are significantly influenced by the relevant raw materials (basic materials and raw materials in the production process) and manufacturing products such as concrete, gravel, steel, copper, diesel and gasoline. The construction price index showed a slightly rising trend for civil engineering and building construction in 2016. In its construction forecast, the Austrian Institute for Economic Research (WIFO) assumes low real growth for civil engineering over the medium term (2017 to 2019).[1]

In 2017, for the main production volumes, train kilometers and total gross ton-kilometers will show slight rises of less than 1.0% compared to 2016, and in this context an increase in traction power consumption is also expected.

C. Economic report and outlook

C.1. Revenues

Overview	2016	2015	Change	Change in %	
Million train-kilometers	146.1	145.4	0.7	0%	
Total gross tonnage-kilometers in million	75,586.1	75,101.8	484.3	1%	
Self-generated traction power from ÖBB power plants in GWh	664	801	-137	-17%	
Traction power from overhead contact line in GWh	1,792	1,767	25	1%	
Floor space incl. exterior spaces rented out in thousands m²	2,698	2,705	-7	0%	
Revenue in million EUR	2,107.8	2,078.7	29.1	1%	*)
Total revenue in million EUR	3,154.8	3,051.4	103.4	3%	
Total revenue per employee in thousand EUR	176	172	4	2%	

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

Performance indicators

The development of train-kilometers (tkm) is an important indicator for assessing the operational performance of the ÖBB-Infrastruktur Group. The figure increased over the prior year by 0.7 million tkm to a total of 146.1 million tkm (prior year: 145.4 million tkm).

Development of train-kilometers by type of traffic in million	2016	2015	Change	Change in %
Passenger transport	98.3	97.5	0.8	1%
thereof ÖBB Group	*93.3*	*92.7*	*0.6*	*1%*
Goods transport	40.5	40.7	-0.2	0%
thereof ÖBB Group	*31.7*	*32.7*	*-1.0*	*-3%*
Service trains and light engines	7.3	7.2	0.1	1%
thereof ÖBB Group	*6.1*	*6.0*	*0.1*	*2%*
Total	**146.1**	**145.4**	**0.7**	**0%**
thereof ÖBB Group	***131.1***	***131.4***	***-0.3***	***0%***

The development of total gross ton-kilometers (tgtkm) is another indicator used to assess business performance. While in financial year 2015 external railway operators accounted for 12.0 billion tgtkm or 16% of the total, in 2016, they accounted for 12.9 billion tgtkm, which corresponds to 17% of the total.

Development of gross tonnage-kilometers by type of traffic in million	2016	2015	Change	Change in %
Passenger transport	29,524.4	29,129.5	394.9	1%
thereof ÖBB Group	*27,964.8*	*27,606.6*	*358.2*	*1%*
Goods transport	44,934.0	44,849.2	84.8	0%
thereof ÖBB Group	*33,768.2*	*34,538.9*	*-770.7*	*-2%*
Service trains and light engines	1,127.7	1,123.1	4.6	0%
thereof ÖBB Group	*963.7*	*963.0*	*0.7*	*0%*
Total	**75,586.1**	**75,101.8**	**484.3**	**1%**
thereof ÖBB Group	***62,696.7***	***63,108.5***	***-411.8***	***-1%***

Other key performance indicators for sales generated are the in-house generation of traction power in ÖBB power stations and rentable property space.

[1] http://www.viboe.at/uploads/tx_viboelinkct/161212-Bauprognose-WIFO.pdf

Development of the electricity sector:

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

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

Development of the rentable areas:

Floor space incl. rentable exterior spaces in thousands m²	2016	2015	Change	Change in %
Usage by external parties (outside the Group)	681	701	-20	-3%
Usage by ÖBB Group companies other than ÖBB-Infrastruktur AG	324	332	-8	-2%
Usage by ÖBB-Infrastruktur AG	565	562	3	1%
Vacant and public space	1,109	1,092	17	2%
Floor space	**2,679**	**2,687**	**-8**	**0%**
Exterior spaces rented out	19	18	1	6%
Total portfolio	**2,698**	**2,705**	**-7**	**0%**

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

Revenue

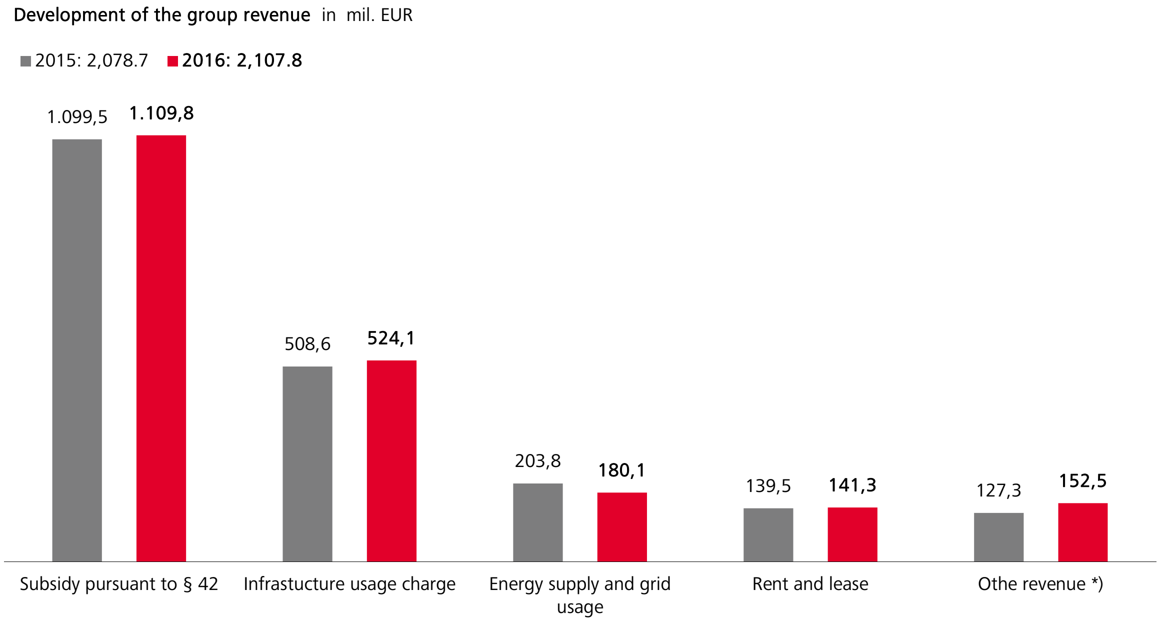
Revenue ÖBB-Infrastruktur Group in million EUR	2016	2015	Change	Change in %	
Total group revenue	2,357.3	2,301.6	55.7	2%	*)
less intra-group revenue	-249.5	-222.9	-26.6	12%	*)
Revenue	**2,107.8**	**2,078.7**	**29.1**	**1%**	*)
Other income (consolidated)	1,047.0	972.7	74.3	8%	*)
Total income	**3,154.8**	**3,051.4**	**103.4**	**3%**	
thereof with other entities of the ÖBB Group	***719.8***	***720.8***	***-1.0***	***0%***	

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

As described above, Group revenue reached EUR 2,107.8 million (prior year: EUR 2,078.7 million), of which companies of other sub-groups of the ÖBB Group accounted for EUR 719.7 million (prior year: EUR 720.8 million.

With an average of 17,963 employees (prior year: 17,730 employees), as in the prior year, the sales per employee stood at kEUR 117.

Revenue is mainly generated in Austria. Revenue in the amount of EUR 53.7 million (prior year: EUR 61.2 million) was generated with customers abroad. This revenue mainly relates to the supply of energy and the infrastructure usage charge.



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

C.2. Result of operations

Overview	2016	2015	Change	Change in %
EBIT[2] in million EUR	626.6	614.4	12.2	2%
EBIT margin[3] in %	19.9%	20.1%	-0.2%	-1%
EBITDA[4] in million EUR	1,352.4	1,304.8	47.6	4%
EBT in million EUR	49.6	12.8	36.8	>100%
Return on equity[5] in %	3.9%	1.1%	2.8%	>100%
Return on assets[6] in %	2.8%	2.8%	0.0%	0%

[2] EBIT corresponds to earnings (not including earnings of investments accounted for using the equity method) on the Consolidated Income Statement.
[3] EBIT margin: EBIT/total income
[4] EBITDA: EBIT + depreciation and amortization
[5] Return on equity: EBT/shareholders' equity
[6] Return on total assets: EBIT/total capital

Structure of the Income Statement

The Income Statement of the ÖBB-Infrastruktur Group is structured as follows:

Structure of the Income Statement in million EUR	2016	in % of total income	2015	in %of total income	Change	Change in %	
Revenue	2,107.8	67%	2,078.7	68%	29.1	1%	*)
Other own work capitalized	300.3	10%	292.3	10%	8.0	3%	
Other operating income and increase/ decrease of inventories	746.7	24%	680.4	22%	66.3	10%	*)
Total income	**3,154.8**	**100%**	**3,051.4**	**100%**	**103.4**	**3%**	
thereof from other Group entities	***719.8***	***23%***	***720.8***	***24%***	***-1.0***	***0%***	
Cost of materials	80.2	3%	89.9	3%	-9.7	-11%	
Purchased services	298.5	9%	300.7	10%	-2.2	-1%	
Personnel expenses	1,110.9	35%	1,036.5	34%	74.4	7%	
Depreciation and amortization	725.7	23%	690.4	23%	35.3	5%	
Other operating expenses	312.9	10%	319.5	10%	-6.6	-2%	
Total expenses	**2,528.2**	**80%**	**2,437.0**	**80%**	**91.2**	**4%**	
thereof from other Group entities	***198.1***	***6%***	***203.6***	***7%***	***-5.5***	***-3%***	
EBIT	**626.6**	**20%**	**614.4**	**20%**	**12.2**	**2%**	
Financial result	-577.0	-18%	-601.6	-20%	24.6	4%	
thereof from other Group entities	***7.5***	***0%***	***-1.0***	***0%***	***8.5***	***0%***	
EBT	**49.6**	**2%**	**12.8**	**0%**	**36.8**	**>100%**	

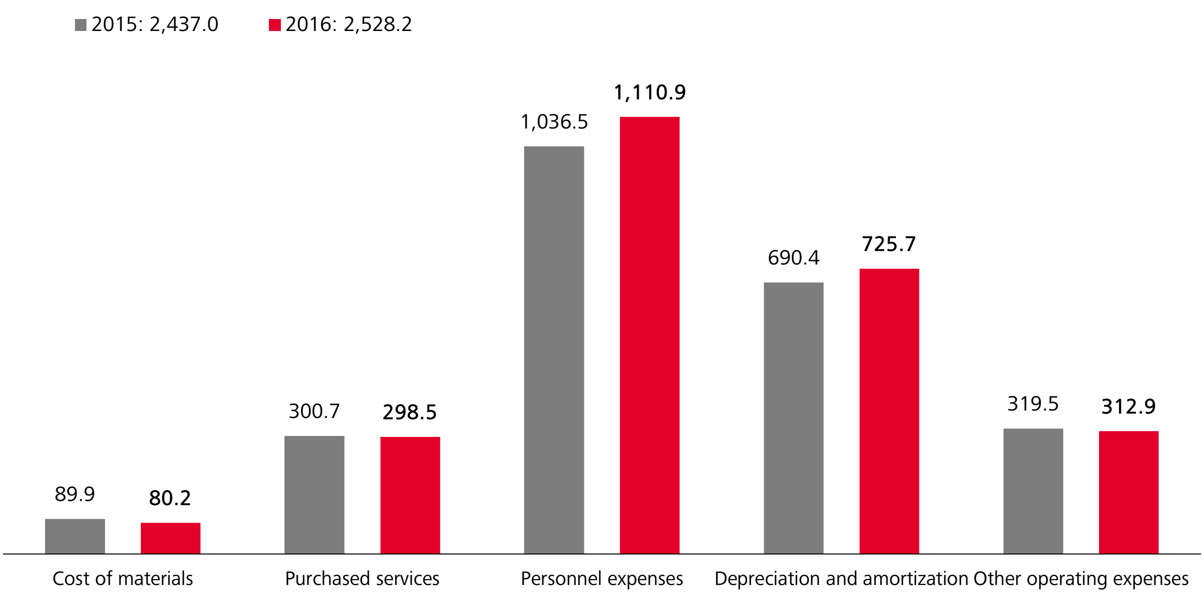
*) adjusted comparative amounts, see Note 4 in the Notes to the Consolidated Financial Statements

The total income of the ÖBB-Infrastruktur Group in the reporting year was EUR 3,154.8 million (prior year: EUR 3,051.4 million), with an average headcount of 17,963 (prior year: 17,730 employees) the average income per employee amounts to kEUR 176 (prior year: kEUR 172).

The change in total income is mainly attributable to a rise in the utilization fee for the use of infrastructure due to higher prices and to a higher transport volume in the financial year.

Total expenses in the ÖBB-Infrastruktur Group were EUR 2,528.2 million (prior year: EUR 2,437.0 million) and are broken down into the following types of expenses:

Development of operating expeneses in mil. EUR



The change in total expenses is mainly due to higher personnel expenses and higher depreciation and amortization. The increase in depreciation and amortization is primarily due to the investment activity in infrastructure and the resulting commissioning.

The average personnel expense per employee amounted to kEUR 62 (prior year: kEUR 58; the relatively low value of the prior year was due to the one-off effect from the reversal of the provision for advance reporting, which was recognized in personnel expenses and thus reduced total personnel expenses). This equates to a payroll ratio[7] of 44% (prior year: 43%).

The material ratio[8] totaled 3% (prior year: 4%). The average cost of materials and services per employee amounted to kEUR 21 (prior year: kEUR 22).

ÖBB-Infrastruktur Group generated a negative financial result in the year under review of EUR 577.0 million (prior year: EUR 601.5 million).

EBT totaled EUR 49.6 million (prior year: EUR 12.8 million). This is due in part to higher EBIT and in part to the improvement in financial results.

C.3. Net assets and financial position

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

Structure of the Statement of Financial Position

The Statement of Financial Position of the ÖBB-Infrastruktur Group developed as follows:

Structure of the Consolidated Statement of Financial Position in million EUR	Dec 31, 2014	Dec 31, 2015	Structure 2015	Dec 31, 2016	Structure 2016	Change from 2015 to 2016
Non-current assets	20,547.0	21,376.0	97%	21,850.2	96%	474.2
Current assets	794.0	724.2	3%	804.1	4%	79.9
Total assets	**21,341.0**	**22,100.2**	**100%**	**22,654.3**	**100%**	**554.1**
Shareholder's equity	1,198.5	1,206.2	5%	1,268.6	6%	62.4
Non-current liabilities	18,681.5	18,137.3	82%	18,226.6	80%	89.3
Current liabilities	1,461.0	2,756.7	12%	3,159.1	14%	402.4

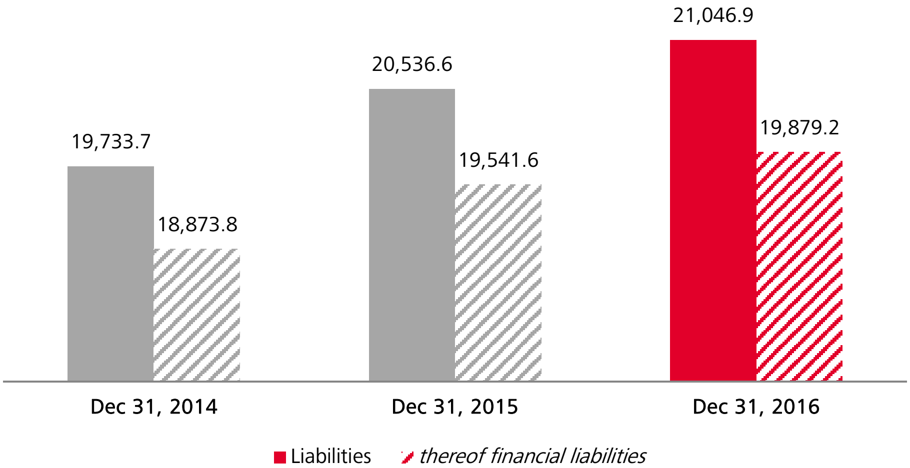
In the reporting year, total assets of the ÖBB-Infrastruktur sub-group rose to EUR 22,654.3 million (prior year: EUR 22,100.2 million). The increase in non-current assets is mainly due to investments in property, plant and equipment. The change in non-current borrowings is mainly due to the repayment of bonds and a simultaneous increase in new borrowings. The increase in current liabilities is mainly attributable to borrowing from the Austrian Treasury (OeBFA) in the amount of EUR 1.0 billion.

The PP&E ratio[9] rose to 92% (prior year: 91%). As of the reporting date, the PP&E-to-net-worth ratio[10] was unchanged year on year, at 6%. PP&E-to-net-worth ratio II[11], which includes non-current borrowings, was 94% (prior year: 96%). After increasing equity to EUR 1,268.6 million (prior year: EUR 1,206.2 million), the equity ratio[12] was 6% (prior year: 5%).

Trade receivables increased from EUR 128.3 million to EUR 152.1 million. Working capital[13] totaled EUR -429.9 million (prior year: EUR -430.0 million).

[7] Payroll ratio: Personnel expenses / total expenses
[8] Material ratio: Cost of materials / total expenses
[9] PP&E ratio: PP&E / total assets
[10] PP&E-to-net-worth ratio: Equity / PP&E
[11] PP&E-to-net-worth ratio II: (Equity + non-current borrowings) / PP&E
[12] Equity ratio: Equity / total capital
[13] Working capital: inventories (excl. real estate recovery projects) + trade receivables – trade payables – prepayments for inventories

Liabilities in mil. EUR



Overall, the liabilities of the ÖBB-Infrastruktur Group increased in the year under review in total by 2% to EUR 21,046.9 million (prior year: EUR 20,536.6 million).

Information on significant provisions is provided in Note 26.2 in the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Statement of Cash Flow

In the financial year, the free cash flow[14] improved to EUR -640.0 million (prior year: EUR -684.5 million). The improvement in cash flow from operating activities is mainly due to the higher internal financing capacity, which is mainly due to the increase in liabilities. The change in cash and cash equivalents with effect on cash flow improved from EUR -1.9 million in the prior year to EUR -106.5 million.

Abstract from the Group Cash Flow Statement in million EUR	Dec 31, 2016	Dec 31, 2015	Change
Cashflow from operating activity	847.6	824.2	23.4
Cashflow from investing activity	-1,487.6	-1,508.7	21.1
Free Cashflow	-640.0	-684.5	44.5
Cashflow from financing activity	533.5	682.6	-149.1
Cash-effective change of funds	-106.5	-1.9	-104.6

The detailed Consolidated Statement of Cash Flow is included in Note 34 to the Consolidated Financial Statements.

C.4. Capital expenditure and financing measures

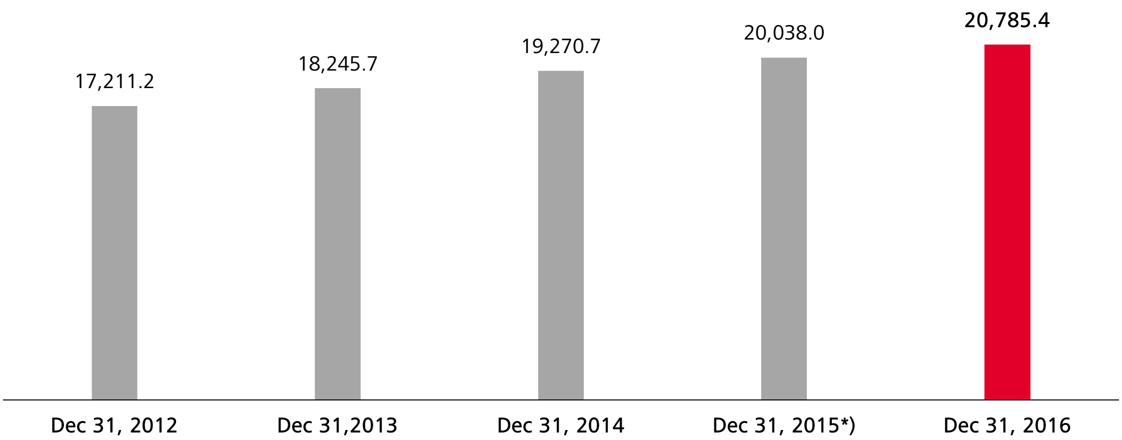
Overview	2016	2015	Change	Change in %
Capital expenditure in million EUR	1,859.8	1,814.3	45.5	3%
Capital expenditure ratio of total income in %	52%	55%	-3%	-5%
Capital expenditure ratio of carrying amounts in %	8%	9%	-1%	-8%

In total, the ÖBB-Infrastruktur sub-group invested EUR 1,859.8 million (prior year: EUR 1,814.3 million), equivalent to a capital expenditure ratio of 52% (prior year: 55%) of total income[15] and 8% (prior year: 9%) of the carrying amount[16] as of January 1. The calculation is made based on gross investment prior to the deduction of investment grants.

[14] Free cash flow: Cash flow from operating activities + cash flow from investing activities
[15] Capital expenditure ratio: Capital expenditure ratio: investment in property, plant and equipment / total income
[16] Capital expenditure ratio: Capital expenditure ratio: investment in property, plant and equipment / carrying amount of PP&E as of January 1.

Until 2015, ÖBB-Infrastruktur AG financed itself via its own bond issues on the capital market. According to Eurostat criteria, the ÖBB-Infrastruktur AG is part of the government sector. Against the backdrop of the Republic of Austria's more favorable interest rates on the capital market, decisions regarding long-term financing via loans from the Republic of Austria are made in consultation with BMVIT.

Development of property, plant and equipment in mil. EUR



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

Areas of investment focus in 2016

Capital expenditures by ÖBB-Infrastruktur AG focused on the following investments in 2016:
- Four-track extension of the Western line (section Vienna – Wels)
- Expansion of the southern section (Baltic-Adriatic Corridor)
- Expansion of the Wels – Passau 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

In the reporting period work was done on the following projects, among others: completion of the track St. Pölten – Loosdorf (freight train bypass) (Lower Austria), completion of the track Ybbs – Amstetten (Lower Austria), eastern access to Linz Central Station (Upper Austria), selective two-track expansion between Linz – Selzthal (Upper Austria) , expansion of the St. Margrethen – Lauterach track (Vorarlberg), Wolfurt freight center (Vorarlberg), the construction of the new Vienna-South freight center (Vienna/Lower Austria), selective two-track expansion of the Vienna – Bratislava track, expansion of the Pottendorfer line, Semmering base tunnel (Lower Austria/Styria), Koralm railway sections Wettmannstätten – St. Andrä with the Koralm tunnel (Styria/Carinthia), St. Andrä – Aich (Carinthia), Aich/Mittlern – Althofen/Drau (Carinthia) and Althofen/Drau – Klagenfurt (Carinthia), and the Brenner base tunnel (Tyrol/Italy). The station initiative was also pushed ahead, with work being completed on, among other projects, the railway stations and stops Mattersburg (Burgenland), Vienna Gersthof (Vienna), Vienna Penzing (Vienna), Vienna Brünnerstraße (Vienna) Hohenems (Vorarlberg), Hollabrunn (Lower Austria), Haag (Lower Austria) Eichbgraben-Altlengbach (Lower Austria), Oberland (Upper Austria), Gunskirchen (Upper Austria), and Schalchen-Mattighofen (Upper Austria). In addition, the planning projects for the four-track expansion of the Western line between Linz – Wels and Salzburg – Köstendorf, the expansion of the Northern railway, the linking of the Schaftenau – node Radfeld (Brenner northern feeder) and the modernization of the connecting railway between Vienna-Hütteldorf and Vienna-Meidling were continued.

Milestones on Major Projects

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

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

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

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

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

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

Bundled implementation of reinvestment projects in conjunction with route closures

In order to minimize the disruption to railway traffic management, ÖBB-Infrastruktur AG bundled the implementation of numerous reinvestment projects during route closures in 2016.

Among other things, as part of the initially single-track and then double-track closure of the "old" western route between Rekawinkel and Neulengbach, numerous renovation works were undertaken in the period from February to fall 2016. The measures ranged from the rehabilitation of two railway tunnels (Rekawinkler and Dürreberg tunnels) to the complete renewal of approx. 18 km of overhead cable through to the modernization of the Eichgraben-Altlengbach railway station. In the period from March 30 to April 21, a comprehensive "service" was offered for the existing Semmering line as part of the closure of the line between Vienna Neustadt and Mürzzuschlag as well as Bruck/Mur. The work included the laying of new track, work on the construction of four electronic signal boxes, maintenance and repair work on the superstructure and substructure, on viaducts, bridges and tunnels as well as the felling of trees and mowing. At the same time as the measures on the existing Semmering line, the exchange of all switches at the southern head of the Vienna Neustadt central railway station was carried out. The purpose of carrying out the two projects at the same time was to bundle all the work on the Southern line in the Vienna Neustadt central station - Mürzzuschlag section and to minimize track closures while completing the work. The service work on the Semmering mountain route will continue in 2017.

Extensive renovation and maintenance work was also conducted on the 104-km long Pyhrn route between Linz and Selzthal. In addition to the renewal of bridges, trackage and platforms on several sections of the route as well as in individual railway stations, the Bosruck Tunnel was renewed. In the 4.8-km long tunnel, the tunnel floor and the tracks, which had been in place since 1965, were renewed. In the future, trains will be able to drive through the tunnel at up to 100 km/h instead of the current 70 km/h. The main work was done while the route was closed between June 20 and December 11, 2016.

Migration of further sections into the five operational management centers

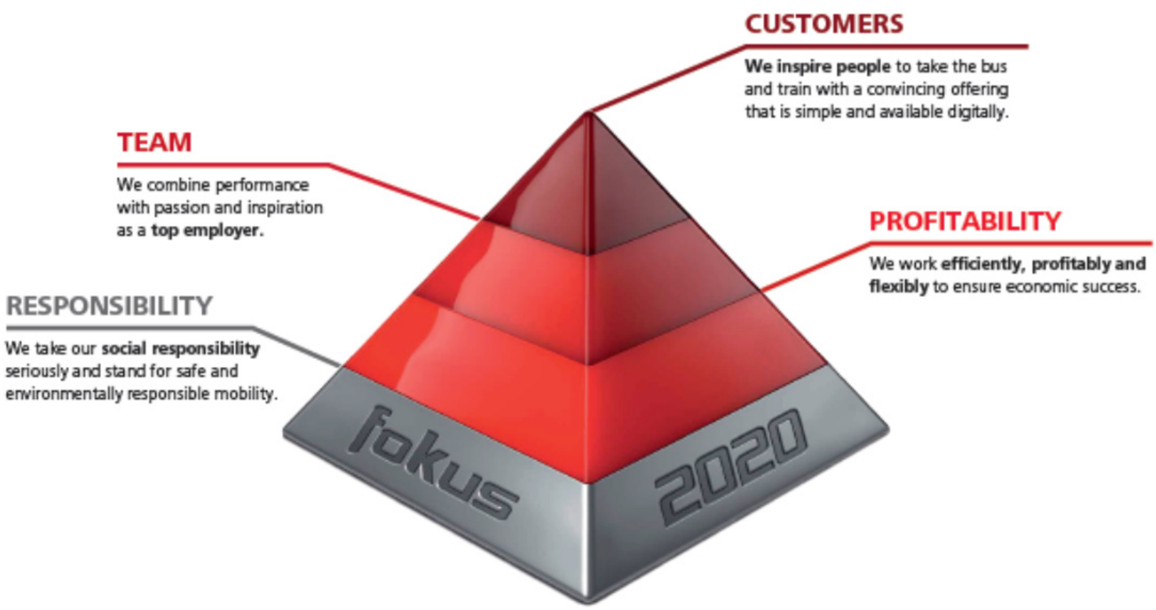
The control areas of the five operational management centers were again significantly expanded in 2016. As a result, the Attnang-Puchheim node, which includes the Attnang-Puchheim and Vöcklabruck railway station, was transferred to the Salzburg operational management center, the St. Peter-Seitenstetten, Haag, Selzthal, Liezen, Schärding and Oberland railway stations to the Linz operational management center, the Gloggnitz, Payerbach-Reichenau, Münchendorf and Obereggendorf railway stations to the Vienna operational management center, and the Leoben central station and St. Michael and Wald am Schoberpaß to the Villach operational management center. Approximately 42% of the main network of ÖBB-Infrastruktur AG is already managed by the five operational management centers.

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

[1] Completion of Amstetten station in 2017
[2] Salzburg Freilassing: overall commissioning of Austrian sector until state border: 2013, overall commissioning expected by the end of 2017
[3] Completion of Schärding station in 2017
[4] Commissioning of Lower Inn Valley completed in 2012, remaining work completed by 2018

C.5. Corporate strategy

The strategic goal, which has now been rigorously pursued for a year, focuses on customer orientation to an even greater degree than before and describes specific focal points and areas of action that can be used to achieve this goal. Overall, the strategic initiative portfolio includes more than 160 individual projects and programs, which are each assigned to one of four target dimensions whose progress is regularly monitored and reported to management. ÖBB-Infrastruktur AG is integrated into the overall strategy of the ÖBB Group as shown below.



Customers

Strategic objective: We move 500 million passengers and deliver 150 million tons of freight.

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

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

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

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

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

Team

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

– Focus: Attractive employer

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

Efficiency

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

– Focus: Optimization of management and business processes

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

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

Responsibility

Strategic objective: Increasing energy efficiency and safety

– Focus: Energy efficiency and carbon footprint

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

– Focus: Safety

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

C.6. Other important events and outlook

Corporate Rating

oekom research AG is one of the world's leading rating agencies in the area of corporate responsibility ESG ratings (Environment, Social, Governance).

It is therefore a specialist in the analysis and evaluation of the environmental and social performance of companies that finance projects on the capital market.

In the last independent assessment carried out by the leading international rating agency, which was published in 2014, ÖBB-Infrastruktur AG was ranked first. A total of 44 transport infrastructure companies from Europe, the USA, Brazil, Asia and Australia were subjected to a rigorous review. Only five of them achieved prime status, and ÖBB-Infrastruktur AG was the winner for the second time (the first time was in 2012).

Sustainability means future viability, through the best possible balance between economic, environmental and social/societal objectives. An action is sustainable in the best sense if it satisfies current needs, it can be globalized, i.e. it is in principle possible worldwide, and the needs of future generations are not compromised.

ÖBB-Infrastruktur AG has already built sustainability into its corporate purpose to build and operate transport infrastructure for generations. The high social, economic and also environmental compatibility of rail as a transport infrastructure contributes significantly to sustainable development in Austria.

The assessment by oekom research AG shows that ÖBB-Infrastruktur AG is also among the best in international comparison.

ÖBB-Infrastruktur AG is creating the conditions for sustainable mobility.

General conditions and challenges

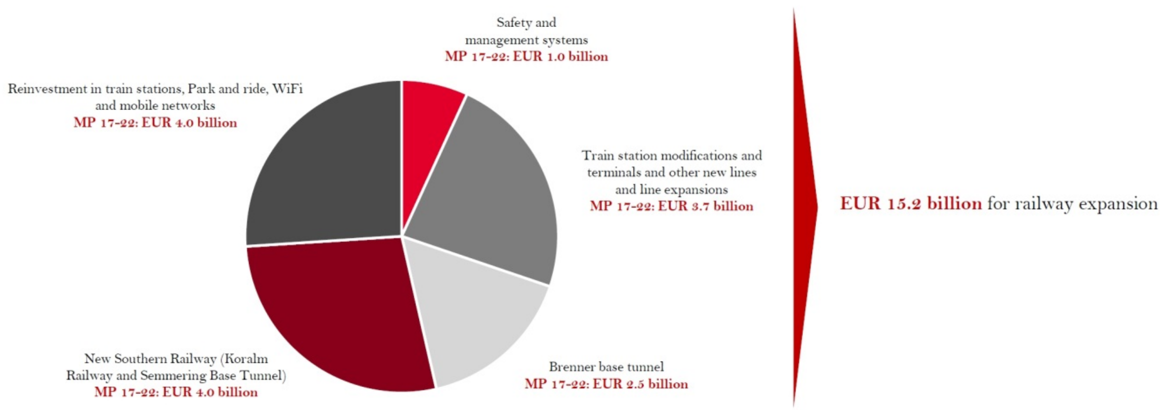
The market environment in both passenger and freight transport is challenging. ÖBB intends to work closely with the market and customers via start-ups and through the Open Innovation Lab. Open innovation combines all factors that are essential for a successful innovation process: Internal knowledge from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

Outlook for the ÖBB-Infrastruktur Group

Approval of the 2017 to 2022 framework plan

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

Master plan investments by category 2017 to 2022 in EUR billions



Mobile phone network coverage in ÖBB trains

ÖBB-Infrastruktur AG and the three Austrian mobile phone operators concluded a contract on July 14, 2016 to improve mobile phone network coverage along Austria's most important railway routes. The complete survey of the project was completed by the end of 2016, and, in the first step, network coverage along the S-Bahn routes in the Vienna area and parts of the Western route between Vienna-Salzburg is in operation. The completion of the first phase is scheduled for mid-2017. In a second stage, since the fourth quarter of 2016 the survey of the Southern line, the S-Bahn lines in Styria, Carinthia, Tyrol and Vorarlberg has been analyzed together with all partners, with partial commissioning planned for 2017.

The total cost of the project is EUR 100.0 million.

Development of the Southern line

With the expansion of this north-south axis, which runs from Vienna to Italy and through the direct connection to the Northern railway from Vienna to the Czech Republic, a fast and efficient railway line will be constructed which will secure Austria’s position as a business center. It combines the economic areas in the north of the EU with those in the south. 3.5 million people live in the catchment area of the southern route. They want to be mobile and enjoy products from around the world. This project means: more than a quarter of a century of work and effort – for 170 km of new railway lines and 200 km of modernized railway lines. The Koralm railway between Graz - Klagenfurt and the Semmering base tunnel are the two main Austrian projects in this Baltic-Adriatic corridor.

The expansion of the Koralm Railway will also make rapid progress in 2017. Upon completion, what was once a two-hour bus ride between the two provincial capitals will instead be a 45-minute train ride. It takes one hour and 20 minutes less to drive to Vienna from Carinthia; upon completion of the Semmering Base Tunnel the travel time between Klagenfurt and Vienna will only be two hours and 40 minutes, making rail travel more than just competitive with driving. The project will include the construction of the world's sixth longest railway tunnel (the Koralm tunnel at approx. 33 km), the modernization or new construction of 23 railway stations and stops and the building of more than 100 bridges. The construction of the Koralm Railway makes ÖBB the largest investor in the federal province of Carinthia, creating sustainable jobs and improving the quality of the area as a location for business.

The ceremonial start of the construction of the Semmering Base Tunnel took place in 2012. After the completed tunneling, in spring of 2015 excavation work started in Styria on the middle of the three tunnel sections (Fröschnitzgraben Tunnel); since fall of 2015, the tunnel (Gloggnitz Tunnel) is also progressing in Lower Austria. With the start of work on the third and last construction section (Grautschenhof Tunnel) in May 2016, all three tunnel sections are under construction. As one of the best and most reviewed projects in Austria, the Semmering Base Tunnel is a key project for the Southern line and is needed to make mobility in Austria more environmentally friendly. The tunnel will create improved conditions for the railway to shift the transport of more goods from road to rail. With this project alone, rail passengers will see a time saving of 30 minutes between Vienna and Graz. The historical Ghega Railway, the world’s first mountain railway is, as a UNESCO World Heritage Site, operated as a full-fledged railway (regional and excursion traffic, replacement route during maintenance).

In the south of Vienna, ÖBB has built an intermodal freight center, which was opened at the end of 2016. The Vienna South freight center is a cutting-edge interface for traffic from the Vienna region to the most important economic centers throughout Europe. Together with west-bound freight traffic, it forms a powerful network that optimally connects the Vienna region with its trading partners. This also facilitates transport to the main seaports. With the expansion measures in the terminals in Wels and Wolfurt, ÖBB is investing in improving freight transport and in the shift from road to rail.

The southern section also includes the northern railway expansion, the modernization of the Vienna – Bratislava line, Vienna's new central station, the Vienna-South freight center, which went into operation at the end of the year, the Pottendorfer line that is used for high-performance line, eight modernized railway stations on the route from Bruck to Graz, and the redesigned Graz central station. All these projects together create the conditions for forward-looking passenger and freight transport.

Results guidance

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

D. Non-financial performance indicators

D.1. Real estate management

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

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

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

D.2. Human capital report

The headcount of the ÖBB-Infrastruktur Group is composed as follows:

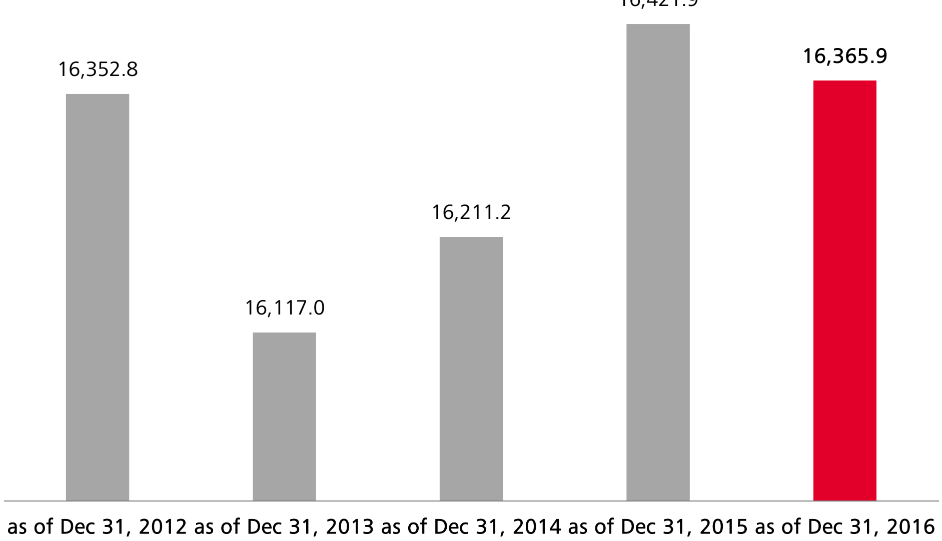
			Change		Average	
Number of employees (headcount)	Dec 31, 2016	Dec 31, 2015	Reporting date	in %	2016	2015
Employees	3,457	3,261	196	6%	3,348	3,130
Workers	1,796	1,661	135	8%	1,803	1,562
Tenured employees	11,304	11,657	-353	-3%	11,503	11,757
Total (excl. apprentices)	**16,557**	**16,579**	**-22**	**0%**	**16,654**	**16,449**
Apprentices	1,491	1,377	114	8%	1,309	1,281
Total (incl. apprentices)	**18,048**	**17,956**	**92**	**1%**	**17,963**	**17,730**

			Change		Average	
Number of employees (FTE)	Dec 31, 2016	Dec 31, 2015	Reporting date	in %	2016	2015
Employees	3,390.0	3,197.4	192.6	6%	3,281.3	3,070.2
Workers	1,791.3	1,656.7	134.6	8%	1,799.0	1,558.3
Tenured employees	11,184.6	11,567.8	-383.2	-3%	11,398.0	11,678.5
Total (excl. apprentices)	**16,365.9**	**16,421.9**	**-56.0**	**0%**	**16,478.3**	**16,307.0**
Apprentices	1,491.0	1,377.0	114.0	8%	1,308.6	1,281.6
Total (incl. apprentices)	**17,856.9**	**17,798.9**	**58.0**	**0%**	**17,786.9**	**17,588.6**

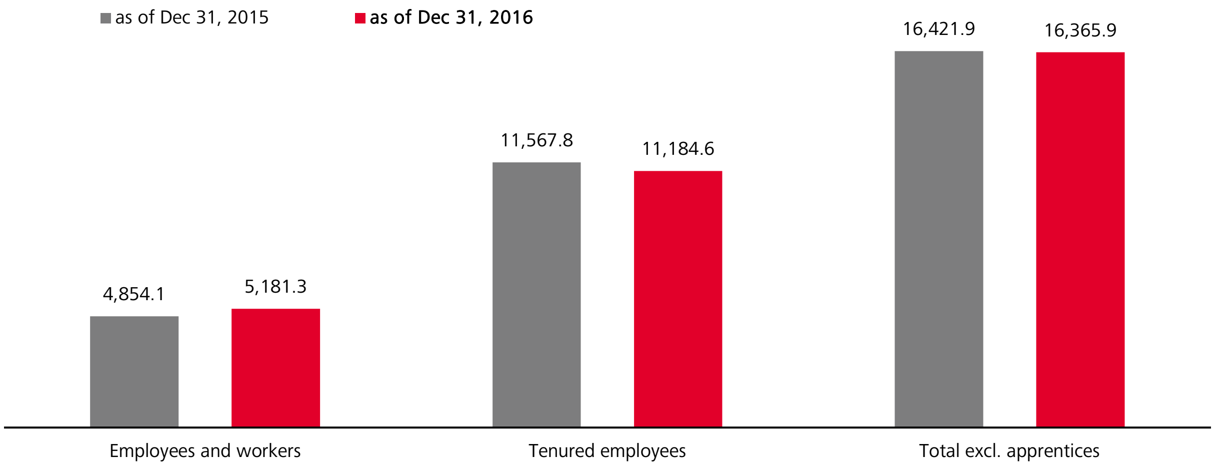
Tenured employees are ÖBB employees who are subject to the General Terms and Conditions of Employment with Austrian Federal Railways (AVB), joined the company prior to January 1, 1995, and cannot be dismissed, pursuant to the provisions of the AVB.

The number of staff of the ÖBB-Infrastruktur Group rose to 18,048 employees in the reporting year. 63% (prior year: 65%) of the staff were tenured employees. The average age in the ÖBB-Infrastruktur Group in Austria (excl. apprentices) was 46.3 years (prior year: 46.0 years). The percentage of women (including apprentices) was 7.5%, (prior year: 7.4%).

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



Employee structure (FTE) in the ÖBB-Infrastruktur Group



Apprenticeship program in the ÖBB Group

The ÖBB Group, as Austria's largest technical apprentice instructor offers 23 apprenticeship professions. ÖBB is currently training 1,800 young people to become highly skilled workers. The ÖBB-Personenverkehr and Rail Cargo Austria sub-groups mainly 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 category in Tyrol two times (2015 and 2016). ÖBB also sponsors "Lehre mit Matura" [apprenticeship with qualification for university entrance] scheme, giving its apprentices an opportunity for further advancement. In addition to professional training, importance is also attached to developing social skills.

Under the motto "Diversity as Opportunity", 70 apprentices took part in a training project at ÖBB-Infrastruktur AG specially aligned to the needs of young refugees. Young people who fled their countries (primarily from Afghanistan and Syria) unaccompanied by an adult caregiver are supported by special programs, intensive training in German and mathematics as well as tutoring and mentoring throughout their apprenticeship. This project is conducted in cooperation with AMS Vienna and the association lobby.16; it was awarded the "State prize for mobility".

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

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

Group personnel development

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

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

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

Employer Branding

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

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

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

Equality in the ÖBB Group

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

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

Numerous measures have been put in place to increase the proportion of women and thus to increase diversity: targeted recruiting of female apprentices in particular, female quotas for ÖBB Academy training programs, career workshops, coaching programs for women, seminars on the Equal Treatment Act, Gender/Diversity Management workshops, structured generation management, measures to reconcile work and private life such as the Work&Family Audit, childcare in Timi's Mini MINT preschools near the company focusing on mathematics, IT, science and technology, and hourly childcare through Flying Nannies. At the training programs of ÖBB Academy, women account for more than 23% of participants, and one-third of the supervisory board mandates are held by women.

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

Health, occupational safety and social topics

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

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

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

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

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

Working to retirement age

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

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

ÖBB employee survey

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

Overall work satisfaction at ÖBB-Infrastruktur AG was increased from 66 to 68 index points in comparison to the last survey.

D.3. Research and development report

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

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

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

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

ÖBB-Infrastruktur AG also used two different platforms in 2016 to make its innovative strength accessible to the general public. In April 2016, four different themes were presented at the "Long Night of Research" on the forecourt of Vienna's Central Station. Visitors were fascinated by drone technology, autonomous current collectors and a high-tech bridge. Since March 2016, selected innovation projects have been featured on the first Saturday of each month in the science section of the daily newspaper "Die Presse".

Overall, ÖBB-Infrastruktur AG demonstrated again in 2016 that its innovations and R&D are able to meet the challenges of the future not just in traditional engineering technologies but also in new technologies like digitization and automation. The innovation catalog, which was first published in November 2016, provides an overview of these new technologies. The catalog's more than 200 pages present current and completed projects with their goals and expected effects, grouped by topic.

A key milestone in this area is the successful implementation of professional innovation management, which is the responsibility of the life cycle management and innovation team in the Line Management and Facilities Development division; this professional innovation management is responsible for R&D throughout ÖBB-Infrastruktur AG and is active both as an information point for external parties as well as a single point of contact for national and European funding initiatives.

However, when it comes to innovations in the areas of energy, control and safety technology or telematics, the rail systems business unit takes the lead. It is responsible for the implementation of the latest technologies that have an impact on major trends such as digitization and automation and also have a massive effect on the railway sector. Clear highlights of these efforts include the first 16.7 Hz photovoltaic systems, modern data services along railway lines and the current initiative on automatic train operation.

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 109 R&D projects in 2016. The current portfolio of R&D projects amounts to EUR 25.75 million (over the entire duration of the projects in progress, without deduction of sponsorship).

Examples of ongoing projects

Innovative construction engineering

Project AGU-T – capacity utilization studies of concrete segments

This focus on tunnel construction studies the capacity utilization of concrete segments. The behavior of concrete segments is studied in various stress scenarios with a specially designed and built test rig. This information is used to optimize the segments with respect to dimensions or material.

Additional fields of activity include studies during tunneling, for example, a prototypical approach for improving the bed of the concrete segments or testing a camera system at the tunnel face in order to visualize the geology ahead of the tunneling machine.

Vehicle-track interaction

Project OBAL – Collection of vehicle data for the objective assessment of conspicuous behavior in operation

The aim of this project is to further develop the existing track measuring points to the point where, without affecting operation up to the maximum line speed of 250 km/h, it will be possible to both detect and report unstable vehicle behavior and collect information on their wheel profiles under these conditions. If successful, for the first time, in the case of unstable vehicle behavior which puts substantial stress on materials, especially at high speeds, it will be possible to make an objective assessment of the track and the vehicle, without being dependent on vehicle data provided by third parties. This knowledge is significant for the optimization of required maintenance measures for the track, and thus for the efficient allocation of resources in the context of maintenance. In addition, a railway operator can be approached with this knowledge when it has caused unstable vehicle behavior.

Efficient track infrastructure - Environment // Design // Operation

Project "Energy and Resource Optimized Green Concrete"

The aim of the project is to reduce the primary energy requirements in the production of the building material concrete, thus making a significant contribution to climate protection and sustainable development. This is to be achieved by using selected additives, eco- and microfillers as well as suitable additives to reduce the global warming potential (GWP) by up to 30% and the primary energy requirement by up to 20%. The performance of this resource-optimized concrete has to be comparable with current concretes with regard to workability, strength and durability.

Project "Concrete joints"

A concrete joint is the construction of a reinforced concrete cross-section, which permits limited twisting without appreciable bending stress. It is used in bridge construction in particular as a simple and inexpensive alternative to a non-displaceable line rocker bearing. Design rules are currently only available for non-reinforced concrete joints and are also more than 50 years old. A satisfactory solution has not been found for their transfer from a historical to a modern security and proof concept. The aim of this project is to create a reliable design tool for state-of-the-art concrete joints with strong practical application and testing it in the construction of real bridges.

Project "Safety assessment of existing retaining walls"

In the recent past, damage to older supporting structures has occurred, particularly in the case of road construction works. Previous studies in this context show that the actual condition of retaining walls cannot be adequately determined and assessed, or in some cases cannot be determined and assessed at all, due to the lack of methodology. The aim of this project is to develop, among other things, new methods for investigating the structural condition and optimizing the assessment of safety-related parameters such as anchor corrosion and structural deformations. This would make advanced tools available to assess conditions and, ultimately, to ensure safety and, where necessary, to make it possible to initiate efficient and targeted restoration measures.

Project "Smoke control in escape routes in railway tunnels"

Within the scope of the FFG initiative KIRAS safety research, the propagation of smoke in the event of a tunnel fire should be investigated both numerically and experimentally. Furthermore, a simulation tool developed in recent years for determining the temperature load of tunnel lining with regard to smoke propagation should be expanded. In the KAT1 Koralm tunnel, smoke propagation experiments on a 1: 1 scale are carried out together in cooperation with research partners and local fire brigades. The aim is to enable the realistic evaluation of the models with regard to smoke propagation from the start of the fire over the first development phases to full fire development as well as its effect on the ventilation of cross-passages and cross-passage doors.

Project "16.7 Hz Photovoltaic Pilot System Wilfleinsdorf"

The total of 7,000 solar panels in the world's first railway solar power plant supply the energy gained from the sun directly into the catenary of the trains, allowing ÖBB to use the sun to power its trains. This facility will save 400 tons of CO_2 and provide enough energy to drive 200 trains from Vienna to Salzburg.

Operation management 4.0

Project "Green Light - Position Detection of Locomotives"

The combination of satellite-based positioning with the Global Navigation Satellite System (GNSS) and the train control system ARAMIS should make it possible to detect the position of trains with a margin of error of no more than 30 cm. This provides the basis for the development of train positioning functions, such as train location, train tracking, route recommendations via text message, improved forecasting and functions for the AURIS Traveler Information System (train identification and train departure detection). The generation of accurate train location data to optimize operational management and in the event of a crisis should also enable improved control of emergency service personnel and evacuation.

Workplace of the future

Project "Personnel Recognition in Tunnel Construction"

The most common cause of accidents in tunnel construction is collisions between people and machines. To counteract this, a very broad consortium has been set up under the leadership of Montan University in Leoben and contributors such as AUVA and ASFiNAG in order to improve workplace safety in this regard. The aim is to develop an assistance system for vehicles in underground construction that enables persons at risk to be located. To this end, a sensor technology will be developed which functions reliably even under harsh working conditions, recognizes persons in the clearance areas of machines and, in the event of danger, warns the machine operator and/or intervenes in the control of the machine.

Efficient terminals and freight transport systems

Project "Coupling robots – automated decoupling process for switchyards"

The objective of this project is to replace two activities performed manually, "loosening screw couplings" and "separating screw couplings", with robotic coupling systems. This is intended to close an automation gap in the shunting area. Expectations include an increase in productivity due to the increase in the speed of rolling-out, as well as an increase in employee safety due to the elimination of difficult manual activities.

D.4. Environmental report

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

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

Strategic areas of action have been defined in order to ensure that ÖBB maintains its advantage in sustainability and that it remains the leader in environmentally friendly mobility solutions in Austria.

These are based on our understanding of sustainability and outline our approach to sustainable and responsible actions for the future. The areas of action support existing corporate goals and ensure long-term win-win situations for society, the environment and ÖBB.

Climate change is one of the greatest challenges of our times. The shift of traffic to ÖBB makes a substantial contribution to climate protection in Austria. 2.9 million tons per year of CO_2 emissions are saved by using ÖBB transport services by rail in Austria. The use of climate-friendly hydropower makes an important contribution to ÖBB's positive CO_2 footprint. ÖBB already covers 90% of the traction power it requires from hydropower – almost half of which is derived from its own power plants. With a continuous reduction of the specific CO_2 emissions of 160,495 tons of CO_2 since 2006, in 2015 ÖBB reduced its emissions by about 30% versus 2006. ÖBB also wants to expand the environmental advantage of rail in the future. The target through 2020 is to increase the share of renewable energy by optimizing the hydropower plants and further expanding wind energy and photovoltaics.

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

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

D.5. Accessibility

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

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

Infrastructure

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

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

ÖBB actively seeks feedback from people with disabilities: for example, as part of the "stakeholder dialogues", which were a great success again in 2016. This customer feedback flows into our daily work, putting us even closer to passengers.

D.6. Safety

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

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

The level of security on the railways of ÖBB-Infrastruktur AG has been continuously improved in recent years. The reasons for this include regular monitoring by ÖBB-Security-Furnishment using safety-related indicators for the early detection of any problem areas that might arise, as well as rapid countermeasures when deviations are detected.

In the safety program, safety measures (e.g., retrofitting of train detection systems or work on the auxiliary level) are defined and implemented. These measures are the tool for maintaining the level of safety, countermeasures for deviations and regular improvement of safety performance.

Furthermore, a substantial focus is placed on our customers' subjective perception of safety. This involves regular monitoring of the parameters affecting the feelings of safety. The development of individual parameters makes it possible to introduce countermeasures at an early stage. These include, for example, structural measures to improve lighting and more security personnel in railway stations and on trains.

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

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

Priorities of the safety program

Safety in train stations

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

Safety at railway crossings

The majority (68.9%) of the 74 incidents occurred on non-technically secured railroad crossings (railway crossings secured with a stop sign and/or railway crossing sign). All of the 74 incidents, i.e. 100%, were due to carelessness on the part of road users. ÖBB annually invests approximately EUR 25.0 million in safety measures at railroad crossings. Over the past ten years, the number of railway crossings has been almost halved by the construction of underpasses and bridges. ÖBB attaches great importance to further reducing the number of railway crossings and protecting existing crossings. For this reason, measures in 2016 including an innovative research project were initiated with the University of Salzburg for the simple and inexpensive monitoring of unsecured railway crossings.

Error culture

Error culture is a systematic-analytic proactive safety culture with the active, prevention-oriented, judgment-free handling of errors. Errors must be assessed in their context in which they are made. The objectives of a good error culture are:

- Strengthening of a common understanding on the subject of "errors" and thus the establishment of a "new error culture" at ÖBB as a company
- Promoting safety communication
- Increasing the safety performance of the company's operations on a sustained basis

In order to achieve these goals, the following tools have been introduced throughout ÖBB-Infrastruktur AG:

- Confidential reporting
- Ideas workshop
- Individualized continuing education to strengthen leadership competences

Reduction of collision risk

The program for the further expansion of train detection systems was continued. This significantly reduces the risk of train collisions, thus contributing to a considerable improvement in the safety level.

Safety on railway facilities

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

Occupational safety

The occupational safety of our employees was further improved. Of particular note is the further development of the service remedy DB 601.02, which provides new and clear regulations for the processes and responsibilities in construction projects and will thus contribute significantly to the safety of actions.

Operational rules

From the year 2017 onwards, the rules relevant to their activities will automatically be made available to operations staff via the rules database. The enormous advantage of this is that the employees receive a set of rules covering all regulations relevant for their activities and do not have to wade through a large number of different instructions, etc. This significantly increases transparency for employees and reduces the complexity of the rules.

Safety authorization

The safety authorization issued by the national safety authority forms the basis for the operation of the railway infrastructure. The safety authorization of the ÖBB-Infrastruktur AG was successfully extended by another five years in 2016.

E. Group Relationships

Parent company ÖBB-Holding AG

The parent company ÖBB-Holding AG is a joint-stock corporation under Austrian law. The registered office of the company is at Am Hauptbahnhof 2, A-1100 Vienna. The company was founded and established on the basis of Article 2 of the Bundesbahnstrukturgesetz [Federal Railways Structure Act] of 2003. The company is registered in the Company Register at the Commercial Court Vienna under number FN 247642f. ÖBB-Holding AG is the sole shareholder of ÖBB-Infrastruktur AG and provides various services such as marketing and treasury services for ÖBB-Infrastruktur AG and other Group companies. These services are provided by means of Group allocation or by cost allocation to the Group companies. In the financial year 2016, EUR 15.9 million (prior year: EUR 15.7 million) was allocated to the ÖBB-Infrastruktur Group as a Group allocation.

The main direct subsidiaries of ÖBB-Holding AG are the sub-group parent companies ÖBB-Personenverkehr Aktiengesellschaft ("ÖBB-Personenverkehr AG"), Rail Cargo Austria Aktiengesellschaft ("Rail Cargo Austria AG"), and ÖBB-Infrastruktur Aktiengesellschaft ("ÖBB-Infrastruktur AG").

ÖBB-Personenverkehr AG

The main task of ÖBB-Personenverkehr AG is the transport of persons, including the provision of public services as well as the production and operation of all the facilities necessary to do this with the exception of the railway infrastructure and the provision of all related business or businesses resulting therefrom, in particular the management of passenger transport on the basis of tariffs and timetables. In the financial year 2016 EUR 318.6 million (prior year: EUR 310.9 million) in total income was generated. EUR 12.7 million (prior year: EUR 14.0 million) was charged to the ÖBB-Infrastruktur Group.

Rail Cargo Austria AG

The main task of Rail Cargo Austria AG is the transport of freight, including the provision of public services as well as the production and operation of all the facilities necessary to do this with the exception of the railway infrastructure and the provision of all related business or businesses resulting therefrom, in particular the management of freight transport. In the financial year 2016, Rail Cargo Austria AG generated total income of EUR 167.9 million (prior year: EUR 170.7 million). EUR 0.8 million (prior year: EUR 0.9 million) was charged to the ÖBB-Infrastruktur Group from Rail Cargo Austria AG. Purchased services amounting to EUR 0.3 million (prior year: EUR 0.4 million) were capitalized.

ÖBB-Produktion Gesellschaft mbH

ÖBB-Produktion Gesellschaft mbH ("ÖBB-Produktion GmbH") is the joint subsidiary of ÖBB-Personenverkehr AG and Rail Cargo Austria AG. The main task of the company is the provision of traction services and other services for other railway operators. In the financial year 2016 EUR 160.0 million (prior year: EUR 185.6 million) in total income was generated. EUR 13.0 million (prior year: EUR 11.5 million) was charged to the ÖBB-Infrastruktur Group. Purchased services amounting to EUR 0.3 million (prior year: EUR 0.3 million) were capitalized.

ÖBB-Technische Services-Gesellschaft mbH

ÖBB-Technische Services-Gesellschaft mbH ("ÖBB-Technische Services-GmbH") is the joint subsidiary of ÖBB-Personenverkehr AG and Rail Cargo Austria AG. The main task of the company is the provision of services in connection with rail-bound vehicles. In the financial year 2016 EUR 22.3 million (prior year: EUR 23.0 million) in total income was generated. EUR 26.2 million (prior year: EUR 26.0 million) was charged to the ÖBB-Infrastruktur Group. Purchased services amounting to EUR 9.3 million (prior year: EUR 11.2 million) were capitalized.

ÖBB-Business Competence Center GmbH

As an intra-Group services company, ÖBB-Business Competence Center GmbH mainly provides standardized administrative services. In the financial year 2016 EUR 20.0 million (prior year: EUR 22.0 million) in total income was generated. EUR 78.7 million (prior year: EUR 74.3 million) was charged to the ÖBB-Infrastruktur Group for internal services. Purchased services amounting to EUR 1.4 million (prior year: EUR 2.5 million) were capitalized.

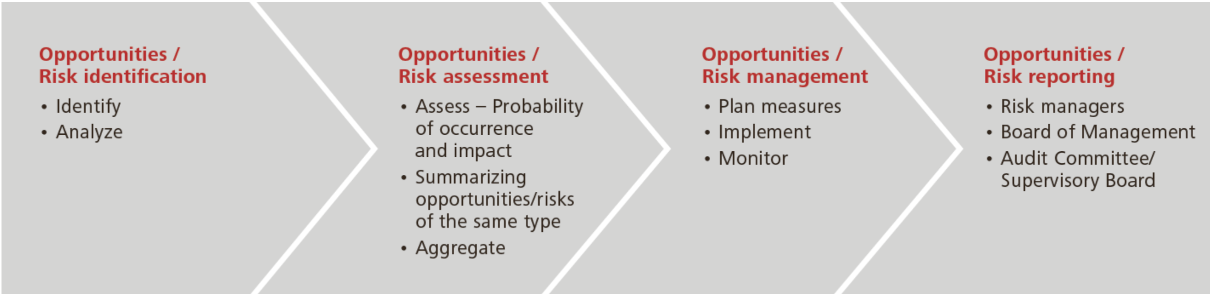
F. Opportunities / Risk report

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

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

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

Opportunity/risk management process



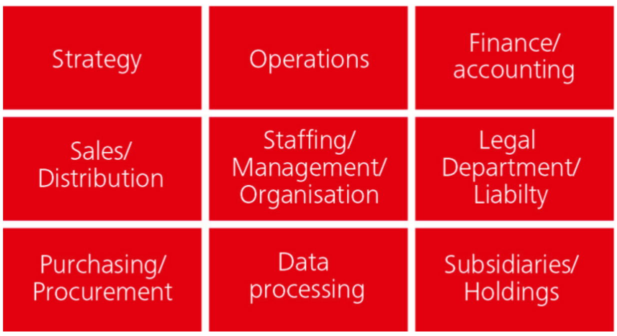
This process is supported by risk management software. Following an assessment and consolidation of the individual risks/opportunities in the corporate risk/opportunity platform, a report to the Board of Management of ÖBB-Holding AG is prepared which describes the major risks and respective counter-measures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

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

In the ÖBB-Infrastruktur sub-group the function of a sub-group risk manager has been set up to ensure the professional handling of opportunities and risks as well as the ongoing implementation of the risk and opportunity management process: He is responsible for the opportunity and risk management process in the sub-group and the Company. In the sub-group he performs the opportunity and risk consolidation and aggregation and determines its overall opportunities and risk position, each of which is aligned with the risk acceptability and risk-bearing capacity limits. Measures are initiated when the need for further action is detected. The risk manager reports the Board of Management, the Managing Directors of the Group companies and the Group's opportunity and risk manager. He puts the proposed opportunity and risk control measures up for discussion and resolution, and assumes advisory and training tasks. In addition, in all business areas, staff offices, and all major investments, decentralized risk managers and contacts have been defined who support managers responsible for risk ("risk owners") in identifying opportunities and risks in their areas of responsibility.

Risk areas and material risks of the ÖBB-Infrastruktur sub-group

The opportunity/risk areas applicable since the introduction of the corporate opportunity/risk management system were not changed during the reporting period. They ensure the structured and standardized registration and handling of all relevant opportunities and risks:



For 2016, the most important opportunities and risks of the ÖBB-Infrastruktur sub-group, none of which pose a danger to the portfolio, are allocated to the opportunity/risk fields as follows:

Strategy

The fact that environmental developments are becoming more dynamic is taken into account within the ÖBB-Infrastruktur sub-group, in that all the political, legal, socio-cultural, environmental, economic, and technological changes which could affect the company's strategic objectives are regularly identified by the managers of all business units in a structured process. After thorough analysis and prioritization, appropriate measures are defined. Regular controls of the strategic measures are carried out in order to reduce the risk of not achieving strategic objectives.

Operating business

Risks of force majeure and natural hazards are addressed by established systems or programs: For example, a natural hazard management system has been implemented (incl. weather information system, flood information system/natural hazard map). Failure risks in the area of all telecommunications services and essential data network services for railway operations are addressed with preventive risk-reduction measures such as emergency plans, creating redundancies, or the relocation of the system premises. Despite the generally extremely high reliability of the operating centers, partial or total failures resulting from terrorism, sabotage or natural events such as fire cannot be excluded entirely. Therefore, an integrated approach to key elements such as failure signal boxes, remote control areas, operating center cells and customer information systems is part of our management strategy.

Finance/accounting

This risk area includes interest rate risk, counterparty credit risk, valuation risk and the risk of price changes. Details and measures on risk reduction are treated in the section "Risks related to financial instruments".

Sales/distribution

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

Personnel/management/organization

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

Law/liability

With the introduction of the "Code of Conduct", the risk of costs due to fines for infringement of provisions under anti-trust law will be reduced in the future. 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 the national and international levels – can lead to increased system costs in the rail sector (e.g. through new technical or organizational requirements). Accordingly, the development of different business units is carefully reviewed for possible effects in order to react at an early stage. The successful settlement negotiations conducted significantly reduced the risks connected with various competition authority processes in which RUs that are new to the market attempted to use legal means to fight past price increases and components in the infrastructure usage fee or attempt to prove a lack of transparency and injurious pricing in connection with the charges for traction power.

Purchasing/procurement

Fluctuations in prices for various raw materials constitute the largest risk in the infrastructure area, particularly with respect to steel. In the rail and switch points areas and in other areas of construction, price trends and raw materials indices are very carefully analyzed and the results are incorporated into the rolling plans and in the purchase negotiations.

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/holdings

The proceeds from utilization and the exact timing of realization in the real estate area depend on the respective market developments. Risk management acts early on in structuring the negotiations and through targeted portfolio management.

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 the ÖBB-Infrastruktur AG (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.

The majority of the derivatives used (approx. 91% of nominal) are non-structured standard hedging transactions (plain-vanilla interest rate swaps; while a cross currency interest rate swap, which expired in February 2016, also existed in the prior year). One structured derivative accounts for only a small portion, namely 9% 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 and for the account of Group companies with their consent and upon their instruction, has created a risk-oriented monitoring environment that comprises, among others, guidelines and procedures for risk assessment, and for approving, reporting, and monitoring financial instruments. The protection of Group company assets is the first priority for any and all financial activities. An important task of the Group Finance department, which is responsible for this, is the identification, assessment and limitation of financial risks. Risk limitation does not mean absolute elimination of financial risks, but reasonable and transparent control of quantifiable risk items within a specific framework for activities that has to be agreed with the respective Group companies. The most important financial risks are described in more detail below:

Liquidity risk

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

Interest rate risk

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

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

Foreign exchange rate risk

ÖBB Group companies are not exposed to any material currency risks. Most finance agreements are denominated in euros.

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

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 having to reimburse the deferred tax benefit that was generated at the time of transaction. In 2016, two transactions were terminated early while maintaining the tax benefit. For another two transactions, the legal actions towards planned completion in 2017 were undertaken. ÖBB's strategy of actively managing the risk associated with the transactions and taking advantage of opportunities to terminate transactions under economically acceptable conditions has not changed, and will not change in the future. For more information on cross-border leases refer to Consolidated Financial Statements Note 30.3.

Internal control system

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

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

Control environment

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

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

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

Risk assessment and control activities

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

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

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

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

Information and communication

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

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

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

Accounting

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

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

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

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

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

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

The Supervisory Board is informed about the economic development of the Group in regular intervals, in particular within the framework of the mandatory audit committee of ÖBB-Infrastruktur AG, by means of consolidated presentations.

G. Notes on the Consolidated Management Report

This Management Report contains statements and forecasts referring to the future development of the ÖBB-Infrastruktur Group and the economic environment in which it operates. Any and all forecasts were made 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, 2017

The Board of Management

Mag. Silvia Angelo	DI Franz Bauer	KR Ing. Franz Seiser
(Finance, market, service division)	(Infrastructure facilities division)	(Operations and systems division)

GLOSSARY OF TERMS

BMVIT	Federal Ministry of Transport, Innovation and Technology
DB	Deutsche Bahn (German Railways)
EBIT	Earnings before interest and tax
EBT	Earnings before tax
EUR	Euro
RU	Railway operator
R&D	Research and Development
TGTkm	Total gross ton-kilometers
GWh	Gigawatt hour
ICS	Internal Control System
mil.	million
bil.	billion
OeBFA	Österreichische Bundesfinanzierungsanstalt (Federal Austrian Institution of Financing)
railjet	New main line train
FP	Framework plan
Traction	Propulsion of trains by traction vehicles
UVP	Umweltverträglichkeitsprüfung (Environmental impact assessment)

Statement pursuant to Article 82 (4) clause 3 BörseG

Statement of all legal representatives

We confirm, to the best of our knowledge, that the consolidated financial statements prepared in accordance with the applicable accounting standards give a true and fair view of the net assets, financial position as well as the result of operations of the Group and that the consolidated management report presents the business performance, the business result and the position of the Group and thus provides a true and fair view of the net assets, financial position as well as the result of operations and that the consolidated management report describes the material risks and uncertainties to which the Group is exposed.

We confirm, to the best of our knowledge, that the financial statements of the parent company prepared in accordance with the applicable accounting standards give a true and fair view of the net assets, financial position as well as the result of operations of the company and that the management report presents the business performance, the business result and the position of the company and thus provides a true and fair view of the net assets, financial position as well as the result of operation and that the management report describes the material risks and uncertainties to which the company is exposed.

Vienna, April 4, 2017

The Board of Management

Mag. Silvia Angelo	DI Franz Bauer	KR Ing. Franz Seiser
(Finance, market, service division)	(Infrastructure facilities division)	(Operations and systems division)

Consolidated Financial Statements

Consolidated Income Statement 2016

	Note	2016 in kEUR	2015 in kEUR	
Revenue	4	2,107,836.1	2,078,704.9	*)
Change in finished goods, work in progress and services not yet chargeable		254.9	488.9	
Other own work capitalized	5	300,316.2	292,309.7	
Other operating income	6	746,362.2	679,859.4	*)
Total income		**3,154,769.4**	**3,051,362.9**	
Cost of materials and purchased services	7	-378,679.8	-390,594.0	
Personnel expenses	8	-1,110,899.1	-1,036,474.3	
Depreciation and amortization	9	-725,735.3	-690,416.5	
Other operating expenses	10	-312,835.8	-319,519.0	
Earnings before interest and taxes (EBIT excluding investments recorded at equity)		**626,619.4**	**614,359.1**	
Earnings of investments accounted for using the equity method	17	1,109.2	580.0	
Interest income	11	29,242.8	35,140.7	
Interest expenses	11	-618,061.7	-635,556.9	
Other financial income	12	35,210.9	43,698.0	
Other financial expenses	12	-24,487.7	-45,375.6	
Financial result (incl. earnings of investments recorded at equity)		**-576,986.5**	**-601,513.8**	
Earnings before income taxes (EBT)		**49,632.9**	**12,845.3**	
Income taxes	13	7,689.7	-12,021.7	
Net income		**57,322.6**	**823.6**	
Proportion of net income attributable to:				
shareholder of the parent company		56,976.5	775.9	
non-controlling interests		346.1	47.7	

*) adjusted comparative amounts, see Note 4

Consolidated Statement of Comprehensive Income 2016

	Note	2016 in kEUR	2015 in kEUR
Net income		**57,322.6**	**823.6**
Remeasurement gains (losses) on defined benefit plans		-2,449.6	1,159.7
Income taxes		24.5	-6.0
Items that will never be reclassified ("recycled") subsequently to the income statement		**-2,425.1**	**1,153.7**
Unrealized loss from cash flow hedges	24	4,774.0	-8,239.0
Reclassification of realized income from cash flow hedges	24	6,985.5	10,418.5
Unrealized income from available-for-sale reserve	24	-2,834.3	-2,223.3
Reclassification of realized loss from available-for-sale reserve	24	1,265.0	0.0
Income taxes		-2,578.0	-292.0
Items that are or may be reclassified ("recycled") subsequently to the income statement		**7,612.2**	**-335.8**
Other comprehensive income		**5,187.1**	**817.9**
Comprehensive income		**62,509.7**	**1,641.5**
Proportion of comprehensive income attributable to:			
shareholder of the parent company		62,163.6	1,593.8
non-controlling interests		346.1	47.7

Consolidated Statement of Financial Position as of December 31, 2016

Assets	Note	Dec 31, 2016 in kEUR	Dec 31, 2015 in kEUR	
Non-current assets				
Property, plant and equipment	14	20,785,366.5	20,038,014.3	*)
Intangible assets	15	464,337.3	370,296.3	
Investment property	16	160,008.0	163,917.6	*)
Investments recorded using the equity method	17	49,161.7	49,274.7	
Other financial assets	18	215,424.4	576,888.4	
Other receivables and assets	20	145,497.2	152,880.2	
Deferred tax assets	13	30,424.7	24,776.8	
		21,850,219.8	**21,376,048.3**	
Current assets				
Inventories	21	72,101.7	54,991.8	
Trade receivables	20	152,061.5	128,293.2	
Other receivables and assets	20	203,037.1	206,608.8	
Other financial assets	18	243,512.3	108,144.0	
Assets held for sale	19	7,818.4	40.6	
Cash and cash equivalents	22	125,587.3	226,043.2	
		804,118.3	**724,121.5**	
		22,654,338.1	**22,100,169.8**	

Shareholder's equity and liabilities	Note	Dec 31, 2016 in kEUR	Dec 31, 2015 in kEUR
Shareholder's equity			
Share capital	23	500,000.0	500,000.0
Additional paid-in capital	24	538,884.2	538,884.2
Cash flow hedge reserve	24	-6,794.1	-15,975.6
Available for sale reserve	24	6,874.6	8,443.9
Retained earnings	24	229,130.1	174,578.7
Equity attributable to the shareholder of the parent company		**1,268,094.8**	**1,205,931.2**
Equity attributable to non-controlling interests	23	542.1	285.4
		1,268,636.9	**1,206,216.6**
Non-current liabilities			
Financial liabilities	25	17,982,756.4	17,825,600.4
Provisions	26	205,209.0	267,474.1
Other liabilities	27	38,654.9	44,211.2
		18,226,620.3	**18,137,285.7**
Current liabilities			
Financial liabilities	25	1,896,452.4	1,716,011.0
Provisions	26	133,549.8	89,900.0
Trade payables	27	602,435.1	580,789.5
Other liabilities	27	526,643.6	369,967.0
		3,159,080.9	**2,756,667.5**
		22,654,338.1	**22,100,169.8**

*) adjusted comparative amounts, see Note 14

Consolidated Statement of Cash Flow 2016

	Note	2016 in kEUR	2015 in kEUR
Earnings before income taxes (EBT)		49,633	12,845
Non-cash expenses and income			
+ Depreciation and amortization on property, plant and equipment, intangible assets and investment property	9	892,695	859,934
+ Depreciation/ - appreciation on non-current financial assets		616	290
- Amortization of investment grants	9	-166,960	-169,518
+ Losses / - gains on disposal of property, plant and equipment, intangible assets and investment property		-14,874	14,092
+ Losses / - gains on disposal of financial assets		2,043	-130
- Other non-cash income / + other non-cash expenses		1,131	-405
+ Interest expenses	11	618,062	635,557
- Interest income	11	-29,243	-35,141
Changes in assets and liabilities			
- Increase / + decrease in inventories	21	-14,037	2,558
- Increase / + decrease in trade receivables and other assets		61,608	62,649
- Increase / + decrease in trade payables, other liabilities and deferrals		118,654	132,018
+ Increase / - decrease in provisions	26	-18,799	-51,422
- Interest paid		-653,969	-641,197
+ Interest received		1,057	2,086
- Income tax paid	13	-2	-41
Cash flow from operating activities a)		**847,615**	**824,176**
+ Proceeds from disposal of property, plant and equipment and intangible assets		40,329	37,133
- Expenditures for property, plant and equipment and intangible assets	14, 15	-1,771,350	-1,718,974
+ Proceeds from disposal of financial assets		51,905	43,596
- Expenditures for investments in financial assets		0	-106,314
+ Proceeds from investment grants	14, 15	189,985	234,685
- Repayment of investment grants		-40	0
+ Cash received from the disposal from other business units		421	0
- Expenditures for the foundation of subsidiaries		-135	0
+ Dividends received		1,242	1,048
+ Redemption of loans granted(from investment activity)		0	120
Cash flow from investing activities b)		**-1,487,643**	**-1,508,706**
- Dividends distributed to non-controlling shareholders		-89	0
+ Capital contributions from non-controlling shareholders		0	179
+ Proceeds from issue of bonds and loans	25	1,707,880	762,252
- Redemption of bonds and loans		-1,174,076	-79,632
- Payment of finance lease receivables		-199	-187
Cash flow from financing activities c)		**533,516**	**682,612**
Cash flow from operating activities a)		847,615	824,176
Cash flow from investing activities b)		-1,487,643	-1,508,706
Free Cash Flow (a+b)		**-640,028**	**-684,529**
Funds at the beginning of the period		211,341	213,258
Change in funds resulting from cash flows (a+b+c)		-106,512	-1,917
Funds at the end of the period		**104,829**	**211,341**

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

Consolidated Statement of Changes in Shareholders' Equity 2016

	Share capital in kEUR	Additional paid-in capital in kEUR	Cash flow hedge reserve in kEUR	Available for sale reserve in kEUR	Retained earnings in kEUR	Total equity in kEUR	Non-controlling interests in kEUR	Total shareholders' equity in kEUR
As of Jan 01, 2015	*500,000.0*	*538,884.2*	*-17,863.1*	*10,667.2*	*166,785.4*	*1,198,473.7*	*0.0*	*1,198,473.7*
Net income					775.9	775.9	47.7	823.6
Other comprehensive income			1,887.5	-2,223.3	1,153.7	817.9		817.9
Comprehensive income			**1,887.5**	**-2,223.3**	**1,929.6**	**1,593.8**	**47.7**	**1,641.5**
Sale of interests in subsidiaries					5,863.7	5,863.7	58.7	5,922.4
Capital paid in by non-controlling interests							179.0	179.0
As of Dec 31, 2015	**500,000.0**	**538,884.2**	**-15,975.6**	**8,443.9**	**174,578.7**	**1,205,931.2**	**285.4**	**1,206,216.6**

	Share capital in kEUR	Additional paid-in capital in kEUR	Cash flow hedge reserve in kEUR	Available for sale reserve in kEUR	Retained earnings in kEUR	Total equity in kEUR	Non-controlling interests in kEUR	Total shareholders' equity in kEUR
As of Jan 01, 2016	*500,000.0*	*538,884.2*	*-15,975.6*	*8,443.9*	*174,578.7*	*1,205,931.2*	*285.4*	*1,206,216.6*
Net income					56,976.5	56,976.5	346.1	57,322.6
Other comprehensive income			9,181.5	-1,569.3	-2,425.1	5,187.1		5,187.1
Comprehensive income			**9,181.5**	**-1,569.3**	**54,551.4**	**62,163.6**	**346.1**	**62,509.7**
Dividends distributed to non-controlling shareholders							-89.4	-89.4
As of Dec 31, 2016	**500,000.0**	**538,884.2**	**-6,794.1**	**6,874.6**	**229,130.1**	**1,268,094.8**	**542.1**	**1,268,636.9**

The number of shares remains unchanged at 100,000.

Further details on the Statement of Changes in Shareholder's Equity can be found in Notes 2, 23 and 24.

Notes to the Consolidated Financial Statements as of December 31, 2016

A. BASIS AND METHODS

ÖBB-Infrastruktur Aktiengesellschaft (hereinafter ÖBB-Infrastruktur AG), with its registered office in 1020 Vienna, Praterstern 3, FN 71396 w, is a registered joint stock corporation as defined in the Austrian Stock Corporation Act, whose shares are held by the Österreichische Bundesbahnen Holding Aktiengesellschaft (hereinafter ÖBB-Holding AG).

ÖBB-Infrastruktur AG and its subsidiaries form the ÖBB-Infrastruktur AG corporate group (hereinafter ÖBB-Infrastruktur Group). The share capital is divided into 100,000 no-par shares. The shares are registered in the name of ÖBB-Holding AG. The shares are not publicly traded. The sub-group is in a group relationship with ÖBB-Holding AG, and is fully consolidated. The Consolidated Financial Statements of ÖBB-Holding AG are submitted to the Commercial Court Vienna under Company Register number FN 247642 f.

The function of ÖBB-Infrastruktur AG is, in particular, that of a railway infrastructure company, in which a demand-oriented and secure railway infrastructure (including high-performance tracks) is planned, built, provided, operated, and maintained (regular maintenance, inspection, fault clearance, repair, and reinvestment). Shunting services can also be provided.

The core business of ÖBB-Infrastruktur Group also includes power procurement, power supply and power portfolio management as well as real estate leasing.

In accordance with Article 51 of the Bundesbahngesetz [Austrian Federal Railways Act], as amended, ÖBB-Infrastruktur AG does not require a concession pursuant to the Eisenbahngesetz [Railways Act] of 1957 for either the construction or the operation of main and branch lines. It has the rights and obligations of a railway operator with respect to the planning and construction of new railway infrastructure projects.

Financing of investments in rail infrastructure development as well as operations and maintenance are ensured through internally generated cash flow and borrowings as well as guarantees and payments by the federal government on the basis of multi-year framework plans and subsidy agreements. Management, development and utilization of real estate belonging to the ÖBB Group is the responsibility of ÖBB-Immobilienmanagement GmbH, a subsidiary of ÖBB-Infrastruktur AG. The construction of the Brenner base tunnel and all structures necessary for construction work and subsequent operation, as well as the provision of facilities after completion for the parties authorized to access the network during the operational phase, is the responsibility of Galleria di Base del Brennero - Brenner Basistunnel BBT SE, a joint venture of the ÖBB-Infrastruktur Group.

1. Accounting principles

In accordance with Article 244 of the UGB [Austrian Commercial Code], ÖBB-Infrastruktur AG is required to prepare Consolidated Financial Statements. The Consolidated Financial Statements as of December 31, 2016 were prepared pursuant to Article 245a (2) UGB in conjunction with the "IFRS Regulation" in accordance with the International Financial Reporting Standards ("IFRS", "IAS") issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC", "SIC"), which became effective and were endorsed by the European Union until December 31, 2016 along with the additional requirements under Article 245a UGB. With these Consolidated Financial Statements according to IFRS, ÖBB-Infrastruktur AG issues exempting Consolidated Financial Statements pursuant to Article 245a UGB 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 (kEUR) of EUR, unless another currency unit is indicated. Rounding differences may occur as the rounded presentation includes figures not shown that are subject to precise internal calculation.

Disclosure on amended and new IFRS regulations

The following standards and interpretations were amended compared to the Consolidated Financial Statements as of December 31, 2015 or were to be applied initially on a mandatory basis due to the endorsement by the EU or due to the regulation coming into effect. These standards affect the Consolidated Financial Statements only if they are marked "yes" in the respective column of the following table.

Standards/interpretations		Effective as of[1]	Expected impact on the Consolidated Financial Statements
New standards and interpretations			
IFRS 14	Regulatory deferral accounts	Jan 01, 2016[2]	no

1) applicable for financial years starting on or after the indicated date
2) not yet adopted by the EU

Revised and amended standards/interpretations		Effective as of[1]	Impact on the Consolidated Financial Statements
IAS 19	Recognition of contributions from employees or third parties for a defined benefit plan	Feb 01, 2015	no
AIP 2010-2012	Improvements to IFRS, cycle 2010-2012	Feb 01, 2015	no
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Jan 01, 2016	no
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	Jan 01, 2016	no
IAS 16/ IAS 41	Agriculture: Bearer Plants	Jan 01, 2016	no
IAS 27	Equity Method in Separate Financial Statements	Jan 01, 2016	no
AIP 2012-2014	Improvements to IFRS, cycle 2012-2014	Jan 01, 2016	no
IAS 1	Presentation of Financial Statements: Disclosure Initiative	Jan 01, 2016	no
IFRS 10, 12, IAS 28	Investment Entities: Applying the Consolidation Exception	Jan 01, 2016	no

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

Outlook on future IFRS amendments

The following standards and interpretations were issued by the IASB and were endorsed by the EU with the exception of those labeled with Note 2. The option of applying individual standards early was not exercised. The potential 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 01, 2018	currently evaluated
IFRS 9	Financial instruments	Jan 01, 2018	yes
IFRS 16	Leases	Jan 01, 2019[2]	yes
Amended standards and interpretations			
IAS 12	Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses	Jan 01, 2017[2]	no
IAS 7	Statement of Cash Flows - Changes in Liabilities Arising from Financing Activities	Jan 01, 2017[2]	yes
IFRS 2	Classification and Measurement of Share-based Payment Transactions	Jan 01, 2018[2]	no
IFRS 4	Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance contracts”	Jan 01, 2018[2]	no
IFRS 15	Clarifications to IFRS 15	Jan 01, 2018[2]	currently evaluated

1) applicable for financial years starting on or after the indicated date
2) not yet adopted by the EU

IFRS 15 (Revenue from Contracts with Customers) includes a five-step model to be applied to revenue from contracts with customers (with a few exceptions). The type of transaction or the sector of the entity are not relevant. IFRS 15 contains additional qualitative and quantitative disclosure obligations. These are aimed at enabling users of the financial statements to understand the nature, amount, timing, and the uncertainties of revenue and the resulting cash flows arising from contracts with customers. The impacts of IFRS 15 on the Group are currently being evaluated by working groups. For revenue and other operating income, no significant changes are expected in the amount and timing of revenue recognized. A detailed analysis is now being conducted with respect to the revenue from power trading, real estate recovery projects and certain services provided for third parties, which amount to about 8% (prior year: about 8%) of total revenue (revenue and other operating income).

IFRS 9 (Financial Instruments) concerns the classification and measurement of financial assets and financial liabilities, hedge accounting, and impairment of financial assets. The application of the improvements of IFRS 9 is expected to have an effect on the classification and measurement of financial assets as well as hedge accounting, but will not affect the classification and measurement of financial liabilities in the Consolidated Financial Statements.

The future IFRS 16 (Leases), which replaces the former IAS 17, amends, in particular, the accounting procedures for lessees when recognizing lease contracts. According to IFRS 16, lessees must recognize an asset (right of use) and a liability for most lease contracts. The impact of IFRS 16 on the Group is currently being evaluated by working groups. Based on the Consolidated Financial Statements as of December 31, 2015, the non-current assets and liabilities are expected to increase by EUR 120.6 million. EBIT is expected to improve and the financial result to decrease by around EUR 1.2 million, while EBT remains unchanged. The scope and level of details required in the disclosures will increase. Subject to the endorsement of IFRS 16 by the European Union, the Group does not plan to early adopt IFRS 16, but will apply IFRS 16 beginning on January 1, 2019 and will not adjust its prior-year figures. The Consolidated Financial Statements as of December 31, 2016, will be analyzed in 2017; the impacts are expected to be comparable.

In January 2016, the IASB published amendments to IAS 7 Statement of Cash Flows. The objective of the changes is to improve presentation of the change in the debt of the company. Changes with an effect on cash flow, changes resulting from the acquisition or disposal of companies, exchange rate changes, changes in fair value, etc. will be required to be reported.

2. Consolidation principles and basis of consolidation

Consolidation principles

Reporting date

The reporting date for all fully consolidated companies included in the Consolidated Financial Statements is December 31.

Foreign currency translation

Foreign currencies are translated in accordance with the functional currency concept. The functional currency of all subsidiaries included in the Consolidated Financial Statements is the respective national currency. The Consolidated Financial Statements are presented in euros, the functional currency of the parent company.

As all subsidiaries use the euro as their functional currency, no currency translation from the consolidation of foreign operations was necessary for preparation of the consolidated financial statements.

Foreign currency transactions are first translated into the functional currency by the Group companies at the spot rate applicable on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at each reporting date at the respective spot rate. Translation differences from financial assets and financial liabilities are recognized in the financial expenses or financial income as relevant. All other currency translation differences are recognized through profit or loss in other operating income or expense. Non-monetary items measured at cost denominated in a foreign currency are translated at the rate applicable on the date of the transaction. Non-monetary items measured at fair value denominated in a foreign currency are translated at the rate applicable at the time the fair value is determined.

Consolidation

Subsidiaries (capital consolidation)

Subsidiaries are entities controlled by the Group. The Group controls an investee if it is exposed or has rights to variable returns from its involvement with the investee and has the ability to exercise control over the investee to affect the amount of these returns. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date the Group obtains control until the expiration of control.

Accordingly, the results of operations of the businesses acquired or sold during the reporting year are included in the Consolidated Income Statement and in the other comprehensive income from the date of acquisition or until the date of disposal respectively. If the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary and other equity components.

Accounting and measurement methods are applied consistently by all subsidiaries in the ÖBB-Infrastruktur 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 embedded derivatives embedded in a host contract. In case of business combinations carried out in stages, the equity share in the acquired company previously held by the acquirer is re-measured at fair value at the time of the acquisition, and the resulting profit or loss is recognized in profit or loss in the current period. Any agreed contingent consideration is recognized at the fair value at the time of the acquisition. Subsequent changes in the fair value of a contingent consideration which constitute an asset or a liability are recognized either in the profit or loss 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 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.

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-Infrastruktur Group in the net assets subsequent to the acquisition date and to reflect losses resulting from impairment. Losses exceeding the recognized investment 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-Infrastruktur 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-Infrastruktur Group is less than the fair values of the identifiable assets and liabilities at the date of acquisition, the difference is recognized in profit or loss in the period in which the acquisition occurred.

Joint ventures

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement is defined by the following characteristics: The parties are bound by a contractual agreement in which joint control is allocated to two or more parties to the agreement.

Joint ventures are contractual arrangements between two or more parties governing a business activity performed jointly by those parties. Joint ventures in which rights are held to the net assets of the arrangement rather than rights to its assets and liability for its debts, 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-Infrastruktur Group itself, any revenue arising therefrom is recognized 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-Infrastruktur AG, the basis of consolidation includes 13 (prior year: 13) further fully consolidated and two (prior year: two) associates or joint ventures (of which one is foreign; prior year: one), which are recognized using the equity method, i.e., a total of 16 (prior year: 16) companies. The companies included in the Consolidated Financial Statements are disclosed in Note 35. The basis of consolidation has not changed compared to the prior year.

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-Infrastruktur 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.

Basis of consolidation	Consolidated	At equity method of accounting	Total
As of Jan 01, 2015	14	2	16
thereof foreign companies	*0*	*1*	*1*
As of Dec 31, 2015	**14**	**2**	**16**
thereof foreign companies	*0*	*1*	*1*
As of Dec 31, 2016	**14**	**2**	**16**
thereof foreign companies	*0*	*1*	*1*

Changes to the level of shareholdings of the Group's investments

In 2015, the ÖBB-Infrastruktur Group exchanged 49% of the shares in the fully consolidated affiliated company WS Service GmbH for 13.05% of the shares in Weichenwerk Wörth GmbH (WWG). As a result, the Group's share of WS Service GmbH of 100% was reduced to 51%. The share sold in the carrying amount of the net assets was about kEUR 59, which was transferred to non-controlling interests. The Group's share of Weichenwerk Wörth GmbH of 30% was increased to 43.05%. ÖBB Infrastruktur AG recognized the WWG shares it holds in accordance with the equity method, since control of the company is carried out by the co-shareholder and ÖBB therefore "only" has significant influence, so that the conditions of an associate as defined by IAS 28 are fulfilled. Additionally, shares in an existing associated company were purchased without changing the classification as an associate.

With respect to the additional acquired WWG shares (13.05%), the fair value of the consideration was determined in the amount of kEUR 5,923 and compared with the pro rata net assets existing as of March 31, 2015 amounting to kEUR 1,478, resulting in a difference in the amount of kEUR 4,445. A capital gain of kEUR 5,864 was realized and reported directly in equity. There was no net cash inflow or outflow.

The following overview provides details regarding the required adjustments to fair values and the deferred tax. The residual difference in the amount of kEUR 2,199 was classified as goodwill.

Calculation of goodwill (partial goodwill method)	in kEUR
Fair value of consideration transferred	5,923
Pro rata net assets as of March 31, 2015	-1,478
Difference	**4,445**
Customer relationship - ÖBB Infrastruktur AG	-2,766
Customer relationship - other industrial customers	-123
Inventories	-106
Deferred taxes	749
Pro rata net assets at fair value	**-2,246**
Goodwill	**2,199**

3. Summary of significant accounting policies

Basis of preparation of financial statements

The Consolidated Financial Statements are prepared on the basis of amortized cost with the exception of derivative financial instruments and available-for-sale financial assets, which 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, disposal of assets and 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.

Apart from the useful lives of cut-and-cover tunnels, which have been shortened, the useful lives remain unchanged compared to the prior year for:

	Years
Buildings	
Substructure	20–150
Power plants	*80*
Tunnels	*80–150*
Railway tracks	*100*
Other substructures	20
Superstructure	10–50
Roadbed and track	35–40
Security and telecommunications equipment	4–30
Automobiles and trucks	5–25
Technical equipment and machinery	
High-voltage and lightning equipment	15–50
Tools and equipment	4–20
Machinery	9–15

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

Grants (investment grants) provided to the ÖBB-Infrastruktur Group 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. Generally, investment grants are amortized over the useful life of the asset for which the grant was received.

Goodwill and other intangible assets

The ÖBB-Infrastruktur Group does not currently account for any goodwill or other intangible assets with indefinite useful lives.

Intangible assets with finite useful lives 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 prior year, the straight-line amortization is based on the following useful lives:

	Years
Investment grants	3–150
Concessions, property rights, licenses	4–20
Development costs	5
Software	2–20
Other intangible assets	10–30

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.

Impairment of property, plant and equipment, intangible assets, and investment property

Property, plant and equipment, intangible assets, and investment property with finite useful lives are tested for impairment if events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. The impairment test is performed for all items of property, plant and equipment and intangible assets. In accordance with the provisions of IAS 36 (Impairment of Assets), an impairment loss is recognized if the carrying amount exceeds the higher value which results from the fair value less cost to sell and value in use. The fair value less cost to sell corresponds to the amount that can be obtained in an arm's length sales transaction. The value in use corresponds to the discounted estimated future net cash flows that are expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the item depreciation and amortization in the Consolidated Income Statement.

If changes in circumstances indicate that the carrying amount of an asset exceeds its fair value, the value in use is calculated in the context of the impairment test. The value in use is determined by estimating the future cash flows of the cash-generating units based on the business plans that were derived from past results and the best estimates of the Board of Management of future developments. The growth rates assumed in the business plans (budget 2017 and in the medium-term 2018–2021) 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.

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 is allocated proportionally to the assets of the cash-generating unit, although the 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 impairment loss is entirely or partially reversed through profit or loss up to a maximum of the amortized cost.

No indicators of impairment were identified for any cash-generating unit, neither for 2015 nor for 2016 and therefore no impairment tests were performed. For the rail infrastructure cash-generating unit, no indicators currently exist due to the following preamble to the grant agreement in accordance with 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 Federal Railways Act. The basis for the financing of the Company is given in Article 47 of the Federal Railways Act, according to which the federal government is responsible for ensuring that ÖBB-Infrastruktur AG has the funds required to fulfill its tasks and maintain its liquidity and equity, insofar as the tasks are included in the business plan pursuant to Article 42 (6) of the Federal Railways Act. The commitment regulated by the federal government in this provision is implemented by the grant agreements pursuant to Article 42 (1) and (2) of the Federal Railways Act. It is the understanding of the contractual parties that the objective of the grant agreements, irrespective of their respective terms, is to permanently guarantee the value of the assets of the ÖBB-Infrastruktur AG sub-group used for the tasks pursuant to Article 31 of the Federal Railways Act, which also conforms to the official task according to the Federal Railways Act."

More information will be given in the chapter "Benefits from the Republic of Austria, master plan for investments in the infrastructure and guarantees of the federal government" in Note 32.

Impairment of investments in associated companies and joint ventures

Subsequent to the application of the equity method according to IAS 28.40 and IFRS 11 it has to be determined at each reporting date as to whether there is any objective indication of an impairment of the carrying amount in accordance with IAS 39.58 et seqq. If indicators are identified, the recoverable amount of the investment must be determined in accordance with IAS 36 Impairment of Assets. If there is an impairment, the investment must be written down accordingly. Reference is made to the previous paragraph regarding Article 42 of the Federal Railways Act in relation to any impairment of 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.

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 development 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 and selling costs 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. These real estate recovery projects are held for sale in the course of normal business operations or are in the process of development for subsequent sale.

They are recognized at cost and measured at the reporting date at the lower of carrying amount or net realizable value. The net realizable value is the estimated selling price less expected development and selling costs yet to be incurred.

The cost of inventories includes all costs of purchase, development and processing, as well as any other costs incurred to bring the inventories to their present condition. If the production costs exceed the net realizable value, a write-down is recorded.

Financial instruments

General information

Financial assets and liabilities are recognized when the ÖBB-Infrastruktur 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. 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-Infrastruktur Group recognizes cash on hand, cash in banks, and highly liquid financial investments with remaining maturities of three months or less as cash and cash equivalents. Balances with the affiliated company ÖBB-Finanzierungsservice GmbH, which is responsible for liquidity management between the companies of the ÖBB-Holding

Group, are also recognized 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, including current liabilities due to ÖBB-Finanzierungsservice GmbH, represent the funds for the Statement of Cash Flow.

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 those financial assets available for sale at cost. The financial instruments disclosed in the Statement of Financial Position as financial liabilities are measured at amortized cost. Derivative financial instruments are measured at fair value. Changes in the fair value of derivative financial instruments are recognized through profit or loss or in other comprehensive income, depending on whether the derivative financial 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. Hedge accounting is applied in the ÖBB-Infrastruktur Group. See Note 29.2. on hedge accounting.

In accordance with IAS 39, the ÖBB-Infrastruktur Group classifies securities and certain non-current financial instruments as available-for-sale (AFS) and measures them at fair value. Unrealized gains and losses are recognized in the other comprehensive income.

Non-current derivative financial instruments (interest rate swaps for hedging purposes) are divided into a current and a non-current portion based on the discounted payment streams in the applicable time frames. If a derivative financial instrument has an overall clearly negative fair value, any current positive portion is not recognized as a current asset because this presentation would be misleading in the light of the clearly negative fair value, and is thus reported collectively as non-current liability. The same applies to the reverse case of a derivative financial instrument with an overall clearly positive fair value and a negative fair value of the current portion.

The impairment test for securities is based on a two-step approach, which examines whether the carrying amount or cost differs significantly from the fair value of the securities, and the period of time for which such a difference exists. Impairment losses are recognized in income in the period they occur as other financial expense.

If there is an indication that an impairment no longer exists, the ÖBB-Infrastruktur Group has to reverse all or part of the impairment in profit or loss, unless these financial assets are carried at cost or are equity instruments classified as "available for sale". For equity instruments classified as "available for sale" and carried at cost, reversal of the impairment is not permitted. For equity instruments classified as "available for sale" and measured at fair value, any increase in the fair value is recognized in other comprehensive income.

Trade receivables

Trade receivables are recognized at the lower of amortized cost or fair value. Impairments are recognized if collection of the claims can no longer be expected due to customer-specific circumstances. If such doubts regarding the collection of the receivables occur, these receivables are measured at the lower realizable amount and specific allowances are recognized on the basis of identifiable risks. Impairment indications include significant financial difficulties of the contractual partner, insolvency proceedings initiated against the debtor, unsuccessful dunning and execution attempts, effective breach of contract (for example, 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 receivables, financial liabilities and swap agreements is based on the present value of future cash flows, discounted at the ÖBB-Infrastruktur 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-Infrastruktur Group estimates whether the fair value of assets for which no quoted prices are available – mainly investments – corresponds to their carrying amount or cost 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.

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 obligation must take into consideration the inherent risks and uncertainties. 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-Infrastruktur Group as lessee assumes substantially all the risks and rewards of 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-Infrastruktur Group as lessor, the leased item is recognized by the ÖBB-Infrastruktur Group. The leased item is recognized according to the regulations applicable to the asset in accordance with the provisions of IAS 16. The accounting and measurement methods for cross-border leasing agreements are presented in Note 30.3.

Lease agreements in which the ÖBB-Infrastruktur Group as lessor essentially transfers substantial all of the risks and rewards associated with 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-Infrastruktur Group has entered into only one individual contractual pension obligation for a former member of the Board of Management. Apart from this obligation, there are only defined contribution plans with respect to pensions. The ÖBB-Infrastruktur 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-Infrastruktur Group calculates the provision using the projected unit credit method (PUC method) in accordance with IAS 19 (Employee Benefits). The remeasurement of net defined benefit obligations contains only actuarial gains or losses. The defined benefit obligations are measured in accordance with actuarial principles and are based on an objective estimate of the discounting factor and compensation increases along with turnover. According to this method, the Company recognizes actuarial gains and losses from provisions for severance payments in other comprehensive income and those from provisions for anniversary bonuses in personnel expenses. For further information see Note 26.1.

Changes in existing provisions for disposal, restoration and similar liabilities

In accordance with IAS 16 (Property, Plant and Equipment), 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 (Changes in Existing Decommissioning, Restoration and Similar Liabilities). 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.

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-Infrastruktur Group.

Grants related to income

Grants related to expenses awarded to the ÖBB-Infrastruktur Group are recognized in profit or loss and in line with the timing of expenses immediately upon fulfillment of the preconditions. Reference is made to Note 32 regarding the particular features of the grants for financing of the infrastructure.

Interest, royalties and dividends

Interest is recognized using the effective interest method in accordance with IAS 39. Dividends are recognized when the shareholder's right to receive payment is established. Usage fees 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. For further information see Note 14.

Research and development costs

In accordance with IAS 38 (Intangible Assets), research costs refer to original and planned research performed to gain new scientific or technical knowledge and understanding, and they are recognized as expenses in the period in which they were incurred. Development costs are defined as costs incurred for using research findings to achieve technical and commercial feasibility. If development costs cannot be separated from research costs, the development costs are recognized as expenses in the period incurred in accordance with IAS 38. If the capitalization requirements of IAS 38 are not met, research and development costs are recognized as expenses in the period in which they were incurred. If the capitalization requirements of IAS 38 are met, development costs are recognized as intangible assets.

Income taxes

In accordance with Article 50 (2) of the 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 of ÖBB-Infrastruktur AG under the Federal Railways Act (partial tax exemption).

The following business areas 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 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 subsidiaries of the entire Group, including ÖBB-Infrastruktur AG and its subsidiaries, as group members. Accordingly, rules on tax equalization were agreed between the head of the tax group and the group members. The positive tax allocations in accordance with these provisions are calculated using the "stand-alone" method (based on the assumption of the tax autonomy of the individual group members for the calculation of the allocation) and are due at the time of approval of the financial statements of each group member, while negative tax allocations are due only upon effective use of the losses by the head of the tax group.

Deferred taxes

Deferred taxes are recognized – taking existing exception clauses into account – for all temporary differences between the tax base of the assets/liabilities and their carrying amounts in the IFRS financial statements (liability method), insofar as these assets and liabilities are related to the business operation that is not exempt from income taxes.

However, if deferred taxes arise from the initial recognition of an asset or a liability resulting from a transaction other than a business combination which neither affects the accounting profit or loss nor the taxable profit at the time of the transaction, no deferred taxes are recognized at the time of initial recognition and thereafter.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries and associated companies are recognized, unless the ÖBB-Infrastruktur Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future due to this influence.

Deferred taxes are measured at the tax rates (and under the tax regulations) that have been enacted or substantially enacted on the reporting date and that are expected to apply in the period when the deferred tax assets are realized or the deferred tax liabilities are expected to be settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or loss carry-forwards can be utilized.

Deferred taxes are offset directly against, or credited to, equity if the tax relates to an item that was offset against, or credited to, equity in the same or a different 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-Infrastruktur 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.

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-Infrastruktur Group. The 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. Estimated useful lives of property, plant and equipment and intangible assets

The estimated useful lives are determined according to the circumstances of the Company with usual maintenance costs. Actual use may differ from these estimates. According to a sensitivity analysis, a change in the useful life of -/+ 1 year (remaining useful life) would increase the depreciation and amortization by EUR 80.3 million (prior year: EUR 84.2 million) or decrease it by EUR 72.5 million (prior year: EUR 64.1 million), respectively. Useful lives are reviewed annually or as required to ensure they are reasonable. In financial year 2016, the asset group of "Tunnels" was split into closed tunnels and cut-and-cover tunnels (including galleries and protective roofs) and the useful lives of cut-and-cover tunnels (including galleries and protective roofs) was reduced from 150 years to 80 years. This reduction of useful life was prompted by necessary maintenance measures performed in 2016 that resulted in condition analyses. As a result, depreciation and amortization in 2016 increased by EUR 4.4 million. The impact in future years is expected to be comparable.

c. Provisions

Provisions are measured according to the best estimate, i.e., at the amount that the Company would have to pay, under reasonable consideration, to settle the obligation as of the reporting date or to transfer the obligation to a third party on the reporting date. Reliable statements on a sensitivity analysis, especially regarding the likelihood of occurrence of environmental risks and decommissioning costs, are not possible. The measurement of the provision for decommissioning costs was based on the assumption that the ÖBB-Infrastruktur Group will continue to exist and that the Company and therefore the tracks will continue to operate. Decommissioning costs are estimated and a respective provision is recognized only when the closure of individual tracks is expected in the foreseeable future or when such closure has already been initiated. In 2016, the anticipated rates for calculating the asset retirement cost provision were adjusted, resulting in an increase of the provision of about EUR 1.1 million. For the amount of the provisions see Note 26.2.

d. 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. For information on the tax situation of ÖBB-Infrastruktur AG, refer to the section on the partial tax exemption (under the heading “Income Taxes”). When assessing deferred tax assets, the Board of Management evaluates the prospective usage within the five-year tax planning period (see Note 13).

The recognized deferred tax assets on existing tax loss carryforwards and temporary differences are based on an estimate of the taxable results for the next five years. If the tax assessment regarding the qualification of the segments of ÖBB-Infrastruktur 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.

e. Cross-border leasing (CBL)

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, allowances for these investments will be recognized, or the repayment vehicle will be exchanged (see Note 30.3).

f. Financial obligations and reimbursement claims

Various proceedings, lawsuits and other claims against or by ÖBB-Infrastruktur AG and its subsidiaries are pending in the ordinary course of business. These issues are subject to a large number of uncertainties, and the outcome of the negotiations or processes cannot be predicted with certainty. Consequently, as of December 31, 2016, the Board of Management is unable to determine the total amount of financial liabilities or claims, or their impact on the ÖBB-Infrastruktur Group’s financial position with final certainty. These procedures could materially affect the results when they are finalized. However, the Board of Management believes that after final settlement of such cases, the financial obligations or impacts will not significantly exceed the provisions recognized, and therefore will not have any material impact on the Consolidated Financial Statements. Receivables are recognized when all the necessary issues have been identified.

In connection with federal taxes, ÖBB-Infrastruktur AG maintains a refund procedure for personnel expenses, the outcome of which is uncertain. It is not likely, that any resulting economic benefits from this refund procedure in the context of the relevant legal provisions on the granting of federal subsidies in accordance with the Austrian Federal Railway Act will finally remain with ÖBB-Infrastruktur AG.

Differentiation of maturities

Deferred taxes are recognized as long-term in accordance with IAS 12. The short-term portion is therefore correspondingly disclosed in the Notes (Note 13). Development projects are recognized in inventories, although their realization is not expected within the next twelve months. The long-term portion is disclosed in the Notes (Note 21). Long-term trade receivables and trade payables are recognized as short-term items in accordance with IAS 1 (Presentation of Financial Statements), with an additional explanation in the Notes.

Concentration of risks

As of the reporting dates, no significant dependence on particular non-group customers, 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-Infrastruktur Group is dependent on and that could, if suddenly eliminated, severely affect business operations. The ÖBB-Infrastruktur Group invests cash and cash equivalents with various banks with good credit ratings and with ÖBB-Finanzierungsservice GmbH. For information on the grants and grant agreements provided by the Republic of Austria and the dependence of other ÖBB Group companies, see Note 32.

Capital management

The objective of the financial management of the ÖBB-Infrastruktur 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, which are compared to the respective budgeted values: The Company defines equity as share capital, provisions as well as retained earnings and shares of non-controlling interests, if any. Managed equity as of December 31, 2016 amounts to EUR 1,268.6 million (prior year: EUR 1,206.2 million).

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

4. Revenue

	2016 in EUR million	2015 in EUR million	
Government grant pursuant to Article 42 Bundesbahngesetz for infrastructure operation	1,109.8	1,099.5	
Infrastructure usage charge	524.1	508.6	
Energy supply and grid usage charge	180.1	203.8	
Revenue from rent	141.3	139.5	
Revenue from real estate recovery projects	47.1	32.0	
Other revenue	105.4	95.3	*)
Total	**2,107.8**	**2,078.7**	*)
thereof from affiliated companies	*719.7*	*720.8*	*)

*) adjusted comparative amounts

The proportional contribution of the federal government 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 do not cover the expenses incurred with economical and efficient management. Further information on the grant contract is provided in Note 32.

The infrastructure usage charge is paid primarily by other companies of the ÖBB-Holding Group for the provision of rail infrastructure.

Since the traction power grid owned by ÖBB-Infrastruktur AG was opened with effect from January 1, 2016, other energy suppliers have been able to supply traction power to railway operators. This resulted in amendments to the tariff model operated by ÖBB-Infrastruktur AG, with a distinction now being made between grid utilization charges and energy supplies, rather than the former all-inclusive tariff for grid utilization and energy supply. Revenue from energy supplies and grid utilization charges includes grid utilization charges of EUR 83.9 million.

Revenue from rent accrues for the rental and leasing of real estate.

Revenue from construction contracts recognized in the reporting period under other revenue amounts to EUR 32.4 million (prior year: EUR 32.2 million), of which EUR 10.9 million (prior year: EUR 9.5 million) was generated with respect to affiliated companies of the ÖBB Group. For these revenues contract costs of EUR 31.7 million (prior year: EUR 30.9 million) were incurred. In 2016, no advance payments were received for construction contracts (prior year: EUR 2.7 million). In addition, other revenue includes revenue from telecommunications services, damage repair, cleaning and security services, and from services related to the operation of container terminals.

A periodical evaluation of the other operating income revealed that certain income items needed to be reported under other revenue to present a more accurate view of the results of operations. To enable better comparability, the prior-year amounts for other revenue was increased by about EUR 34.7 million (of which due from affiliated companies about EUR 18.4 million) while sundry other operating income was reduced by the same amount.

For the composition of revenue according to geographic aspects, see Note 33 (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 own work relates mainly to the construction or expansion of the railway infrastructure. Of the capitalized own work, 58% (prior year: 60%) are attributable to personnel expenses, 25% (prior year: 23%) to cost of materials, and 17% (prior year: 17%) to expenditure on goods and services.

6. Other operating income

	2016 in EUR million	2015 in EUR million	
Grant from the Federal Government pursuant to Article 42 Federal Railways Act for infrastructure	691.6	634.5	
Gain from the disposal of property, plant and equipment, intangible assets, investment property and non-current assets held for sale	39.5	27.7	
Miscellaneous other operating income	15.3	17.7	*)
Total	**746.4**	**679.9**	*)
thereof from affiliated companies	*0.1*	*0.0*	*)

*) adjusted comparative amounts, see Note 4

The proportional contribution of the government grant pursuant to Article 42 of the Federal Railways Act for extension and reinvestments is reported in other operating income. Further information on the grant agreement is provided in Note 32.

7. Costs of materials and purchased services

	2016 in EUR million	2015 in EUR million
Cost of materials	80.2	89.9
Purchased services	298.5	300.7
thereof maintenance expenses	*246.6*	*251.6*
Total	**378.7**	**390.6**
thereof from affiliated companies	*75.4*	*85.5*

Cost of materials includes EUR 54.4 million (prior year: EUR 65.1 million) for the cost of purchasing traction power from third parties and the purchase of power for resale to third parties. The cost of sold real estate recovery projects, which is recognized as an expense, amounted to EUR 5.9 million (prior year: EUR 7.2 million).

Expenses for services received mainly comprise goods and services which cannot be capitalized in connection with repairs, maintenance (in particular railway infrastructure), disposal costs, cleaning and other services, as well as rent for rail-bound vehicles and transport services (deadhead transport).

8. Personnel expenses and employees

	2016 in EUR million	2015 in EUR million
Wages and salaries	869.1	812.8
Statutory social security contributions	226.6	208.5
Expenses for severance payments	6.1	6.3
Pension costs	9.1	8.9
Total	**1,110.9**	**1,036.5**

In the prior year, effects from reversing the provision for reference dates in an amount of EUR 49.8 million had been recognized as an expense, and as a result the personnel cost for the comparable period was lower.

			Change		Average	
Number of employees (headcount)	Dec 31, 2016	Dec 31, 2015	Reporting date	in %	2016	2015
Employees	3,457	3,261	196	6%	3,348	3,130
Workers	1,796	1,661	135	8%	1,803	1,562
Tenured employees	11,304	11,657	-353	-3%	11,503	11,757
Total (excl. apprentices)	**16,557**	**16,579**	**-22**	**0%**	**16,654**	**16,449**
Apprentices	1,491	1,377	114	8%	1,309	1,281
Total (incl. apprentices)	**18,048**	**17,956**	**92**	**1%**	**17,963**	**17,730**

			Change		Average	
Number of employees (FTE)	Dec 31, 2016	Dec 31, 2015	Reporting date	in %	2016	2015
Employees	3,390.0	3,197.4	192.6	6%	3,281.3	3,070.2
Workers	1,791.3	1,656.7	134.6	8%	1,799.0	1,558.3
Tenured employees	11,184.6	11,567.8	-383.2	-3%	11,398.0	11,678.5
Total (excl. apprentices)	**16,365.9**	**16,421.9**	**-56.0**	**0%**	**16,478.3**	**16,307.0**
Apprentices	1,491.0	1,377.0	114.0	8%	1,308.6	1,281.6
Total (incl. apprentices)	**17,856.9**	**17,798.9**	**58.0**	**0%**	**17,786.9**	**17,588.6**

9. Depreciation and amortization

	2016 in EUR million	2015 in EUR million
Depreciation on property, plant and equipment	847.4	817.8
Amortization of intangible assets	39.4	38.0
Depreciation on investment property	5.9	4.0
thereof impairments (Note 16)	*1.6*	*0.0*
less amortization of investment grants	-167.0	-169.5
Total depreciation and amortization	**725.7**	**690.4**

10. Other operating expenses

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

	2016 in EUR million	2015 in EUR million
Operating costs (incl. IT)	84.4	96.9
Non-income taxes	40.9	40.3
Office requirements	38.2	29.2
Loss on disposal of property, plant and equipment and intangible assets	24.6	37.3
Travel costs	19.0	19.2
Holding allocations	15.9	15.7
Training and continuing education	7.1	8.4
Miscellaneous	82.7	72.5
Total	**312.8**	**319.5**
thereof from affiliated companies	*122.7*	*118.2*

Operating taxes includes all non-income-related taxes (electricity tax, motor vehicle tax, property tax, road use charges, other taxes, and fees, etc.).

Other operating expenses relate in particular to rental, lease and royalty expenses, travel and other allowances, insurance, damage claims, marketing and advertising expenses, lease of personnel, payments to affiliated companies for transport services for employees and for canteens.

The expenses for services of the auditors of the Consolidated Financial Statements and the separate financial statements are also included in the miscellaneous operating expenses and are as follows:

	2016 in kEUR	2015 in kEUR
Annual financial statements and consolidated annual financial statements audit	315	312
Other services	6	11
Total	**321**	**323**

The annual and Consolidated Financial Statements were audited by BDO Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft in both financial years.

11. Interest income and expenses

The interest income and expenses of the ÖBB-Infrastruktur Group are as follows:

Interest income/expenses	2016 in EUR million	2015 in EUR million
Interest income	29.2	35.2
thereof from affiliated companies	*2.5*	*4.4*
Interest expenses	-618.0	-635.6
thereof from affiliated companies	*-2.7*	*-4.4*
Total	**-588.8**	**-600.4**
thereof from affiliated companies	*-0.2*	*0.0*

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.

Interest income relates primarily to interest income from derivative financial instruments and interest income from securities and other investments in connection with cross-border leasing transactions.

Interest expenses in the amount of EUR 523.7 million (prior year: EUR 531.6 million) relate to bonds (prior to capitalization of interest on borrowed capital, see Note 14). Interest expense is also incurred for EUROFIMA loans and other borrowings and interest-related expenses. Expenses for guarantee premiums total EUR 19.5 million (prior year: EUR 19.3 million). Other interest expenses include in particular interest payments and accruals from cross-border leasing transactions of EUR 15.6 million (prior year: EUR 22.5 million).

Interest income related to affiliated companies results largely from interest on receivables from subleases.

12. Other financial result

The other financial result of the ÖBB-Infrastruktur Group is as follows:

Other financial result	2016 in EUR million	2015 in EUR million
Other financial income	35.2	43.7
thereof from measurement/foreign currency translation differences	*14.0*	*42.0*
thereof from affiliated companies	*8.2*	*0.0*
Other financial expenses	-24.5	-45.4
thereof from measurement/foreign currency translation differences	*-12.7*	*-41.5*
thereof from affiliated companies	*-0.7*	*-1.0*
Total	**10.7**	**-1.7**

Measurement gains and losses from the hedged items in connection with cash flow hedge and fair value hedge accounting are offset against the results from the derivatives in order to provide a better overview of the results of operations of the ÖBB-Infrastruktur Group. Other financial income relates to foreign exchange differences and, in particular, measurement gains and recharges of allowances relating to cross-border leasing transactions to affiliated companies, and – particularly in 2016 – to 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. The other financial expenses include expenses relating to the disposal of cross-border leasing transactions and – in 2015 – to measurement expenses that were charged on to affiliated companies.

13. Income taxes

Tax expense/tax income

The item income taxes is composed as follows:

	2016 in EUR million	2015 in EUR million
Expense/benefit from tax allocation (group taxation)	-0.5	-0.4
Deferred tax expense/benefit	8.2	-11.6
Income taxes	**7.7**	**-12.0**

Income taxes are calculated at 25% of the estimated taxable profit in the financial year.

Deferred taxes developed as follows:

	2016 in EUR million	2015 in EUR million
Deferred tax assets	**24.8**	**36.7**
Recognized amounts as of Jan 01	24.8	36.7
Change in deferred taxes		
recognized in other comprehensive income	*-2.6*	*-0.3*
recognized in profit or loss	*8.2*	*-11.6*
Recognized amounts as of Dec 31	**30.4**	**24.8**
thereof deferred tax assets	*30.4*	*24.8*
thereof deferred tax liabilities	*0.0*	*0.0*

Deferred taxes recognized in other comprehensive income result primarily from differences between the IFRS carrying amounts and the tax bases resulting from power derivatives, cash flow hedges, and actuarial gains and losses in accordance with IAS 19.

Based on underlying temporary differences between the carrying amounts in the IFRS consolidated financial statements and the relevant tax bases, deferred taxes in the amount of EUR 24.8 million (prior year: EUR 19.7 million) are classified as non-current. Deferred taxes on losses carried forward in the amount of EUR 5.6 million (prior year: EUR 5.1 million) are expected to be used in financial year 2017 and are therefore classified as current.

The following table shows the main reasons for the difference between the income taxes indicated in profit or loss and the income taxes calculated by applying the statutory tax rate of 25% on the annual taxable income.

	2016 in EUR million	2015 in EUR million
Income before income tax according to IFRS	49.6	12.8
Adjustment of tax-exempt portion pursuant to Article 50 (2) Austrian Federal Railways Act	49.6	57.1
IFRS result for the year - taxable portion	**99.2**	**69.9**
Group tax rate	*25%*	*25%*
Expected expense (-) or benefit (+) from taxes in the financial year	-24.8	-17.5
Investment income	1.9	2.0
Effects of changes of recognition	30.6	3.3
Non-deductible operating expenses and other additions	0.0	0.1
Accounted income taxes	**7.7**	**-12.0**
Effective corporate tax rate	**-7.8%**	**17.2%**

The effective corporate tax rate of -7.8% (prior year: 17.2%), which differs significantly from the statutory corporate tax rate of 25%, resulted primarily from changes of deferred taxes recognized from tax losses carried forward and other deferred tax assets.

Deferred tax assets and deferred tax liabilities as of December 31, 2016, are the result of temporary differences between the carrying amounts in the consolidated financial statements and the relevant tax bases, as well as tax losses carried forward. Changes in recognition of deferred taxes were necessary as the future tax results, which justify the recognition of deferred tax assets, were reassessed.

The deferred taxes are allocated to the following items in the statement of financial position, losses carried forward, and tax credits:

	Deferred tax		Deferred tax	
	assets Dec 31, 2016 in EUR million	liabilities Dec 31, 2016 in EUR million	assets Dec 31, 2015 in EUR million	liabilities Dec 31, 2015 in EUR million
Assets				
Property, plant and equipment	14.9	-1.6	11.3	-1.5
Investment property	0.1	0.0	0.1	0.0
Financial assets	0.2	-4.0	0.1	-1.4
	15.2	**-5.6**	**11.5**	**-2.9**
Liabilities				
Provisions	0.7	-1.9	0.6	-3.2
Other financial liabilities	2.4	0.0	5.7	0.0
	3.0	**-1.9**	**6.3**	**-3.2**
Tax losses carried forward	19.7	0.0	13.2	0.0
Deferred tax assets or deferred tax liabilities	**37.9**	**-7.5**	**31.0**	**-6.2**
Offsetting	-7.5	7.5	-6.2	6.2
Net deferred tax assets or deferred tax liabilities	**30.4**	**0.0**	**24.8**	**0.0**

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 of Management considers the scheduled reversal of deferred tax liabilities and the estimated future taxable income for this assessment.

Based on prior periods taxable income and projections for future taxable income over years in which tax assets can be utilized, the Board of Management believes that the realization of the tax benefits from the deferred tax assets in the amount of EUR 30.4 million (prior year: EUR 24.8 million) is probable. The temporary differences in property, plant and equipment result mainly from the different depreciation/amortization start (pro rata temporis in accordance with IFRS compared to the half-year rule in accordance with the tax code) as well as from different acquisition costs. The temporary differences from the financial assets and liabilities arise due to the different measurement of power derivatives under IFRS (fair value measurement) and tax law (provision for onerous contracts).

Tax loss carryforwards stem from Austrian companies and may be carried forward without restriction. Annual usage of losses carried forward is limited to 75% of the respective taxable income in Austria, however, EUR 2,415.7 million (prior year: EUR 2,434.7 million) result from pre-tax group losses and can therefore be utilized in their entirety against taxable income generated in future periods. The change results from the consideration of the differences that have resulted from tax assessments in the financial year and the initially recognized tax results.

For tax loss carry forwards amounting to EUR 2,343.5 million (prior year: EUR 2,387.8 million), no deferred taxes are recognized as the recovery in the foreseeable future is not probable.

At present, the tax audit currently being performed on the financial years 2009 through 2013 and the tax review of 2014 and 2015 have not yet resulted in the final assessments of capital gains, sales, corporate income, and vehicle road tax or of the fee owing to the chamber of commerce.

14. Property, plant and equipment

The schedule of property, plant and equipment below shows the structure of these assets, the changes in the financial year, and the development of investment grants for property, plant and equipment.

in EUR million	Land and buildings		Automobiles and trucks	Technical equipment and machinery	Technical equipment and machinery leased	Other plant, furniture and fixtures	Assets under construction and prepayments	Total	
Cost 2016									
Cost as of Jan 01, 2016	*25,730.0*	**)*	*372.1*	*8,917.5*	*1.5*	*144.2*	*2,787.0*	*37,952.3*	**)*
Additions	23.2		0.0	3.3	0.0	6.2	1,621.0	1,653.7	
Disposals	-96.6		-17.5	-39.1	0.0	-3.1	-9.4	-165.7	
Transfers	744.4		32.2	317.2	0.0	4.3	-1,115.6	-17.5	
Cost as of Dec 31, 2016	26,401.1		386.8	9,198.9	1.5	151.6	3,283.1	39,423.0	
Accumulated depreciation and amortization as of Jan 01, 2016	*-7,824.1*		*-221.5*	*-4,686.6*	*-1.2*	*-106.1*	*0.0*	*-12,839.5*	
Depreciation and amortization	-488.5		-31.0	-312.3	-0.1	-15.5	0.0	-847.4	
Disposals	71.6		13.5	32.2	0.0	3.0	0.0	120.3	
Transfers	2.9		0.0	0.0	0.0	0.0	0.0	2.9	
Accumulated depreciation and amortization as of Dec 31, 2016	-8,238.1		-239.0	-4,966.7	-1.3	-118.6	0.0	-13,563.7	
Carrying amounts before investment grants as of Jan 01, 2016	17,905.9	*)	150.6	4,230.9	0.3	38.1	2,787.0	25,112.9	*)
Carrying amounts before investment grants as of Dec 31, 2016	18,163.0		147.8	4,232.2	0.2	33.0	3,283.1	25,859.3	
Investment grants 2016									
As of Jan 01, 2016	*-9,567.0*	**)*	*-7.3*	*-2,952.0*	*0.0*	*-4.3*	*-394.3*	*-12,925.0*	**)*
Additions	-67.2		0.0	-11.3	0.0	-0.1	-91.1	-169.7	
Disposals	47.9		0.0	18.5	0.0	0.0	0.3	66.7	
Transfers	-11.5		0.0	-5.7	0.0	0.0	19.0	1.8	
As of Dec 31, 2016	-9,597.9		-7.3	-2,950.5	0.0	-4.4	-466.1	-13,026.2	
Accumulated depreciation and amortization as of Jan 01, 2016	*5,444.2*		*7.1*	*2,395.3*	*0.0*	*3.6*	*0.0*	*7,850.2*	
Depreciation and amortization	112.0		0.0	47.8	0.0	0.1	0.0	159.9	
Disposals	-41.1		0.0	-16.1	0.0	0.0	0.0	-57.2	
Transfers	-0.6		0.0	0.0	0.0	0.0	0.0	-0.6	
Accumulated depreciation and amortization as of Dec 31, 2016	5,514.5		7.1	2,427.0	0.0	3.7	0.0	7,952.3	
Investment grants as of Jan 01, 2016	-4,122.8	*)	-0.1	-556.7	0.0	-0.7	-394.3	-5,074.8	*)
Investment grants as of Dec 31, 2016	-4,083.4		-0.2	-523.5	0.0	-0.7	-466.1	-5,073.9	
Carrying amounts after investment grants as of Jan 01, 2016	13,783.1	*)	150.5	3,674.2	0.3	37.4	2,392.7	20,038.1	*)
Carrying amounts after investment grants as of Dec 31, 2016	14,079.6		147.6	3,708.7	0.2	32.3	2,817.0	20,785.4	

*) adjusted comparative amounts, see Note 14

in EUR million	Land and buildings		Automobiles and trucks	Technical equipment and machinery	Technical equipment and machinery leased	Other plant, furniture and fixtures	Assets under construction and prepayments	Total	
Cost 2015									
Cost as of Jan 01, 2015	*24,892.2*	**)*	*360.0*	*8,603.3*	*1.5*	*133.1*	*2,516.0*	*36,506.1*	**)*
Additions	27.2		0.0	2.9	0.0	6.3	1,628.2	1,664.6	
Disposals	-119.7		-14.3	-73.0	0.0	-2.2	-18.5	-227.6	
Transfers	930.3		26.4	384.3	0.0	7.0	-1,338.7	9.3	
Cost as of Jan 01, 2016	25,730.0	*)	372.1	8,917.5	1.5	144.2	2,787.0	37,952.3	*)
Accumulated depreciation and amortization as of Jan 01, 2015	*-7,452.9*		*-203.1*	*-4,438.4*	*-1.0*	*-93.7*	*0.0*	*-12,189.2*	
Depreciation and amortization	-468.4		-30.2	-304.2	-0.2	-14.8	0.0	-817.8	
Disposals	97.4		11.8	55.9	0.0	2.2	0.0	167.3	
Transfers	-0.2		0.0	0.1	0.0	0.2	0.0	0.2	
Accumulated depreciation and amortization as of Dec 31, 2015	-7,824.1		-221.5	-4,686.6	-1.2	-106.1	0.0	-12,839.5	
Carrying amounts before investment grants as of Jan 01, 2015	17,439.3	*)	156.8	4,164.8	0.4	39.5	2,516.0	24,316.9	*)
Carrying amounts before investment grants as of Dec 31, 2015	17,905.9	*)	150.6	4,230.9	0.3	38.0	2,787.0	25,112.9	*)
Investment grants 2015									
As of Jan 01, 2015	*-9,559.3*	**)*	*-7.2*	*-2,952.9*	*0.0*	*-4.4*	*-324.0*	*-12,847.8*	**)*
Additions	-47.1		-0.1	-13.1	0.0	0.0	-110.3	-170.6	
Disposals	71.4		0.0	20.6	0.0	0.1	0.9	93.0	
Transfers	-32.0		0.0	-6.6	0.0	0.0	39.0	0.4	
As of Dec 31, 2015	-9,567.0	*)	-7.3	-2,952.0	0.0	-4.3	-394.3	-12,925.0	*)
Accumulated depreciation and amortization as of Jan 01, 2015	*5,391.8*		*7.1*	*2,361.9*	*0.0*	*3.6*	*0.0*	*7,764.3*	
Depreciation and amortization	111.8		0.0	50.5	0.0	0.0	0.0	162.4	
Disposals	-58.7		0.0	-17.4	0.0	0.0	0.0	-76.1	
Transfers	-0.7		0.0	0.3	0.0	0.0	0.0	-0.4	
Accumulated depreciation and amortization as of Dec 31, 2015	5,444.2		7.1	2,395.3	0.0	3.6	0.0	7,850.2	
Investment grants as of Jan 01, 2015	-4,167.5	*)	0.0	-591.0	0.0	-0.8	-324.0	-5,083.4	*)
Investment grants as of Dec 31, 2015	-4,122.8	*)	-0.1	-556.7	0.0	-0.7	-394.3	-5,074.8	*)
Carrying amounts after investment grants as of Jan 01, 2015	13,271.7	*)	156.8	3,573.8	0.4	38.7	2,192.1	19,233.5	*)
Carrying amounts after investment grants as of Dec 31, 2015	13,783.1	*)	150.5	3,674.2	0.3	37.3	2,392.7	20,038.1	*)

*) adjusted comparative amounts, see Note 14

In 2016, the Company became aware that a carrying amount of EUR 37.2 million (cost of EUR 45.5 million less investment grants of EUR 8.3 million) for building rights subject to application of IAS 40 (investment property) had been incorrectly recognized under property, plant and equipment (land and buildings). This error was corrected in the 2016 financial statements by adjusting the relevant items in the Consolidated Financial Statements. In the absence of any depreciation of the building rights acquired long before 2015, the carrying amounts match the historical acquisition costs. To enhance comparability,

- the carrying amount of property, plant and equipment in the Consolidated Statement of Financial Position as of December 31, 2015, was reduced by kEUR 37,248.9 and the carrying amount of investment property increased by kEUR 37,248.9,
- the cost of land and buildings as of January 1, 2015, December 31, 2015, and January 1, 2016 (Note 14), were reduced by kEUR 45,502.1 and the investment grants as of January 1, 2015, December 31, 2015, and January 1, 2016, were reduced by kEUR 8,253.3 in the schedule of property, plant and equipment, and
- the carrying amount as of January 1, 2015, December 31, 2015, and January 1, 2016, was increased by a net amount of EUR 37.2 million in the presentation of changes in investment property (Note 16).

The ÖBB-Infrastruktur Group received non-repayable investment grants for property, plant and equipment that are presented as a reduction to acquisition cost. The depreciation of these assets and the corresponding amortization of the investment grants are recognized in profit or loss under depreciation and amortization. Additions to property, 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 the items "Assets held for sale" (see Note 19) and "Inventories". For details of changes in accounting estimates, see Note 3 "Estimated useful lives of property, plant and equipment and intangible assets."

In the financial year, in accordance with IAS 23, the ÖBB-Infrastruktur Group capitalized interest on the cost of qualifying assets amounting to EUR 63.9 million (prior year: EUR 54.7 million). The underlying interest rate for borrowed capital was 3.18%, (prior year: 3.44%). Of the federal subsidies, the amount of EUR 62.0 million (prior year: EUR 53.6 million) was recognized as an investment grant for capitalized interest.

Assets under construction amounted to EUR 2,815.8 million (prior year: EUR 2,391.1 million).

As of December 31, 2016, contractual obligations for the purchase of property, plant and equipment (purchase commitments) amounted to EUR 2,050.0 million (prior year: EUR 1,990.9 million).

Property, plant and equipment with the following carrying amounts are pledged as collateral for financial liabilities:

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Other technical equipment and machinery	187.9	203.4
Automobiles and trucks	52.5	57.7
Total	**240.4**	**261.1**

Of these assets, EUR 187.9 million (prior year: EUR 203.4 million) are used as collateral for liabilities from cross-border leasing transactions and EUR 52.5 million (prior year: EUR 57.7 million) are used as collateral for EUROFIMA loans.

Losses were incurred from disposals of property, plant and equipment of EUR 24.6 million (prior year: EUR 37.3 million), resulting from scrapping and demolishing assets, the sale of vehicles and other equipment, the disposal of planning systems, and assignments to the public sector.

Investment grants

The development of investment grants is shown in the schedule of property, plant and equipment. The main providers are as follows:

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Republic of Austria	2,822.8	2,649.4
former Eisenbahn-Hochleistungsstrecken AG	1,300.6	1,328.5
Schieneninfrastrukturfinanzierungs GmbH	1,214.7	1,272.7
Other third parties	99.2	123.2
Total	**5,437.3**	**5,373.8**

Investment grants for intangible assets made by these providers total EUR 363.4 million (prior year: EUR 290.7 million) and are included in this list.

Leased and rented assets

Property, plant and equipment include leased assets that are reported separately in the schedule of property, plant and equipment. The leased property, plant and equipment is classified as a finance lease due to the structure of the underlying lease agreements and therefore ÖBB-Infrastruktur Group is the beneficial but not the legal owner of the assets. These assets primarily comprise technical equipment and machinery. For further information, see Note 30.

15. Intangible assets

The schedule of intangible assets below shows the structure of the intangible assets and the changes in the financial year.

	Concessions, protective rights, licenses and development costs in EUR million	Investment grants to third parties in EUR million	Down payments on intangible assets in EUR million	Total in EUR million
Cost 2016				
Cost as of Jan 01, 2016	*145.9*	*1,027.2*	*18.9*	*1,192.0*
Additions	2.4	174.7	29.0	206.1
Disposals	-7.9	-0.5	-0.1	-8.5
Transfers	15.3	13.0	-25.3	3.0
Cost as of Dec 31, 2016	155.7	1,214.3	22.4	1,392.6
Accumulated depreciation and amortization as of Jan 01, 2016	*-82.7*	*-448.3*	*0.0*	*-531.0*
Depreciation and amortization	-13.1	-26.3	0.0	-39.4
Disposals	5.3	0.4	0.0	5.7
Transfers	0.0	0.1	0.0	0.1
Accumulated depreciation and amortization as of Dec 31, 2016	-90.5	-474.1	0.0	-564.6
Carrying amounts before investment grants as of Jan 01, 2016	63.2	578.9	18.9	661.0
Carrying amounts before investment grants as of Dec 31, 2016	65.1	740.3	22.4	827.8
Investment grants 2016				
As of Jan 01, 2016	*-33.4*	*-593.3*	*0.0*	*-626.7*
Additions	-0.2	-78.5	0.0	-78.7
Transfers	1.1	-2.0	0.0	-0.9
As of Dec 31, 2016	-32.6	-673.8	0.0	-706.3
Accumulated depreciation and amortization as of Jan 01, 2016	*17.1*	*318.9*	*0.0*	*336.0*
Depreciation and amortization	1.7	5.4	0.0	7.1
Transfers	0.0	-0.1	0.0	-0.1
Accumulated depreciation and amortization as of Dec 31, 2016	18.8	324.2	0.0	343.0
Investment grants as of Jan 01, 2016	-16.3	-274.4	0.0	-290.7
Investment grants as of Dec 31, 2016	-13.8	-349.6	0.0	-363.4
Carrying amounts after investment grants as of Jan 01, 2016	46.8	304.5	19.0	370.3
Carrying amounts after investment grants as of Dec 31, 2016	51.3	390.6	22.4	464.3

	Concessions, protective rights, licenses and development costs in EUR million	Investment grants to third parties in EUR million	Down payments on intangible assets in EUR million	Total in EUR million
Cost 2015				
Cost as of Jan 01, 2015	*133.4*	*893.0*	*17.6*	*1,044.0*
Additions	2.1	116.4	31.3	149.7
Disposals	-0.4	-2.7	-0.3	-3.4
Transfers	10.8	20.5	-29.7	1.6
Cost as of Dec 31, 2015	145.9	1,027.2	18.9	1,192.0
Accumulated depreciation and amortization as of Jan 01, 2015	*-71.1*	*-422.5*	*0.0*	*-493.6*
Depreciation and amortization	-12.0	-26.0	0.0	-38.0
Disposals	0.4	0.5	0.0	0.9
Transfers	0.0	-0.3	0.0	-0.3
Accumulated depreciation and amortization as of Dec 31, 2015	-82.7	-448.3	0.0	-531.0
Carrying amounts before investment grants as of Jan 01, 2015	62.3	470.5	17.6	550.4
Carrying amounts before investment grants as of Dec 31, 2015	63.2	578.9	18.9	661.0
Investment grants 2015				
As of Jan 01, 2015	*-33.0*	*-476.1*	*0.0*	*-509.0*
Additions	-1.2	-116.4	0.0	-117.6
Disposals	0.0	0.4	0.0	0.4
Transfers	0.8	-1.2	0.0	-0.4
As of Dec 31, 2015	-33.4	-593.3	0.0	-626.7
Accumulated depreciation and amortization as of Jan 01, 2015	*15.4*	*313.2*	*0.0*	*328.6*
Depreciation and amortization	1.7	5.4	0.0	7.1
Disposals	0.0	-0.1	0.0	-0.1
Transfers	0.0	0.4	0.0	0.4
Accumulated depreciation and amortization as of Dec 31, 2015	17.1	318.9	0.0	336.0
Investment grants as of Jan 01, 2015	-17.6	-162.9	0.0	-180.5
Investment grants as of Dec 31, 2015	-16.3	-274.4	0.0	-290.7
Carrying amounts after investment grants as of Jan 01, 2015	44.7	307.6	17.6	369.9
Carrying amounts after investment grants as of Dec 31, 2015	46.8	304.5	19.0	370.3

The ÖBB-Infrastruktur Group received non-repayable investment grants for intangible assets that are presented as a reduction to acquisition cost. The amortization of these assets and the corresponding amortization of all investment grants are recognized in profit or loss under "Depreciation and amortization".

Expenses for research and development total EUR 5.9 million (prior year: EUR 3.7 million). In the financial year, expenses of EUR 4.2 million (prior year: EUR 2.0 million) were capitalized under "Concessions, property rights, licenses and development costs") to reflect development costs relating to fixed assets.

The additions to "Investment grants to third parties" relate primarily to grants made to Galleria di Base del Brennero - Brenner Basistunnel BBT SE.

16. Investment property

This category only includes properties that do not qualify as railway assets (Section 10a Railway Act [Eisenbahngesetz]) and can therefore be leased to third parties or sold. Accordingly, investment property comprises mainly properties held for lease, building rights, and agricultural land. These properties have the same useful lives as the real estate assets recognized under property, plant and equipment.

In 2016, an impairment of EUR 1.6 million (prior year: EUR 0.0 million) was required under IAS 36, which was reported under depreciation and amortization. The assets developed as follows:

	2016 in EUR million		2015 in EUR million	*)
Cost				
As of Jan 01	*339.9*	**)*	*341.5*	**)*
Additions	1.5		0.5	
Subsequent acquisition costs	0.0		0.1	
Disposals	-2.4		-2.7	
Transfers	1.2		0.5	
As of Dec 31	**340.2**		**339.9**	***)**
Accumulated depreciation				
As of Jan 01	*-176.0*		*-174.6*	**)*
Depreciation and amortization	-4.3		-4.0	
Impairments	-1.6		0.0	
Disposals	2.2		2.6	
Transfers	-0.5		0.0	
As of Dec 31	**-180.2**		**-176.0**	*)
Net carrying amounts as of Jan 01	**163.9**	***)**	**166.9**	***)**
Net carrying amounts as of Dec 31	**160.0**		**163.9**	***)**

*) adjusted comparative amounts, see Note 14

All investment property held by the ÖBB-Infrastruktur Group is leased under operating lease agreements. Rental income from these leases (excluding operating costs) amounted to EUR 19.7 million (prior year: EUR 19.5 million), which direct attributable expenses (including repairs and maintenance, but excluding operating costs) in the amount of EUR 6.8 million (prior year: EUR 7.2 million). In addition, operating expenses of EUR 0.5 million (prior year: EUR 0.2 million) were incurred for property that does not generate rental income. ÖBB-Infrastruktur Group has not entered into any contracts for the maintenance of its investment properties that lead to a related obligation.

The fair value totals EUR 559.1 million (prior year: EUR 596.4 million). External expertise based on market data was used to measure 71% (prior year: 51%) of the properties. The fair values of the remaining investment properties were determined by Group experts at 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.

The fair value recognized in 2015 was adjusted to reflect the fair values of the reclassified building rights in an amount of EUR 247.2 million.

17. Investments recorded using the equity method of accounting

Investments that are measured using the equity method of accounting include investments in one joint venture and in one associate.

Joint venture name and registered office	Ownership share in % Dec 31, 2016	Dec 31, 2015
Galleria di Base del Brennero - Brenner Basistunnel BBT SE, I-39100 Bozen	50.0	50.0

Associated company name and registered office	Ownership share in % Dec 31, 2016	Dec 31, 2015
Weichenwerk Wörth GmbH, A-3151 St. Georgen am Steinfeld	43.05	43.05

The following table summarizes the financial information of the companies reported using the equity method of accounting in which ÖBB-Infrastruktur AG is invested as of the reporting date. The table also reconciles the summarized financial information 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 reflect Group accounting methods. The reporting date of Weichenwerk Wörth GmbH is March 31. The company is included on the basis of its interim financial statements as of December 31.

	Galleria di Base del Brennero - Brenner Basistunnel BBT SE		Weichenwerk Wörth GmbH	
Investment, name and registered office	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Revenue	0.0	0.0	31.8	32.7
Depreciation	-1.2	-1.0	-0.7	-0.7
Interest income	0.4	0.4	0.0	0.0 *)
Interest expenses	0.0	0.0	0.0	0.0 *)
Tax expense	0.0	0.0	-0.8	-1.0
Annual profit/loss from continuing operations	0.0	0.0	2.5	2.7
Overall result	**0.0**	**0.0**	**2.5**	**2.7**
Cash and cash equivalents	98.7	151.4	0.0	0.0 *)
Other current assets	286.5	36.0	8.9	10.5
Non-current assets	13.9	13.0	10.5	10.4
Non-current liabilities	80.9	48.1	6.9	8.0
thereof current financial liabilities	*78.8*	*47.1*	*5.0*	*3.8*
Non-current liabilities	237.1	71.2	2.3	2.5
thereof non-current financial liabilities	*0.0*	*0.0*	*0.0*	*2.3*
Net assets 100%	**81.1**	**81.1**	**10.2**	**10.4**
Interest of the Group in the net assets of the investee as of 01/01	40.6	40.6	8.7	3.2
Overall result attributable to the Group	0.0	0.0	1.0	0.8
Difference in consolidation from share exchange	0.0	0.0	0.0	5.7
thereof goodwill	*0.0*	*0.0*	*0.0*	*2.2*
Dividends received from associated companies	0.0	0.0	-1.1	-1.0
Carrying amount of the interest in the investee as of 12/31	**40.6**	**40.6**	**8.6**	**8.7**

*) small amounts

Galleria di Base del Brennero – Brenner Basistunnel BBT SE (BBT SE) is the only joint venture operated by the Group. BBT SE is an independent legal entity. Since the Group holds a residual interest in the net assets, it classifies its investment as a joint venture. The purpose and task of BBT SE is to plan and build the Brenner base tunnel. The overall project comprises the construction of the railway tunnel between Tulfes/Innsbruck and Franzensfeste, consisting of the main, inspection and access tunnels; the multifunction stations, engineering equipment, control center, necessary landfills, and the bridges and stations needed to perform the construction work; and putting the tunnel into service. Under the provisions of the State Treaty dated April 30, 2004, Italy and Austria each hold 50% of the share capital of BBT SE. Austria's 50% is owned entirely by ÖBB-Infrastruktur AG and 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 (other operating income), in addition to the figures mentioned above, of EUR 16.8 million (prior year: EUR 15.1 million) and total expenses of EUR 17.2 million (prior year: EUR 15.5 million). BBT SE received investment grants of EUR 173.0 million (prior year: EUR 112.5 million). In both reporting years, the Austrian government refunded EUR 73.7 million (prior year: EUR 106.5 million) of this amount, while EUR 1.0 million (prior year: EUR 6.0 million) were refunded by the province of Tyrol on the basis of the share purchase agreement dated April 18, 2011. The non-current liabilities relate to investment grants received but not yet spent on this project.

The business of Weichenwerk Wörth GmbH includes the manufacture and recycling of switches and components, buffer stops, and insulated rail joints as well as the logistics and transport of the manufactured products and service operations for switches. The acquisition of additional shares in 2015 is described in Note 2.

18. Other non-current financial assets

2016	Current in EUR million	Non-current in EUR million	Total in EUR million
Investments	0.0	8.1	8.1
Financial assets - leasing	118.2	112.4	230.6
thereof from affiliated companies	*7.6*	*43.2*	*50.8*
Other financial assets	125.3	94.9	220.2
Total	**243.5**	**215.4**	**458.9**
thereof from affiliated companies	*7.6*	*43.2*	*50.8*

2015	Current in EUR million	Non-current in EUR million	Total in EUR million
Investments	0.0	9.0	9.0
Financial assets - leasing	58.8	381.2	440.0
thereof from affiliated companies	*17.1*	*64.6*	*81.7*
Other financial assets	49.3	186.7	236.0
Total	**108.1**	**576.9**	**685.0**
thereof from affiliated companies	*17.1*	*64.6*	*81.7*

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 amortized cost less impairment as fair values cannot be reliably determined since the investments are not listed shares.

Financial assets – leasing

Financial assets in connection with leases relate to EUR 40.0 million (prior year: EUR 75.1 million) in receivables from subleases to ÖBB-Produktion GmbH, ÖBB-Personenverkehr AG and (for 2015 only) Rail Cargo Austria AG and EUR 179.8 million (prior year: EUR 358.3 million) in assets from cross-border leasing transactions (CBL). In addition, EUR 10.8 million (prior year: EUR 2.1 million) are attributable to claims charged to other ÖBB Group companies resulting from allowances (2015) or the termination of a leasing transaction (2016).

Financial assets from non-linked CBL transactions in the amount of EUR 179.8 million (prior year: EUR 358.3 million) relate mainly to long-term loans and securities whose purpose is to cover future payment obligations (lease installments and purchase prices). Capital gains on accumulating investments increase the amount, while servicing payment obligations reduces it. These assets are matched by financial liabilities in the amount of EUR 172.2 million (prior year: EUR 341.4 million). There are restrictions on access to financial assets from leases of EUR 105.9 million (prior year: EUR 252.1 million).

In addition, financial assets amounting to EUR 119.8 million (prior year: EUR 166.2 million), which are reported under other financial assets, have been pledged as collateral for lease liabilities. For further information on leasing and CBL transactions, see Notes 30.1 and 30.3.

Other financial assets

Other financial assets in 2016 consist primarily of available-for-sale securities in the amount of EUR 119.8 million (prior year: EUR 166.2 million), which are used to secure CBL transactions. Derivatives relating to power forward contracts in the amount of EUR 13.7 million (prior year: EUR 5.9 million) and other derivatives of EUR 2.3 million (prior year: EUR 0.2 million) as well as remaining deposits from the release of CBL transactions in the amount of EUR 84.0 million (prior year: EUR 60.4 million) are also included.

19. Assets held for sale

The line item assets held for sale is composed as follows:

Assets held for sale	2016 in EUR million	2015 in EUR million	
As of Jan 01	*0.0*	*0.6*	
Additions (single assets)	7.8	0.0	
Disposals by sale	0.0	-0.6	
As of Dec 31	**7.8**	**0.0**	***)**
of which reported at amortized cost	*7.8*	*0.0*	**)*

*) small amounts

In 2016, the assets reported under this item are primarily real estate located in Vienna, Upper Austria and Tyrol, and 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 the sale in the next financial year is highly probable.

The expected proceeds on assets held for sale in 2017 are all in excess to the current carrying amounts of the assets. The ÖBB-Infrastruktur Group recorded gains of EUR 6.6 million (prior year: EUR 5.2 million) from the sale of assets held for sale, which were recognized in other operating income, together with the result from the sale of other property, plant and equipment.

As of December 31, 2016 and 2015 no further assets were reclassified between the reporting date and the date of preparation of the Consolidated Financial Statements as held for sale.

20. Trade and other receivables

These items developed as follows:

Dec 31, 2016	Current in EUR million	Non-current in EUR million	Total in EUR million
Trade receivables	152.1	0.0	152.1
thereof from affiliated companies	*62.6*	*0.0*	*62.6*
thereof from construction contracts	*5.5*	*0.0*	*5.5*
Other receivables and assets	203.0	145.5	348.5
Total	**355.1**	**145.5**	**500.6**

Dec 31, 2015	Current in EUR million	Non-current in EUR million	Total in EUR million
Trade receivables	128.3	0.0	128.3
thereof from affiliated companies	*64.6*	*0.0*	*64.6*
thereof from construction contracts	*4.2*	*0.0*	*4.2*
Other receivables and assets	206.6	152.9	359.5
Total	**334.9**	**152.9**	**487.8**

The carrying amounts of the trade and other receivables (in the case of financial instruments) due to their short term approximate their respective fair values. Trade receivables include receivables with a remaining maturity of more than 1 year in the amount of EUR 0.6 million (prior year: EUR 0.5 million).

Construction contracts in connection with services provided to third parties that are not yet completed are recognized as trade receivables.

Other receivables and assets relate primarily to guarantee premiums paid in advance in an amount of EUR 161.6 million (prior year: EUR 169.4 million), input tax on prepayment invoices of EUR 43.2 million (prior year: EUR 38.2 million) and input tax credits from the previous filing in December of EUR 71.1 million (prior year: EUR 77.5 million), together with the January salaries paid in December, amounting to EUR 31.3 million (prior year: EUR 31.6 million).

Allowances developed as follows:

	Trade receivables		Other receivables	
	2016	2015	2016	2015
	in EUR million	in EUR million	in EUR million	in EUR million
As of Jan 01	*13.5*	*13.3*	*0.0*	*0.0*
Utilization	-0.6	-0.5	0.0	0.0
Release	-1.7	-1.5	0.0	0.0
Additions	2.2	2.1	0.0	0.0
As of Dec 31	**13.4**	**13.5**	**0.0**	**0.0**

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

Dec 31, 2016 Analysis of past due/ impaired receivables	Gross carrying amount (before impairment) in EUR million	thereof not individually impaired in EUR million	thereof impaired (gross) in EUR million	Allowance in EUR million	thereof individual allowance in EUR million	thereof portfolio allowance in EUR million	Net carrying amount in EUR million
Receivables not past due but impaired	0.4	0.0	0.4	0.4	0.4	0.0	0.0
up to 90 days past due	5.3	5.2	0.1	0.1	0.1	0.0	5.2
90 to 180 days past due	1.3	0.5	0.8	0.8	0.8	0.0	0.5
180 to 360 days past due	7.4	5.3	2.1	2.0	2.0	0.0	5.4
more than 360 days past due	13.6	2.9	10.7	10.1	9.0	1.1	3.5
Total exposure	**28.0**	**13.9**	**14.1**	**13.4**	**12.3**	**1.1**	**14.6**

Dec 31, 2015 Analysis of past due/ impaired receivables	Gross carrying amount (before impairment) in EUR million	thereof not individually impaired in EUR million	thereof impaired (gross) in EUR million	Allowance in EUR million	thereof individual allowance in EUR million	thereof portfolio allowance in EUR million	Net carrying amount in EUR million
Receivables not past due but impaired	0.9	0.0	0.9	0.9	0.9	0.0	0.0
up to 90 days past due	4.2	3.0	1.2	1.0	1.0	0.0	3.2
90 to 180 days past due	14.4	14.1	0.3	0.3	0.3	0.0	14.1
180 to 360 days past due	3.9	2.7	1.2	1.0	1.0	0.0	2.9
more than 360 day past due	13.6	3.1	10.5	10.3	9.6	0.7	3.3
Total exposure	**37.0**	**22.9**	**14.1**	**13.5**	**12.8**	**0.7**	**23.5**

Based on experience, the management of the ÖBB Infrastructure Group estimates that no additional allowances other than the ones detailed above are required, even if the receivables are past due by more than 30 days.

More information is provided in Note 29.1.c.

21. Inventories

This line item is composed as follows:

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Inventories	73.3	56.5
less write down	-1.2	-1.5
Total	**72.1**	**55.0**
thereof measured at cost	*51.6*	*32.5*
thereof measured at net realizable value	*20.5*	*22.5*

Inventories include material and spare parts used for the expansion and maintenance of the Group's own railway networks and for real estate development projects. The cost of materials and other services received are disclosed in Note 7. In 2016 and 2015, no provisions of allowances were reversed. Real estate development projects relate to real estate which is no longer used in operations and is now under development for later sale. These are railway station and system facilities which were previously used in continuing operations. They consist of major projects, such as the land of the former Südbahnhof and the Frachtenbahnhof Wien Nord, which are being developed on a large scale.

Impairments in 2016 total EUR 1.2 million (prior year: EUR 1.5 million) and are recognized under cost of materials and purchased services.

Of the real estate development property with a carrying amount of EUR 51.6 million (prior year: EUR 32.5 million), EUR 29.1 million (prior year: EUR 13.1 million) are classified as long term.

22. Cash and cash equivalents

These items developed as follows:

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Cash on hand and cash	0.1	0.1
Cash in banks	5.9	8.3
Current account ÖBB-Finanzierungsservice GmbH (Group clearing)	119.6	217.6
Total	**125.6**	**226.0**

This item includes investments with and cash in banks and with ÖBB-Finanzierungsservice GmbH, and cash on hand, all of which are current (terms of fewer than 3 months). The carrying amounts of these assets are equivalent to their fair values. ÖBB Infrastruktur Group can freely dispose of all cash and cash equivalents. The cash and cash equivalents according to the Statement of Cash Flow comprise the liquid assets listed above and the liabilities to ÖBB-Finanzierungsservice GmbH in the amount of EUR 20.8 million (prior year: EUR 14.7 million) from Group clearing.

23. Share capital, shares of non-controlling interests

Share capital

The share capital of ÖBB-Infrastruktur AG is unchanged at EUR 500.0 million and is fully paid in. The share capital is divided into 100,000 registered shares. All shares are held by ÖBB-Holding AG.

Non-controlling interests

This item reflects the portion of the equity of any fully consolidated subsidiary that does not belong to ÖBB-Infrastruktur AG. The development of this item is shown in the Consolidated Statement of Changes in Shareholders' Equity.

The following table presents 100% of the information relating to WS-Service GmbH, the Company's subsidiary with a non-controlling interest (49%).

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Non-current assets	0.5	0.4
Current assets	2.1	1.1
Non-current liabilities	0.0	0.0
Current liabilities	1.5	0.9
Net assets	**1.1**	**0.6**
Carrying amount of non-controlling interests (pro rata)	**0.5**	**0.3**
Revenue	7.7	4.6
Profit	0.7	0.2
Other comprehensive income	0.0	0.0
Overall result	**0.7**	**0.2**
Profit attributable to non-controlling interests	*0.3*	*0.2*
Other comprehensive income attributable to non-controlling interests	*0.0*	*0.0*
Cash flow from operating activities	1.3	0.2
Cash flow from investing activities	-0.3	-0.2
Cash flow from financing activities	-0.2	0.3
Net increase (net reduction) in cash and cash equivalents	**0.8**	**0.3**

24. Reserves

Unchanged from the prior year, capital reserves total about EUR 538.9 million (prior year: EUR 538.9 million) and relate primarily to restructuring measures in the past.

The development of the cash-flow-hedge reserve and the available-for-sale reserve is as follows:

	Available for sale reserve		Cash flow hedge reserve	
	Development of carrying amount in EUR million	Income taxes included therein in EUR million	Development of carrying amount in EUR million	Income taxes included therein in EUR million
As of Jan 01, 2015	*10.7*	*0.0*	*-17.9*	*3.0*
Changes in the fair values	-2.3	0.0	-6.3	1.9
Realized gains and losses	0.0	0.0	8.2	-2.2
As of Dec 31, 2015	**8.4**	**0.0**	**-16.0**	**2.7**
Changes in the fair values	-2.8	0.0	3.3	-1.5
Realized gains and losses	1.3	0.0	5.9	-1.1
As of Dec 31, 2016	**6.9**	**0.0**	**-6.8**	**0.1**

See the Statement of Changes in Shareholders' Equity for further explanation.

25. Financial liabilities

The financial liabilities are composed as follows:

2016	< 1 year in EUR million	1 to 5 years in EUR million	> 5 years in EUR million	Total in EUR million
Bonds	431.0	3,887.7	9,973.2	14,291.9
Liabilities to banks	73.5	227.2	3,565.6	3,866.3
Financial liabilities leasing	118.3	70.8	23.2	212.3
thereof from affiliated companies	*7.6*	*24.6*	*7.9*	*40.1*
Other financial liabilities	1,273.7	197.0	38.1	1,508.8
thereof from affiliated companies	*21.0*	*0.0*	*0.0*	*21.0*
Total	**1,896.5**	**4,382.7**	**13,600.1**	**19,879.3**
thereof from affiliated companies	*28.6*	*24.6*	*7.9*	*61.1*

2015	< 1 year in EUR million	1 to 5 years in EUR million	> 5 years in EUR million	Total in EUR million
Bonds	1,371.0	3,271.0	10,670.8	15,312.8
Liabilities to banks	9.1	289.4	2,973.4	3,271.9
Financial liabilities leasing	45.2	308.1	64.7	418.0
thereof from affiliated companies	*13.9*	*46.7*	*15.8*	*76.4*
Other financial liabilities	290.8	210.0	38.1	538.9
thereof from affiliated companies	*16.8*	*0.0*	*0.0*	*16.8*
Total	**1,716.1**	**4,078.5**	**13,747.0**	**19,541.6**
thereof from affiliated companies	*30.7*	*46.7*	*15.8*	*93.2*

The total amount of liabilities with a maturity of more than five years mainly relates to bonds, bank loans, sub-lease liabilities, liabilities from cross-border lease agreements and liabilities due to EUROFIMA.

Liabilities to banks include EUR 3,755.9 million (prior year: EUR 3,163.3 million) of loans from the European Investment Bank (EIB).

A loan of EUR 1 billion to refinance a redeemed bond was granted in 2016 by the Republic of Austria and borrowed from Österreichische Bundesfinanzierungsagentur (OeBFA). Long-term refinancing will be sought in the course of 2017.

Guarantees of the federal government

The federal government has guaranteed bonds in the amount of EUR 14,208.6 million (prior year: EUR 15,207.6 million). Additionally, liabilities due to EUROFIMA of EUR 175.8 million (prior year: EUR 179.9 million) are also secured by federal government guarantees.

Issued bonds

Bonds are composed of the following:

Fair value	Currency	Term		ISIN	Interest rate
1,000,000,000.00	EUR	2005 - 2020		XS0232778083	3.5000%
300,000,000.00	EUR	2010 - 2020	2)	XS0232778083	3.5000%
100,000,000.00	EUR	2006 - 2036		XS0243862876	3.4200%
100,000,000.00	EUR	2006 - 2036		XS0244522396	3.4800%
100,000,000.00	EUR	2006 - 2036		XS0252697130	3.5000%
50,000,000.00	EUR	2006 - 2036		XS0252721450	3.5000%
100,000,000.00	EUR	2006 - 2036		XS0275973278	3.4900%
80,000,000.00	EUR	2006 - 2036		XS0275974599	3.4900%
1,300,000,000.00	EUR	2007 - 2022		XS0307792159	4.8750%
200,000,000.00	EUR	2008 - 2022	2)	XS0307792159	4.8750%
100,000,000.00	EUR	2007 - 2037	1)	XS0321318163	4.1715%
100,000,000.00	EUR	2007 - 2037	1)	XS0324893626	4.3975%
50,000,000.00	EUR	2007 - 2037	1)	XS0324895670	4.3975%
100,000,000.00	EUR	2007 - 2037	1)	XS0328866982	4.2270%
50,000,000.00	EUR	2007 - 2037	1)	XS0331427905	4.1950%
50,000,000.00	EUR	2007 - 2037		XS0336043517	3.9900%
1,250,000,000.00	EUR	2009 - 2019		XS0436314545	4.5000%
100,000,000.00	EUR	2010 - 2019	2)	XS0436314545	4.5000%
50,000,000.00	EUR	2011 - 2019	2)	XS0436314545	4.5000%
100,000,000.00	EUR	2009 - 2019		XS0463371236	3MoEURIBOR +0.46%
40,000,000.00	EUR	2009 - 2019		XS0475835863	3.7500%
50,000,000.00	EUR	2010 - 2030		XS0497430172	4.2100%
70,000,000.00	EUR	2010 - 2030		XS0503724642	4.2000%
100,000,000.00	EUR	2010 - 2030		XS0512125849	3.9000%
1,500,000,000.00	EUR	2010 - 2025		XS0520578096	3.8750%
1,000,000,000.00	EUR	2011 - 2021		XS0648186517	3.6250%
50,000,000.00	EUR	2011 - 2021	2)	XS0648186517	3.6250%
1,000,000,000.00	EUR	2011 - 2026		XS0691970601	3.5000%
200,000,000.00	EUR	2011 - 2031		XS0717614951	4.0000%
1,350,000,000.00	EUR	2012 - 2032		XS0782697071	3.3750%
1,000,000,000.00	EUR	2013 - 2023		XS0949964810	2.2500%
75,000,000.00	EUR	2013 - 2033		XS0954197470	2.1250%
1,000,000,000.00	EUR	2013 - 2033		XS0984087204	3.0000%
1,000,000,000.00	EUR	2014 - 2024		XS1138366445	1.0000%
500,000,000.00	EUR	2014 - 2029		XS1071747023	2.2500%

1) Investor has right of premature termination in 2017, 2) Addition to existing bond

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.

Six bonds (totaling USD 108.5 million) were issued in 2015, of which five with a volume of USD 85.7 million and CUSIP numbers A5790#AB4 (matures in 2017), A5790#AC2 (matures in 2017), A5790#AD0 (matures in 2026), A5790#AE8 (matures in 2025) and A5790#AF5 (matures in 2025) have not yet matured.

As of December 31, 2016, the Group has fulfilled all obligations under the loan and credit agreements.

Financial liabilities leasing

Liabilities from leases to affiliated companies exist with regard to ÖBB-Finanzierungsservice GmbH and relate to the financing of the sub-lease transactions with ÖBB-Produktion Gesellschaft mbH, ÖBB-Personenverkehr AG and – in 2015 – Rail Cargo Austria AG. These liabilities are matched by financial receivables due from the three affiliated companies mentioned above. Leasing liabilities due to other companies result mainly from non-linked CBL transactions and amount to EUR 172.2 million as of the reporting date (prior year: EUR 341.4 million).

Financial assets amounting to EUR 218.1 million (prior year: EUR 408.5 million) have been pledged to secure liabilities from CBL transactions. See Note 14 with regard to collateral provided.

Other financial liabilities

Other financial liabilities due to affiliated companies relate to ÖBB-Finanzierungsservice GmbH and are primarily liabilities from current financing in the amount of EUR 20.8 million (prior year: EUR 14.7 million).

Other financial liabilities due to other companies essentially comprise EUROFIMA loans amounting to EUR 175.8 million (prior year: EUR 179.9 million) and accrued interest of EUR 225.8 million (prior year: EUR 232.4 million) as well as liabilities from derivative financial instruments of EUR 23.8 million (prior year: EUR 44.5 million). Of the derivative financial instruments, derivatives with a carrying amount of EUR 7.0 million (prior year: EUR 17.9 million) relate to hedging instruments. In 2016, a EUR 1 billion bond was redeemed, with refinancing secured through a bridge loan provided by ÖBFA.

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

26. Provisions

ÖBB-Infrastruktur Group records provisions when an outflow of resources is probable, and the amount of the provision can be reliably estimated. The provision is recognized in the amount of the probable obligation. In the event of scenarios with equal probabilities, the expected amount is determined by the probability.

26.1. Provisions for personnel

	Dec 31, 2016 in EUR million	Dec 31, 2015 in EUR million
Statutory severance payments	28.1	24.6
Pensions	1.1	1.0
Anniversary bonuses	109.5	109.0
Total	**138.7**	**134.6**

With the exception of the actuarial gains or losses from the provision for statutory severance payments and pensions, all changes to personnel provisions that affect profit or loss are recognized in personnel expenses.

Actuarial assumptions

The following table shows the assumptions used in measuring the obligations for anniversary bonuses, severance payments, and pensions:

	Dec 31, 2016	Dec 31, 2015
Discount rate severance payments and pensions	1.80%	2.40%
Discount rate anniversary bonuses	1.30%	1.80%
Rate of compensation increase	3.80%	3.80%
Rate of pension payment increases	2.00%	2.00%
Employee turnover rate anniversary bonuses of tenured employees	0.00 - 3.03%	0.00 - 2.99%
Employee turnover rate anniversary bonuses of other workers and employees	0.00 - 7.93%	0.00 - 7.57%

The Group is normally 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 based on the future salaries of the beneficiaries. As such, the provisions increase if the beneficiaries' salaries increase.

Statutory severance payments

A provision for severance payments was recognized for severance claims arising from statutory and contractual regulations for those employees who are not tenured employees. 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 the years 2016 and 2015 ÖBB-Infrastruktur paid EUR 2.9 million and EUR 2.6 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 cost and the development of the severance provision in the two reporting years:

	2016 in EUR million	2015 in EUR million
Defined benefit commitments as of Jan 01	*24.6*	*24.2*
Service cost	1.2	1.4
Interest cost	0.6	0.5
Subtotal recorded in the net income	1.8	1.9
Actuarial losses (+) / gains (-) from changes in demographic assumptions	0.0	0.5
Actuarial losses (+) / gains (-) from changes in financial assumptions	2.5	-1.6
Experience adjustments	-0.1	-0.1
recognized in other comprehensive income	2.4	-1.2
Severance payments	-0.8	-0.4
Company sales and acquisitions as well as transfers in the Group	0.1	0.1
Present value of the commitments as of Dec 31	**28.1**	**24.6**

Severance provisions amounting to EUR 0.8 million are due in 2017, EUR 3.3 million in 2018–2021 and EUR 24.0 million after 2021. The duration is 16.2 (prior year: 16.2) years.

The following sensitivity analysis for the provision of severance payments outlines the effect on the obligations of changes in key actuarial assumptions. In each case, one significant factor was changed, while the others were held constant. In reality, however, it is unlikely that these factors will not correlate. In accordance with IAS 19, the projected unit credit (PUC) method is used to measure both the modified and actual obligations through the application of changed parameters. A change in the actuarial assumptions would have the following effect:

Sensitivity analysis of the provisions for severance payments	Change in assumption	Increase of the parameter / change DBO		Reduction of the parameter / change DBO	
	in %	2016 in EUR million	2015 in EUR million	2016 in EUR million	2015 in EUR million
Interest rate	+/-0,5	-2.4	-2.1	2.0	1.7
Salary increase	+/-0,5	2.0	1.7	-2.4	-2.1

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 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.

The following table shows the components of net expense for anniversary bonuses and the development of the anniversary bonus provisions in the two reporting years:

	2016 in EUR million	2015 in EUR million
Defined benefit commitments as of Jan 01	*109.0*	*118.2*
Service cost	4.7	4.9
Interest cost	1.9	1.9
Anniversary bonuses	-10.2	-9.8
Company sales and acquisitions as well as transfers in the Group	0.3	0.4
Actuarial losses (+) / gains (-)	3.8	-10.4
Experience adjustments	0.0	3.8
Present value of the commitments as of Dec 31	109.5	109.0

The duration is 8.7 (prior year: 8.5) years.

Sensitivity analysis of the provisions for anniversary bonuses	Change in assumption	Increase of the parameter / change DBO		Reduction of the parameter / change DBO	
	in %	2016 in EUR million	2015 in EUR million	2016 in EUR million	2015 in EUR million
Interest rate	+/-0,5	-4.5	-4.4	4.9	4.7
Salary increase	+/-0,5	4.7	4.6	-4.4	-4.3

Pensions

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-Infrastruktur Group is required to pay pension and health care contributions for current tenured employees to Versicherungsanstalt für Eisenbahn und Bergbau. In addition, the Company offers all ÖBB-Infrastruktur Group employees in Austria a defined contribution plan. Contributions by the Company are calculated as a percentage of salary and may not exceed 1.2%. In 2016, expenses relating to this plan totaled EUR 9.0 million (prior year: EUR 8.9 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-Infrastruktur Group has been making payments since 2010. This unfunded plan provides for pension payments calculated as a percentage of the salary based on the years of service. The pension amounts to a maximum of 13.2% of the last salary, including pension payments received from the statutory social security institution. The valuation is based on actuarial principles assuming a discount factor of 2.0% (prior year: 2.3%) and a retirement age of 60.

26.2. Other provisions

	As of Jan 01, 2016 in EUR million	Utilization in EUR million	Release in EUR million	Accretion expense in EUR million	Additions in EUR million	As of Dec 31, 2016 in EUR million
Asset retirement commitment	88.6	-0.2	-12.1	0.1	1.1	77.5
Environmental protection measures	43.9	-1.7	-2.4	0.0	0.3	40.1
Demolition cost and similar obligations	14.8	-2.1	-1.4	0.0	6.0	17.3
Litigations	12.8	-0.7	-4.7	0.0	1.9	9.3
Power	10.9	-2.5	0.0	0.0	2.5	10.9
Indemnity pensions	3.9	-0.1	-0.3	0.0	0.5	4.0
Non-income taxes and fees	2.1	-0.9	-0.4	0.0	0.0	0.8
Miscellaneous	45.7	-9.9	-6.3	0.0	10.7	40.2
Total other provisions	**222.7**	**-18.1**	**-27.6**	**0.1**	**23.0**	**200.1**
thereof long-term	*132.8*					*66.5*

The provision for asset retirement costs relates to future expenses in connection with the demolition, dismantling, and removing of assets and the restoration of sites. This refers to already or in the near future retired railway lines and newly added railway line segments 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 resulted in additions to provisions in the amount of EUR 1.1 million (prior year: EUR 19.1 million, includes new routes). The reversal of the provision in 2016 relates to sold lines for which the purchaser has assumed the restoration obligation. In addition, this obligation was partially eliminated for one route.

The provision for environmental protection measures relates to anticipated restoration measures for contaminated sites. As dictated by law, it was recognized in the amount of the anticipated expenditure. Unchanged from the prior year, reimbursement claims for environmental protection measures exist in an amount of EUR 9.3 million and are recognized under other receivables.

The provision for demolition costs and similar obligations includes demolition costs in connection with the sale of real estate properties.

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.

For long-term power purchase agreements that became onerous contracts because of the grid opening, provisions were recognized in the amount of EUR 10.9 million (prior year: EUR 10.9 million) because a compensation by grid revenues is not expected.

Obligations from indemnity pensions are measured using mortality tables and are discounted at a discount rate of 0.17% (prior year: 0.74%).

Miscellaneous provisions mainly include probable recoveries on infrastructure usage fees in respect of current Supreme Court decisions and expenses for geotechnical analyses in connection with the damages to railway embankments.

Anticipated cash outflow for the provisions

Non-current provisions were discounted at interest rates of 0.2% to 0.8% (prior year: 0.1% to 1.5%). Adjustments due to the change in the discount rate were insignificant. Of the other provisions, EUR 66.5 million (prior year: EUR 132.8 million) are classified as non-current. The anticipated cash outflow for these provisions is later than 2017. The anticipated cash outflow for the provisions classified as current is 2017. Provisions for legal disputes and part of the provisions for environmental measures and asset retirement costs, demolition costs, and similar obligations are classified as current. If there is uncertainty about the maturity, the relevant provisions were largely classified as current (mainly related to miscellaneous other provisions).

27. Trade payables and other liabilities

2016	Current in EUR million	Non-current in EUR million	Total in EUR million
Trade payables	602.4	0.0	602.4
thereof from affiliated companies	*30.4*	*0.0*	*30.4*
thereof to third companies	*572.0*	*0.0*	*572.0*
Other liabilities	526.6	38.7	565.3
of which amortization of Federal subsidiaries	*395.5*	*0.0*	*395.5*
thereof accrued personnel liabilities	*64.5*	*0.0*	*64.5*
thereof taxes	*24.9*	*0.0*	*24.9*
thereof social security	*10.9*	*0.0*	*10.9*
Total	**1,129.1**	**38.7**	**1,167.7**

2015	Current in EUR million	Non-current in EUR million	Total in EUR million
Trade payables	580.8	0.0	580.8
thereof from affiliated companies	*36.5*	*0.0*	*36.5*
thereof to third companies	*544.3*	*0.0*	*544.3*
Other liabilities	369.9	44.2	414.1
of which amortization of Federal subsidiaries	*190.4*	*0.0*	*190.4*
thereof accrued personnel liabilities	*65.9*	*0.0*	*65.9*
thereof taxes	*25.6*	*0.0*	*25.6*
thereof social security	*9.9*	*0.0*	*9.9*
Total	**950.8**	**44.2**	**995.0**

Trade payables include payables in the amount of EUR 20.5 million (prior year: EUR 9.0 million) that have a remaining maturity of more than 1 year but are nevertheless recognized as current in accordance with IAS 1.70.

Accrued personnel liabilities consists primarily of overtime and outstanding vacation entitlements in the amount of EUR 55.2 million (prior year: EUR 56.1 million).

Sundry other accruals reported under other liabilities mainly relate to accrued income from contracts governing building rights in an amount of EUR 40.1 million (prior year: EUR 45.0 million).

C. OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Other guarantees and contingent liabilities

	2016 in EUR million	2015 in EUR million
Contingent liabilities from lease transactions	237.7	396.0
Other contingent liabilities	21.5	5.3
Total	259.2	401.3

Guarantees from leases (cross-border leasing)

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-Infrastruktur 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 thus 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-Infrastruktur 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 uncertain liabilities where the amount of cash outflow is dictated by future business development.

In the event of a claim from cross-border leasing obligations rights of recourse exist against other companies of the ÖBB Group in the amount of EUR 237.7 million (prior year: EUR 396.0 million).

29. Financial instruments

29.1. Risk management

The financial assets and liabilities of ÖBB-Infrastruktur 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-Infrastruktur 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 ÖBB-Infrastruktur AG and 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-Infrastruktur Group assets is the first priority for any and all financial activities.

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-Infrastruktur 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-Infrastruktur 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 (for example, 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 companies of the sub-group ÖBB-Infrastruktur AG. ÖBB-Infrastruktur 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, 2016**	Fixed interest financial instruments in EUR million	Variable interest financial instruments in EUR million
Financial assets	423.7	0.0
Cash and cash equivalents	0.0	125.5
Total	**423.7**	**125.5**
thereof from affiliated companies	*40.0*	*119.6*
Financial liabilities	19,579.8	49.5
thereof from affiliated companies	*40.0*	*20.8*

Financial instruments (current and non-current) **Dec 31, 2015**	Fixed interest financial instruments in EUR million	Variable interest financial instruments in EUR million
Financial assets	668.7	0.1
Cash and cash equivalents	0.0	226.0
Total	**668.7**	**226.1**
thereof from affiliated companies	*79.6*	*217.6*
Financial liabilities	19,211.0	51.6
thereof from affiliated companies	*78.3*	*14.7*

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 shareholder's equity	
	in EUR million	in EUR million	in EUR million	in EUR million
Sensitivity analysis interest rate risk as of Dec 31, 2016	+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	0.8	-0.1	0.1	-0.1
Liabilities				
Financial liabilities	-0.3	0.3	3.0	-3.1

	Effect in income statement		Effect in shareholder's equity	
	in EUR million	in EUR million	in EUR million	in EUR million
Sensitivity analysis interest rate risk as of Dec 31, 2015	+100 base points	-100 base points	+100 base points	-100 base points
Assets				
Cash and cash equivalents	2.3	-2.2	0.0	0.0
Liabilities				
Financial liabilities	-0.5	0.5	4.8	-5.0

29.1.b. Foreign exchange rate risk

ÖBB-Infrastruktur Group is exposed to exchange rate risks resulting primarily from original financial liabilities denominated in foreign currencies. These risks are partially hedged. As of the reporting date, ÖBB-Infrastruktur 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 euros.

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.

The following table shows the net foreign currency risk:

Currency-sensitive financial instruments 2016	In USD million
Other financial assets	398.0
Other liabilities	-1.0
Other financial liabilities	-405.0
Net exchange rate risk	**-8.0**

Currency-sensitive financial instruments 2015	In USD million
Other financial assets	628.0
Cash and cash equivalents	1.0
Other financial liabilities	-628.0
	1.0
less forward foreign exchange contracts/currency swaps	3.0
Net exchange rate risk	**4.0**

Sensitivity analysis for exchange rate risk

One derivative existed in 2015 to completely hedge against the exchange risk of the hedged item (basis swaps), but for which hedge accounting was not applied.

ÖBB-Infrastruktur Group was therefore only exposed to exchange rate risks resulting from unhedged foreign currency liabilities to a limited extent in both financial years. If the euro had gained (lost) 10% against the US dollar, this would have had no significant effect on results on either of the balance sheet dates.

29.1.c. Credit risk

Counterparty credit risk describes the potential loss from failure by finance partners to honor their financial commitments (mainly money market transactions, investments, funds, positive present value swap transactions). ÖBB-Holding AG checks adherence to the counterparty credit risk limits, which are specified individually for each financial partner, on a daily basis. ÖBB-Infrastruktur Group conducts business only with financial partners with a defined rating and objective risk classification by the capital market.

ÖBB-Infrastruktur Group has introduced a counterparty credit risk management system in which the calculation and setting of limits is 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-Infrastruktur Group mainly comprise cash in banks, trade receivables, other receivables, and securities. These items represent the maximum loss exposure of ÖBB-Infrastruktur Group with respect to its financial assets. 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 2016			
Financial assets	458.9	-130.7	328.2
Trade receivables	165.3	0.0	165.3
Other receivables and assets	33.7	0.0	33.7
Cash and cash equivalents	125.6	0.0	125.6
Risk current and non-current assets	**783.5**	**-130.7**	**652.8**
thereof neither past due nor impaired			*638.7*
thereof not past due because renegotiated or impaired			*0.4*
thereof past due			*13.7*
Credit risk from issued guarantees	**259.2**	**-237.7**	**21.5**
Total credit risk as of Dec 31, 2016	**1,042.7**	**-368.4**	**674.3**
Total exposure 2015			
Financial assets	686.4	-305.6	380.8
Trade receivables	137.6	0.0	137.6
Other receivables and assets	33.6	0.0	33.6
Cash and cash equivalents	226.0	0.0	226.0
Risk current and non-current assets	**1,083.6**	**-305.6**	**778.0**
thereof neither past due nor impaired			*627.7*
thereof not past due because renegotiated or impaired			*137.1*
thereof past due			*13.2*
Credit risk from issued guarantees	**401.3**	**-396.0**	**5.3**
Total credit risk as of Dec 31, 2015	**1,484.9**	**-701.6**	**783.3**

With respect to the maturity of receivables, see Note 20.

29.1.d. Liquidity risk

The superior goal of ÖBB-Infrastruktur Group in financial terms is to secure the necessary cash flow flexibility for all ÖBB-Infrastruktur Group business operations. For ÖBB-Infrastruktur Group, liquidity risk also means any restrictions in terms of volume or conditions on the Group's ability to borrow or raise capital (for example, if downgraded by a ratings agency or in-house by a bank) that might hinder the implementation of Group strategy or limit financial scope.

The task thus consists of analyzing the liquidity risk and consistently securing liquidity (mainly by liquidity planning, agreement of sufficient credit lines, and sufficient diversification of creditors).

The following tables show the contractually agreed (undiscounted) interest and redemption payments on original and derivative financial liabilities. Actually expected maturities do not deviate from the contractually agreed maturities.

		Cash-Flows 2017		Cash-Flows 2018-21		Cash-Flows 2022 et seq.	
	Carrying amount	Interest *)	Redemption *)	Interest	Redemption	Interest	Redemption
	Dec 31, 2016	2017	2017	2018-2021	2018-2021	2022 et seq.	2022 et seq.
	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million
Original financial liabilities							
Bonds	14,291.9	489.0	431.0	1,712.5	3,887.7	1,981.0	9,973.2
Liabilities to banks	3,866.3	109.7	73.5	432.3	227.2	940.0	3,565.6
Finance lease, sub-lease and CBL liabilities	212.2	8.7	118.3	17.4	70.8	12.9	23.2
Other financial liabilities	1,485.0	12.0	1,034.7	29.7	188.1	7.6	36.5
Trade payables	602.0	0.0	581.5	0.0	20.5	0.0	0.0
Other liabilities	21.8	0.0	21.8	0.0	0.0	0.0	0.0
Total	**20,479.2**	**619.4**	**2,260.8**	**2,191.9**	**4,394.3**	**2,941.5**	**13,598.5**

*) 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".

		Cash-Flows 2016		Cash-Flows 2017-20		Cash-Flows 2021 et seq.	
	Carrying amount	Interest *)	Redemption *)	Interest	Redemption	Interest	Redemption
	Dec 31, 2015	2016	2016	2017-2020	2017-2020	2021 et seq.	2021 et seq.
	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million
Original financial liabilities							
Bonds	15,312.8	528.7	1,371.0	1,795.6	3,271.0	2,163.0	10,670.8
Liabilities to banks	3,271.9	105.1	9.1	416.5	289.4	910.0	2,973.4
Finance lease, sub-lease and CBL liabilities	418.0	16.4	45.2	65.3	308.1	26.5	64.7
Other financial liabilities	494.3	10.6	37.5	33.4	186.4	6.5	38.1
Trade payables	580.8	0.0	571.8	0.0	9.0	0.0	0.0
Other liabilities	26.1	0.0	26.1	0.0	0.0	0.0	0.0
Total	20,103.9	660.8	2,060.7	2,310.8	4,063.9	3,106.0	13,747.0

*) Other financial liabilities include liabilities for accrued interest payments on bonds and liabilities to banks. The actual interest payments in 2016 from these accrued liabilities are reported under "Bonds" and "Liabilities to banks" and not under "Other financial liabilities".

		Cash-Flows 2017		Cash-Flows 2018-21		Cash-Flows 2022 et seq.	
	Carrying amount	Interest	Redemption	Interest	Redemption	Interest	Redemption
	Dec 31, 2016	2017	2017	2018-2021	2018-2021	2022 et seq.	2022 et seq.
	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million	in EUR million
Derivate financial liabilities							
Interest rate derivatives not designated as hedges	3.4	0.3	0.0	1.3	0.0	0.3	0.0
Power derivatives designated as cash flow hedges	0.1	0.0	3.2	0.0	0.0	0.0	0.0
Interest rate derivatives designated as hedges	6.9	2.8	0.0	4.3	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
Total	**23.8**	**3.1**	**40.0**	**5.6**	**9.1**	**0.3**	**4.1**
Financial guarantees							
Guarantees from cross-border leasing	237.7	11.3	175.9	16.3	14.0	8.9	47.8
Other guarantees	21.5	0.0	6.9	0.0	5.4	0.0	9.2

	Carrying amount Dec 31, 2015 in EUR million	Cash-Flows 2016 Interest 2016 in EUR million	Cash-Flows 2016 Redemp-tion 2016 in EUR million	Cash-Flows 2017-20 Interest 2017-2020 in EUR million	Cash-Flows 2017-20 Redemp-tion 2017-2020 in EUR million	Cash-Flows 21021 et seq. Interest 2021 et seq. in EUR million	Cash-Flows 21021 et seq. Redemp-tion 2021 et seq. in EUR million
Derivate financial liabilities							
Interest rate derivatives not designated as hedges	4.4	0.8	0.0	3.3	0.0	1.6	0.0
Power derivatives designated as cash flow hedges	9.5	0.0	21.9	0.0	25.0	0.0	0.0
Interest rate derivatives designated as hedges	8.4	3.0	0.0	6.6	0.0	0.0	0.0
Other derivatives not designated as hedges	22.3	0.0	99.2	0.0	54.2	0.0	4.1
Total	**44.5**	**3.8**	**121.1**	**9.9**	**79.1**	**1.6**	**4.1**
Financial guarantees							
Guarantees from cross-border leasing	396.0	12.1	43.4	49.2	168.4	72.4	184.2
Other guarantees	5.3	0.0	5.3	0.0	0.0	0.0	0.0

The table includes all financial instruments held in the portfolio as of the reporting date for which payments have already been contractually agreed. Estimated payments for future new liabilities were not taken into account in the presentation of 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 December 31, 2016 and December 31, 2015.

The following interest rate and principal payments are assumed with respect to the derivative financial assets:

	Carrying amount Dec 31, 2016 in EUR million	Cash-Flows 2017 Interest 2017 in EUR million	Cash-Flows 2017 Redemp-tion 2017 in EUR million	Cash-Flows 2018-21 Interest 2018-2021 in EUR million	Cash-Flows 2018-21 Redemp-tion 2018-2021 in EUR million	Cash-Flows 2022 et seq. Interest 2022 et seq. in EUR million	Cash-Flows 2022 et seq. Redemp-tion 2022 et seq. in EUR million
Derivative financial assets							
Power derivatives not designated as hedges	13.7	0.0	58.9	0.0	26.5	0.0	0.0
Power derivatives designated as cash flow hedges	2.2	0.0	12.4	0.0	9.9	0.0	0.0
thereof cash paid		*0.0*	*12.4*	*0.0*	*9.9*	*0.0*	*0.0*
Interest rate derivatives designated as hedges	0.1	-0.1	0.0	0.0	0.0	0.0	0.0
thereof cash paid		*-0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Total	**16.0**	**-0.1**	**71.3**	**0.0**	**36.4**	**0.0**	**0.0**

	Carrying amount Dec 31, 2015 in EUR million	Cash-Flows 2016 Interest 2016 in EUR million	Cash-Flows 2016 Redemp-tion 2016 in EUR million	Cash-Flows 2017-20 Interest 2017-2020 in EUR million	Cash-Flows 2017-20 Redemp-tion 2017-2020 in EUR million	Cash-Flows 21021 et seq. Interest 2021 et seq. in EUR million	Cash-Flows 21021 et seq. Redemp tion 2021 et seq. in EUR million
Derivative financial assets							
Power derivatives not designated as hedges	5.6	0.0	57.1	0.0	0.8	0.0	0.0
Other derivatives designated as cash flow hedges	0.2	0.0	0.2	0.0	0.0	0.0	0.0
thereof cash paid		*0.0*	*0.2*	*0.0*	*0.0*	*0.0*	*0.0*
Cross currency swaps not designated as cash flow hedges	0.3	0.0	0.3	0.0	0.0	0.0	0.0
Total	**6.1**	**0.0**	**57.6**	**0.0**	**0.8**	**0.0**	**0.0**

29.2. Hedging transactions

Hedge Accounting

ÖBB-Infrastruktur 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 Income Statement. A distinction is made between fair value hedges and cash flow hedges, depending on the hedged item.

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 Income Statement.

When hedging currency risks of floating interest assets and debts, ÖBB-Infrastruktur 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 hedged items must be recognized in profit or loss in the Income Statement in the same period as the gains and losses resulting from the derivatives used as hedging instruments. However, when fixed-interest hedged items or planned transactions denominated in a foreign currency are hedged, the option to designate this as a cash flow hedge is used.

ÖBB-Infrastruktur 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 planned transactions, 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.

ÖBB-Infrastruktur 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 and Exchange Rate Risks

ÖBB-Infrastruktur 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 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 and number of cash flow hedges:

	Dec 31, 2016			Dec 31, 2015	
Financial instruments Maturity	Number of swaps	Nominal volume in EUR million	Maturity	Number of swaps	Nominal volume in EUR million
Portfolio	5	202.5	Portfolio	5	199.3
thereof maturing 2017	*2*	*65.5*	*thereof maturing 2016*	*0*	*0.0*
thereof maturing 2018	*2*	*37.0*	*thereof maturing 2017*	*2*	*62.3*
thereof maturing 2019	*1*	*100.0*	*thereof maturing 2018*	*2*	*37.0*
thereof maturing 2020	*0*	*0.0*	*thereof maturing 2019*	*1*	*100.0*

The effectiveness of the hedging relationship is assessed on a prospective basis using the Critical Terms Match method pursuant to IAS 39.AG 108. Effectiveness is tested retrospectively at each reporting date using the dollar offset method. A hypothetical financial derivative serves as the hedged item. All hedging relationships of this type were effective as of the reporting date. As a result of changes in the fair value of the hedging transactions recognized in other comprehensive income, an amount of EUR 3.3 million (prior year: EUR -6.3 million) was recognized in the cash flow hedge reserve. See Note 24 for further information on this.

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. These amounts are recognized as finance costs in the period in which the corresponding interest payments from the hedged item affect profit or loss (2016: EUR 3.1 million [prior year: expense of EUR 3.0 million]). Further, ineffective portions of hedge accounting relationships amounting to EUR 0.02 million (prior year: income of EUR 0.04 million) were recognized through profit or loss.

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, 2016 Number of swaps	Nominal volume in EUR million	Maturity	Dec 31, 2015 Number of swaps	Nominal volume in EUR million
Portfolio	21	23.8	Portfolio	40	46.9
thereof maturing 2017	*11*	*14.4*	*thereof maturing 2016*	*23*	*21.9*
thereof maturing 2018	*4*	*4.0*	*thereof maturing 2017*	*12*	*18.8*
thereof maturing 2019	*5*	*4.1*	*thereof maturing 2018*	*5*	*6.2*
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 2016, the recognition of power purchase and power sale forwards as hedging transactions resulted in an amount of EUR 10.1 million (prior year: EUR 1.1 million) less income taxes in the amount of EUR 2.6 million (prior year: EUR 0.3 million) being recognized in the cash flow hedge reserve through other comprehensive income.

b) Other derivatives

The following table shows the range of maturities of those forwards that were concluded for hedging purposes but do not fulfill the formal requirements for cash flow hedge accounting according to IAS 39 due to the fluctuations of the quantity actually consumed, among other reasons.

Power derivatives not designated as hedges Maturity	Dec 31, 2016 Number of swaps Purchases	Nominal volume in EUR million	Number of swaps Sales	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*

Power derivatives not designated as hedges Maturity	Dec 31, 2015 Number of swaps Purchases	Nominal volume in EUR million	Number of swaps Sales	Nominal volume in EUR million
Portfolio	64	102.1	49	57.2
thereof maturing 2016	*41*	*72.9*	*40*	*47.9*
thereof maturing 2017	*13*	*15.9*	*5*	*3.8*
thereof maturing 2018	*10*	*13.2*	*4*	*5.5*

29.3. Additional disclosures according to IFRS 7

Financial assets and liabilities held for trading (FAHfT) are measured at fair value. This category consists of derivative financial instruments that are not designated as hedges in accordance with IAS 39 and are therefore required to be classified as held for trading. Gains or losses from the subsequent measurement are recognized in the 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 or 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 ÖBB-Infrastruktur AG for the purpose of hedging its exposure to interest rate and exchange rate risks resulting from financial transactions and fluctuations in the market value of power purchases. All derivative financial instruments are recognized either as assets or liabilities in the Statement of Financial Position and measured at their fair value (market 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 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 values. 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.

The carrying amounts of trade payables and other liabilities, as well as other financial liabilities approximate their fair values. Other non-current receivables and assets or other non-current liabilities and debts mainly comprise non-financial instruments. The fair values of liabilities to banks and other financial liabilities are determined as the present values of the debt related payments based on the applicable yield curve. The following reconciliation shows non-financial instruments and financial instruments from hedge accounting in a separate column in order to enable reconciliation to the carrying amount of the items reported in the Statement of Financial Position.

The fair values in the following tables indicated for each balance sheet item only refer to the financial instruments and also include the carrying amounts of the instruments in the available-for-sale (at cost) category. All financial assets and liabilities, except the available-for-sale assets shown under 29.5 and cash and cash equivalents as well as bonds with an ISIN number, which are reported in the financial liabilities, are measured at fair value pursuant to level 2. Level 2 measurements are based on input parameters – other than the quoted prices included at level 1 – that are either directly or indirectly observable on the market for the asset or liability. The fair value of long-term financial instruments is based on discounted cash flows.

Market prices are used for the indicated fair values of bonds issued with an ISIN number in the amount of EUR 17,384.0 million (prior year: EUR 18,116.6 million), for which a level 1 rating exists. Level-1 measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The sources of the quotations are Bloomberg and Reuters. The bonds were issued on the exchanges in Luxembourg and Vienna. The fair value of bonds with CUSIP numbers that were issued for the first time in 2015 is EUR 84.4 million (prior year: EUR 103.2 million). These were measured with a valuation model that is based on market parameters in accordance with level 2.

Financial assets as of Dec 31, 2016 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 Accoun-ting	Fair Value
Non-current assets										
Financial assets	215.4	0.0	215.4	68.8	8.1	0.0	137.2	0.0	1.3	249.6
Other receivables and assets	145.5	145.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets										
Financial assets	243.5	0.0	243.5	104.8	0.0	13.7	124.0	0.0	1.0	243.5
Trade receivables	152.1	5.5	146.6	0.0	0.0	0.0	146.6	0.0	0.0	146.6
Other receivables and assets	203.0	169.3	33.7	0.0	0.0	0.0	33.7	0.0	0.0	33.7
Cash and cash equivalents	125.6	0.0	125.6	0.0	0.0	0.0	0.0	125.6	0.0	125.6
Total carrying amount per category				**173.6**	**8.1**	**13.7**	**441.5**	**125.6**	**2.3**	

Financial liabilities as of 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 Accounting	Finance Lease	Fair Value
Non-current liabilities								
Financial liabilities	17,982.8	0.0	17,982.8	17,971.8	6.8	4.2	0.0	21,955.3
Other liabilities	38.7	38.7	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities								
Financial liabilities	1,896.5	0.0	1,896.5	1,883.7	10.0	2.8	0.0	1,957.3
Trade payables	602.4	0.4	602.0	602.0	0.0	0.0	0.0	602.0
Other liabilities	526.6	504.8	21.8	21.8	0.0	0.0	0.0	21.8
Total carrying amount per category				**20,479.3**	**16.8**	**7.0**	**0.0**	

Financial assets as of Dec 31, 2015 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 Accoun-ting	Fair Value
Non-current assets										
Financial assets	576.9	0.0	576.9	178.8	9.0	0.0	389.1	0.0	0.0	635.4
Other receivables and assets	152.9	152.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current assets										
Financial assets	108.1	0.0	108.1	39.1	0.0	5.9	62.9	0.0	0.2	109.0
Trade receivables	128.3	4.2	124.1	0.0	0.0	0.0	124.1	0.0	0.0	124.1
Other receivables and assets	206.6	173.0	33.6	0.0	0.0	0.0	33.6	0.0	0.0	33.6
Cash and cash equivalents	226.0	0.0	226.0	0.0	0.0	0.0	0.0	226.0	0.0	226.0
Total carrying amount per category				**217.9**	**9.0**	**5.9**	**609.7**	**226.0**	**0.2**	

Financial liabilities as of Dec 31, 2015 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	17,825.6	0.0	17,825.6	17,802.4	12.8	10.4	0.0	21,418.0
Other liabilities	44.2	44.2	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities								
Financial liabilities	1,716.0	0.0	1,716.0	1,694.4	13.9	7.5	0.2	1,831.8
Trade payables	580.8	0.0	580.8	580.8	0.0	0.0	0.0	580.8
Other liabilities	370.0	343.9	26.1	26.1	0.0	0.0	0.0	26.1
Total carrying amount per category				**20,103.7**	**26.7**	**17.9**	**0.2**	

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, 2016	Gross carrying amount reported in EUR million	potential offset amount not reported in the financial statement in EUR million	Net amount after potential offsetting in EUR million
Power derivate assets	13.7	-6.8	6.9
Power derivate liabilities	-9.1	0,0 *)	-9.1

as of Dec 31, 2015	Gross carrying amount reported in EUR million	potential offset amount not reported in the financial statement in EUR million	Net amount after potential offsetting in EUR million
Power derivate assets	5.6	-0.4	5.2
Power derivate liabilities	-13.2	5.2	-8.0

*) small amount

Notes to the Consolidated Income Statement and the Consolidated Statement of Financial Position

The interest income that does not result from financial instruments according to the categories of IAS 39 consists mainly of the reversal of the tax benefit from CBL transactions and from the interest accrued on other provisions.

Accrued interest payments from derivative financial instruments (interest rate swaps) that have been designated as hedging instruments in fair value and cash flow hedges under IAS 39 are recognized accordingly as interest income or expense. The interest result is allocated to the valuation categories according to the hedged item. In the period under review, only financial liabilities were hedged.

Net financial results by category

The net financial result by category is presented below:

		Result of subsequent measurement				
Dec 31, 2016	Interest income/ expenses in EUR million	At fair value in EUR million	Foreign currency translation in EUR million	Impairment/ appreciation in EUR million	Result from disposal in EUR million	Result from investments in EUR million
Loans and Receivables (LaR)	23.4	0.0	7.5	0.0	-1.6	0.0
Available for Sale Financial Assets (AfS)	5.7	0.0	3.6	0.0	0.0	0.6
Financial Instruments Held-for-Trading (FAHfT, FLHfT)	0.0	13.5	0.0	0.0	0.0	0.0
Financial Liabilities Measured at Amortized Cost (FLAC)	-614.8	0.0	-12.5	0.0	0.0	0.0
Hedge Accounting	-3.0	0.0	0.0	0.0	0.0	0.0

Dec 31, 2015	Interest income/expenses in EUR million	At fair value in EUR million	Foreign currency translation in EUR million	Result from disposal in EUR million	Result from investments in EUR million
	Result of subsequent measurement				
Loans and Receivables (LaR)	29.5	0.0	42.0	0.0	0.0
Available for Sale Financial Assets (AfS)	4.7	0.0	0.0	0.1	0.1
Financial Instruments Held-for-Trading (FAHfT, FLHfT)	0.0	-1.7	0.0	0.0	0.0
Financial Liabilities Measured at Amortized Cost (FLAC)	-632.2	0.0	-41.5	0.0	0.0
Hedge Accounting	-3.0	0.0	0.0	0.0	0.0

The interest result from financial liabilities classified as "Financial liabilities measured at amortized cost" includes mainly interest expenses from bonds and loans as well as cross-border leasing transactions. The ÖBB-Infrastruktur Group recognizes the other components of net result in other financial expense or other financial income. The total interest calculated using the effective interest method amounts to EUR 23.4 million (prior year: EUR 29.5 million).

The net financial results do not include any expenses arising from allowances on trade receivables and other receivables and assets. For more information, see Note 20.

29.5. Derivative financial instruments

The following tables show 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		Liabilities	
	Carrying amounts Dec 31, 2016 in EUR million	Carrying amounts Dec 31, 2015 in EUR million	Carrying amounts Dec 31, 2016 in EUR million	Carrying amounts Dec 31, 2015 in EUR million
Interest rate swaps				
without hedge relation	0.0	0.0	3.4	4.4
designated as cash flow hedge	0.1	0.0	6.9	8.4
Cross currency swaps				
without hedge relation	0.0	0.3	0.0	0.0
Power forwards				
without hedge relation	13.7	5.6	9.1	13.2
designated as cash flow hedge	2.2	0.2	0.1	9.5
Other derivatives				
without hedge relation	0.0	0.0	4.3	9.1
Total	**16.0**	**6.1**	**23.8**	**44.6**

Other derivatives without hedging relationships relate to swaps connected with a cross-border leasing transaction.

Fair value hierarchy

The following table shows how the fair values of the assets and liabilities recognized at fair value were determined, with categorization into a three-level hierarchy reflecting the proximity to the market of the data included in the determination.

Dec 31, 2016	Level 1	Level 2	Total
Derivatives designated as hedge instrument	0.0	2.3	2.3
Derivatives held for trading	0.0	13.7	13.7
Available for sale	119.8	53.8	173.6
Financial assets	**119.8**	**69.8**	**189.6**
Derivatives designated as hedge instrument	0.0	7.0	7.0
Derivatives held for trading	0.0	16.8	16.8
Financial liabilities	**0.0**	**23.8**	**23.8**

Dec 31, 2015	Level 1	Level 2	Total
Derivatives designated as hedge instrument	0.0	0.2	0.2
Derivatives held for trading	0.0	5.9	5.9
Available for sale	166.4	51.5	217.9
Financial assets	**166.4**	**57.6**	**224.0**
Derivatives designated as hedge instrument	0.0	17.9	17.9
Derivatives held for trading	0.0	26.7	26.7
Financial liabilities	**0.0**	**44.6**	**44.6**

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 29.1.

30. Leasing transactions

30.1. Lessor

ÖBB-Infrastruktur AG owns the rail infrastructure and a large majority of the property of the ÖBB Group.

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 to Rail Cargo Austria AG, ÖBB-Personenverkehr AG and other railway operators for usage against payment of a usage fee (including compensation of the federal government) is charged based on a current price list (mileage or gross tons transported), and is therefore not classified as a lease but as services provided.

There are 26,000 (prior year: 26,700) lease agreements, predominantly with indefinite terms, which can be terminated with a notice period of six months maximum. In addition, there are also about 6,700 (prior year: 6,800) external lease agreements that will end between 2017 and 2059, and within the ÖBB Group there are 17 (prior year: 16) agreements that end between 2017 and 2112 (prior year: 2016 and 2112). The long-term agreements relate to building leases granted for property. Contingent lease payments relate exclusively to lease agreements that are concluded with third parties and not with Group companies.

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 non-cancellable operating lease agreements as of December 31, 2016 amount to:

Dec 31, 2016	Total in EUR million	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million
Land and buildings	379.0	31.3	74.7	273.0
thereof from affiliated companies	*130.4*	*5.8*	*22.9*	*101.7*
Automobiles and trucks	10.3	4.4	5.9	0.0
thereof from affiliated companies	*10.0*	*4.3*	*5.7*	*0.0*
Other technical equipment and machinery	0.5	0.0	0.1	0.4

Dec 31, 2015	Total in EUR million	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million
Land and buildings	368.2	30.5	69.9	267.8
thereof from affiliated companies	*128.4*	*5.1*	*20.2*	*103.1*
Automobiles and trucks	9.8	4.2	5.5	0.1
thereof from affiliated companies	*9.5*	*4.0*	*5.4*	*0.1*
Other technical equipment and machinery	0.8	0.0	0.2	0.6

In 2016, EUR 1.9 million in contingent lease payments (prior year: EUR 1.6 million) were recognized through profit or loss.

30.2. Lessee

Finance leasing

The majority of the agreements that the ÖBB-Infrastruktur Group enters into as a lessee are operating leases of IT hardware and buildings.

In addition, however, certain items of its property, plant and equipment are acquired 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 agreed upon conclusion of the contracts and are variable. The terms of all leases are stipulated in writing. No agreements were concluded through contingent lease payments.

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 December 31, 2015, ÖBB-Infrastruktur Group had contractually agreed the following minimum lease payments with lessors for the finance lease agreements:

As of Dec 31, 2015	Minimum lease payments in EUR million	Interest expense included in EUR million	Present value in EUR million
2016	0.2	0.0	0.2
2017 - 2020	0.0	0.0	0.0
after 2019	0.0	0.0	0.0
Total of minimum lease payments	**0.2**	**0.0**	**0.2**
less interest	0.0		
Present value of lease payments	**0.2**		
less current position	-0.2		
Non-current lease liabilities	**0.0**		

No material minimum lease payments had been agreed as of December 31, 2016.

Operating leases

Future minimum lease payments from non-cancellable operating lease agreements in each of the subsequent periods are as follows:

2016	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million
Land and buildings	9.3	34.0	72.2
Other plant, furniture and fixtures	9.2	13.8	0.0
Total	**18.5**	**47.8**	**72.2**

2015	up to 1 year in EUR million	1 to 5 years in EUR million	more than 5 years in EUR million
Land and buildings	8.2	33.0	73.2
Technical equipment and machinery	0.1	0.0	0.0
Other plant, furniture and fixtures	6.8	10.2	0.0
Total	**15.1**	**43.2**	**73.2**

The operating lease agreements mainly refer to buildings, 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). Minimum lease payments amounting to EUR 19.3 million (prior year: EUR 15.9 million), of which EUR 9.3 million (prior year: EUR 6.9 million) were recognized as expenses from affiliated companies in the respective reporting periods.

30.3. Cross-border lease agreements

Between May 1995 and December 2002, Austrian Federal Railways (now ÖBB-Infrastruktur AG) entered into 17 cross-border leasing (CBL) transactions concerning infrastructure assets and rolling stock, of which four (prior year: six) transactions were still valid as of December 31, 2016.

Essentially two types of transactions were applied:

- Sale and leaseback: In this transaction, the contractual partner is the buyer of the assets and leases them back to ÖBB-Infrastruktur AG.
- Lease and leaseback: ÖBB-Infrastruktur AG leases assets under its legal ownership to the contractual partner and simultaneously leases them back. Here, the contractual partner made upfront lease payments.

As part of the restructuring of ÖBB at the beginning of 2005, a total of three (prior year: five) sub-lease agreements that are still valid were concluded with other companies of the ÖBB Group and the net present value benefit were transferred to the respective companies. In its external relations, ÖBB-Infrastruktur AG remains the contractual partner to all participants.

All leasing payment obligations, including the payments required when exercising the call option were hedged by entering into repayment vehicles with various banks and leasing institutions. In these payment undertaking agreements, the banks or leasing institutions agreed to make the contractual payments at the stipulated payment dates on behalf of

ÖBB-Infrastruktur AG. In most CBL transactions, minimum ratings have been established for the banks and leasing institutions. If the minimum rating threshold is not met (rating trigger event), ÖBB-Infrastruktur must replace the relevant repayment vehicle with U.S. treasury notes.

Assets subject to the CBL transactions (infrastructure assets and rolling stock) are maintained regularly in accordance with the provisions of the agreements and may, in principle, not be sold, leased, pledged as collateral, or decommissioned.

Termination of CBL transactions

In the reporting year 2016, one (prior year: one) CBL transaction was terminated prematurely while a second was terminated through call option. One sub-tranche (trust) of one tranche of a CBL transaction was also terminated prematurely. The second sub-tranche (trust) was terminated by exercise of the call option. The exercise of the call option was contractually binding for two sub-tranches (trusts) in this transaction. The trusts ended on the data of the call option on January 3, 2017.

All of the CBL transactions affected by exercise of the call option or premature termination were or are held by ÖBB-Infrastruktur AG and – by virtue of the sub-lease agreements – relate to ÖBB-Personenverkehr AG, ÖBB-Produktion GmbH and – until 2015 – to Rail Cargo Austria AG.

In the case of the CBL transaction allocated directly to ÖBB-Infrastruktur AG, the call option was exercised in December 2016 and contractually binding. The transaction ended on January 15, 2017.

Remediation of the rating trigger for UniCredit Bank Austria

In June 2014, the rating of an equity repayment vehicle (Payment Undertaking Agreement, "PUA" for short) was downgraded, thereby causing the transaction to fall below the minimum creditworthiness specified in the contract. To remediate this rating trigger event, securities had to be provided to the investor in the form of a pledged deposit account with U.S. treasury notes amounting to USD 68.2 million as collateral for the period from October 2014 to December 2017. The deposit was financed by borrowing in the same currency. The existing PUA, which the investor no longer required as collateral after the establishment of the deposit account, is serving as a repayment instrument for the loan. This transaction relates in legal terms to ÖBB-Infrastruktur AG, but was recharged in its entirety internally to ÖBB-Personenverkehr AG due to an existing sub-leasing agreement. The transaction ended on 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, collateral was provided in the form of six pledged deposit accounts with U.S. treasury notes to the CBL transactions, of which four still existed as of December 31, 2016. The purchase of the U.S. treasury notes was carried out via loans in the corresponding currencies (private placement). The existing PUAs, which ÖBB-Infrastruktur AG no longer required as collateral after the establishment of the deposit account, are serving to repay the private placements entered into for financing the purchase of the U.S. treasury notes. The securities swap legally relates in its entirety to ÖBB-Infrastruktur AG in its external relation. The same holds true for the surviving PUAs and the private placement. One (prior year: two) CBL translation with two (prior year: four) securities accounts are charged on to ÖBB-Personenverkehr AG through sub-lease agreements. One CBL transaction with two securities accounts affects ÖBB-Infrastruktur AG itself.

Accounting

General principles for all CBL transactions:

The ÖBB-Infrastruktur 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-Infrastruktur Group. The assets transferred to other companies of the ÖBB Group under sub-lease agreements are recognized by these companies in their statements of financial position.

Amortization of the net present value benefit: The net present value benefit realized at the inception of the transaction is recognized in other liabilities and amortized pro rata temporis over the term of the contracts. As of December 31, 2016, the net present value benefit not yet amortized that was attributable to the ÖBB-Infrastruktur Group amounted to EUR 0.7 million (prior year: EUR 1.4 million). Income from the release of the net present value benefit amounting in 2016 to EUR 0.7 million (prior year: EUR 0.7 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-Infrastruktur 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").

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 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.

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 acquired in 2014 and 2015 to remediate the rating trigger were classified as available for sale. Initially, the financial assets are matched with lease liabilities in the same amount, and the U.S. treasury notes are also matched with credit financing in the same amount. Amounts denominated in foreign currencies are translated at the exchange rate applicable at the reporting date. Any changes in the value of the assets resulting from changes in exchange rates are offset by corresponding exchange rate effects on the lease liabilities, and credit financing in the event of a hedged repayment vehicle for one of the tranches of a transaction.

With the exception of a transaction for which ÖBB-Infrastruktur AG itself bears the financial risk, there is right of regress based on sub-lease agreements concluded with other companies of the ÖBB Group in the event of losses resulting from the default of investments.

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 collateral in the form of a guarantor liability or pledged marketable securities of the highest rating in favor of the ÖBB-Infrastruktur Group exist. The amount of the respective allowance is determined using portfolio allowance based on historical probabilities of default, measured by the rating of the contractual parties and the residual term of the transaction in consideration of the individual circumstances. As of December 31, 2016, there were no allowances on investments (prior year: EUR 1.4 million). Due to the assumption of risk agreed upon in the sub-lease agreements with other companies of the ÖBB Group, a corresponding recharge of the allowances was made to ÖBB-Personenverkehr AG, Rail Cargo Austria AG and ÖBB-Produktion Gesellschaft mbH. In 2016, no allowances were made to the assets of the transactions attributable to ÖBB-Infrastruktur AG (prior year: EUR 0.1 million).

In the Consolidated Financial Statements as of December 31, 2016, financial assets associated with non-linked leasing transactions amounted to EUR 179.8 million (prior year: EUR 358.3 million). Claims against ÖBB-Personenverkehr AG exist in an amount of EUR 10.8 million (prior year: EUR 1.0 million) from the termination of a lease transaction in 2016. On December 31, 2016, related financial liabilities amounted to EUR 172.2 million (prior year: EUR 341.4 million). EUR -2.8 million was recognized in other comprehensive income from changes in the fair value of securities available for sale (prior year: EUR -2.2 million).

Accounting for transactions without substance (linked transactions)

In accordance with SIC 27, the Company did not recognize any assets or liabilities for these transactions. Therefore, the deposits made and marketable securities purchased in connection with the payment undertaking agreements and the lease prepayments received under the master lease agreement are not recognized in the Statement of Financial Position. The legal obligations under the lease agreements are disclosed as contingent liabilities in the event that the relevant contractual partner fails to meet its payment obligations under the payment undertaking agreements. As of December 31, 2016, contingent liabilities from CBL transactions amounted to EUR 237.7 million (prior year: EUR 396.0 million). All underlying investments have at least an AA+ rating or are collateralized by a guarantor liability issued by the government, and are not associated with hedges of existing repayment vehicles.

31. Service concession arrangements (SIC 29)

The following explanations and disclosures refer to the requirements of SIC 29 (Service Concession Arrangements). These are agreements between enterprises for the provision of services that give the public access to major economic and public facilities.

Liechtenstein concession

Service concession arrangements in the sense of SIC 29 concern the railway infrastructure business area. On June 13, 1977, ÖBB-Infrastruktur Bau AG (now ÖBB-Infrastruktur AG) was granted a concession to operate a railway in the Principality of Liechtenstein that is valid until December 31, 2017. Equally, Switzerland granted a concession on March 12, 1968 to operate a railway on the Swiss section of track to Buchs and St. Margrethen, which expires on December 31, 2017. ÖBB-Infrastruktur AG is therefore authorized and obligated to maintain the uninterrupted and proper operation of this railway in Liechtenstein and on the section of track in Switzerland, which serves for public transportation, throughout the entire duration of the concession. The infrastructure assets in Liechtenstein and Switzerland are the property of ÖBB-Infrastruktur AG. As of December 31, 2016 these assets had a carrying amount of EUR 14.7 million (prior year: EUR 15.5 million). The concessionaire assumes responsibility for the conveyance of people, luggage, and freight.

An extension of the concession is pursued. The new Liechtenstein Railways Act came into effect in 2011. This change in the legal situation, with which even Liechtenstein law has implemented free network access, is relevant for the decision regarding the application for a license. There is a draft of the concession in Liechtenstein, but Austria's suggestion that – analogous to domestic routes – the countries across whose territory the route leads will be asked to pay contributions to the maintenance and operation of the respective national segments was rejected by the Principality of Liechtenstein. The progress of the negotiations on this issue significantly impacts the timeframe of the concession proceedings.

Application to renew the concession for the Swiss section of track – for a limited period of only five years, due to these circumstances – has meanwhile also been filed with the Swiss Federal Transport Authority. It remains to be seen whether these concession negotiations with Switzerland can be concluded prior to the concession expiring (at the end of 2017), but the Company is presently confident that this will be the case.

Because in recent meetings of the Trilateral Steering Committee the Liechtenstein delegation consistently had no negotiating power granted by the government of Liechtenstein and has now given notice that it will no longer participate in the meetings of the Steering Committee (explicit reference was made to the period of activity of the current government, which ends in 2017), it is necessary to clarify the further procedure of political talks at the level of at least the competent ministries of the three countries bordering the route. Discussions of the plans and, accordingly, the extension of the concession, are currently taking place at political and government level between BMVIT and the government of Liechtenstein; ÖBB-Infrastruktur AG must await the outcome of these discussions.

At the same time, ÖBB-Infrastruktur AG has also obtained a commitment from the Principality of Liechtenstein 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.

A similar declaration has also been promised for the relevant sections of track by the Swiss representatives in the Steering Committee in the event that the Swiss concession proceedings take longer than expected.

Although upon expiration of the concession in 2017 the assets would be transferred to Liechtenstein and Switzerland, the property, plant and equipment concerned are being depreciated over the anticipated longer useful life. This is because, on the one hand, an extension of the concession is likely to be granted due to the scheduled new construction of the track (which is the subject matter of international agreements) and due to the fact that ÖBB-Infrastruktur AG is the only applicant for the concession; and because, on the other hand, the provision of reversion of the assets without compensation provided in the Railways Act at least requires reconsideration from a legal point of view and waiver by the government is provided for in the law.

Independently of this, in the framework of the Steering Committee, the three states have agreed to obtain an independent evaluation of the current status of the facilities and the issue of whether conservation measures are overdue. The required EIA (environmental impact assessment) permits for the expansion of the Liechtenstein section of the line were received in December 2014 (FL) and June 2015 (A). Maintenance measures only are currently planned for the Swiss sections.

On this basis, negotiations at government level on the financing and extension of the concession are now a condition for the issue of whether this project should be implemented, the segments should only be maintained and operated, or if ÖBB-Infrastruktur AG will withdraw its application for a license.

32. Related party transactions

Supplies to or from related parties

Related parties consist of affiliated, not fully consolidated companies of the Group or of the ÖBB-Holding 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-Infrastruktur AG).

The Company maintains business relationships at arm's lengths, with companies in which the Republic of Austria directly or indirectly holds an interest (e.g. Österreichische Bundes- und Industriebeteiligungen GmbH, OMV Aktiengesellschaft, Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft, Telekom Austria AG, Schieneninfrastruktur-Dienstleistungsgesellschaft mbH, Verbund AG) and which are also classified as related parties in accordance with IAS 24. The transactions as defined in IAS 24 that were entered into with these companies in the reporting year all related to the normal course of business operations. Material transactions (expenses of EUR 9.9 million; prior year: EUR 28.7 million) were entered into with the Verbund AG group and the KELAG-Kärntner Elektrizitäts Aktiengesellschaft group (revenues of EUR 0.7 million, prior year: EUR 4.7 million; expenses of EUR 6.8 million, prior year: EUR 12.6 million). Unpaid invoices from or to these companies on the reporting date are reported as trade receivables and trade payables. All other transactions were of minor importance, with cost of materials and purchased services or revenues of less than 3.0%.

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 ÖBB-Infrastruktur Group and related parties during the financial year, and the receivables or liabilities resulting from these transactions at the end of the financial year:

	Affiliated companies of the Rail Cargo Austria sub-group		Affiliated companies of the ÖBB-Personenverkehr sub-group		Affiliated, not fully consolidated companies of ÖBB-Infrastruktur		Other affiliated companies	
in EUR million	2016	2015	2016	2015	2016	2015	2016	2015
Sale of goods/rendering of services	204.8	205.6	324.9	318.1	0.1	0.2	190.0	197.0
Purchase of goods/services/fixed assets	61.9	63.2	20.1	20.1	0.0	0.0	116.1	120.4
Trade receivables	21.3	20.0	25.7	27.0	0.0	0.0	15.6	17.6
Other financial assets	0.0	6.1	30.1	38.8	0.0	0.0	20.7	36.8
Trade payables	14.6	18.4	2.2	1.7	0.0	0.0	13.6	16.4
Other financial liabilities	0.0	1.9	0.0	1.3	0.3	0.3	60.8	89.7

Transactions with companies affiliated to the rest of the ÖBB-Group are disclosed separately in the individual Notes to the Consolidated Financial Statements. The financial liabilities to other affiliated companies mainly relate to ÖBB-Finanzierungsservice GmbH. This is offset by receivables from Rail Cargo Austria AG (2015 only), ÖBB-Personenverkehr AG and ÖBB-Produktion GmbH in the same amount, which are reported under other financial assets.

In the reporting year, services were provided by the parent company ÖBB-Holding AG in areas including controlling, finance, communications, marketing, production, technology, security, auditing, group accounting, reporting and taxes, strategy, corporate development, legal, compliance and strategic group purchasing, strategic IT management, and strategic human resource management; these services were provided on the basis of individual agreements or through cost allocation. Revenues amounted to EUR 2.1 million (prior year: EUR 2.0 million); expenses were EUR 17.9 million (prior year: EUR 17.6 million) As of December 31, 2016, receivables of EUR 73.9 million (prior year: EUR 78.9 million) and liabilities of EUR 6.1 million (prior year: EUR 2.9 million) were reported. Receivables due from ÖBB-Holding AG consist mainly of value added tax (fiscal unit).

	Associated companies		Joint ventures	
in EUR million	2016	2015	2016	2015
Sale of goods/rendering of services (total revenue)	3.0	3.8	4.7	1.6
Purchase of goods/services/ fixed assets (total expenses)	24.0	26.8	0.0	0.0
Trade receivables	0.9	0.5	2.0	1.1
Other financial assets	0.0	2.2	0.0	0.0
Trade payables	4.0	2.0	0.0	0.0

No notifiable transactions took place with members of the Board of Management, Managing Directors, or members of the Supervisory Board in neither of the two financial years, nor with related parties or affiliated companies of ÖBB-Infrastruktur Group or the parent company. Please see Note 28 for information on guarantees issued for affiliated companies.

Benefits from the Republic of Austria, master plan for investments in the infrastructure and guarantees of the federal government

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.

In August 2015, the Republic of Austria, represented by the Federal Ministry of Transport, Innovation and Technology in coordination with the Federal Ministry of Finance, ÖBB-Infrastruktur AG and ÖBB-Holding AG formally concluded the subsidies agreements pursuant to Article 42 of the Austrian Federal Railways Act that regulates the subsidies from 2015 onwards. The subsidies agreement was therefore also valid for 2016.

The master plan for 2017 – 2022 was approved by the Republic of Austria on October 12, 2016, and by the Supervisory Board of ÖBB-Infrastruktur AG on December 13, 2016.

Infrastructure financing

The grant agreement pursuant to Article 42 (2) of the Austrian Federal Railways Act is based on the business plan to be prepared by ÖBB-Infrastruktur AG pursuant to Article 42 (6) of the Federal Railways Act. One component of the business plan is the six-year master plan to be prepared by ÖBB-Infrastruktur AG pursuant to Article 42 (7) of the Austrian Federal Railways Act, which has to comprise the annual funds for maintenance (in particular repairs and reinvestments) and for investments in expansion. Both the business plan and the master plan shall be amended each year by one year and adapted to the new six-year period.

According to the grant agreement 2014–2019, the federal government shall bear 75% of the annual investments in expansion and reinvestments according to the master plan 2014–2019 (with the exception of the Brenner base tunnel) until 2016 and 80% for the years 2017 and 2018; for these investments, subsidies are granted in the form of an annuity allocated over 30 years. For the Brenner base tunnel project, the federal government provides a 100% grant in the form of an annuity allocated over 50 years. The interest rate corresponds to the rate respectively applicable for long-term financing measures of ÖBB-Infrastruktur AG.

The share of the investments for expansion (with the exception of the Brenner base tunnel) and reinvestments to be assumed by the federal government is continuously reviewed and adjusted as necessary to the current requirements for future grants.

The federal government also grants a subsidy for inspection and maintenance, elimination of malfunctions, and repair of the railway infrastructure operated by ÖBB-Infrastruktur AG. The amount of the grant is fixed with consideration of the liquidity requirements based on the business plan of ÖBB-Infrastruktur AG, the limit of the total grant prescribed by Article 42 of the Federal Railways Act and the objectives (performance and output objectives) according to the grant agreement pursuant to Article 42 (1) of the Federal Railways Act. Changes 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 2016, based on the valid subsidies agreement for 2014 to 2019, an amount of EUR 767.6 million (prior year: EUR 678.2 million) was granted for investments in expansion and reinvestments (with the exception of the Brenner base tunnel). EUR 514.3 million (prior year: EUR 501.0 million) was granted for inspection, maintenance and troubleshooting.

ÖBB-Infrastruktur AG has provided investment grants for the construction costs of the Brenner base tunnel in the amount of EUR 173.0 million (prior year: EUR 112.5 million) that were reimbursed to the Company by the federal government after deduction of the payments agreed contractually with the federal state of Tyrol in the course of acquisition in the amount of EUR 73.7 million (prior year: EUR 106.5 million).

Infrastructure operation and apprenticeship costs

The federal government grants a subsidy pursuant to Article 42 (1) of the Federal Railways Act, at the request of ÖBB-Infrastruktur AG, in particular for the operation of the railway infrastructure and the provision of the same to its users insofar and for as long as the revenues that can be achieved from the users of the railway infrastructure under the respective market conditions do not cover the expenses incurred with economical and efficient management.

ÖBB-Infrastruktur AG has to submit an annual rationalization and savings plan with a forecast statement to the Federal Ministry of Transport, Innovation and Technology and the Federal Ministry of Finance.

The agreement on the grant pursuant to Article 42 (1) of the Federal Railways Act is based in particular on the six-year business plan to be prepared by ÖBB-Infrastruktur AG pursuant to Article 42 (6) Austrian Federal Railways Act, which comprises a detailed description of the measures required to fulfill its tasks of providing a secure railway infrastructure corresponding to requirements, including time schedules, budgets, rationalization plans and a forecast with respect to usage fees and other fees and charges. The business plan pursuant to Article 42 (6) Federal Railways Act shall be amended each year by one year and adapted to the new six-year period.

Pursuant to Article 45 Federal Railways Act, the BMVIT charged SCHIG with monitoring the fulfillment of the obligations assumed by ÖBB-Infrastruktur AG under the grant agreement.

This grant agreement defines the objectives to be achieved by ÖBB-Infrastruktur AG in connection with this grant pursuant to Article 42 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) Federal Railways Act.

Compliance with the obligation for ÖBB-Infrastruktur AG to guarantee and constantly improve the quality and safety of the operated railway infrastructure, which results from the Federal Railways Act, is assessed by means of certain ratios in connection with the grant.

Unless otherwise agreed between ÖBB-Infrastruktur AG and the federal government, the annual grant shall be reduced by the portion of operating expenses incurred for railway infrastructure that is transferred to other operators or no longer operated by ÖBB-Infrastruktur AG, contrary to the provisions of the business plan pursuant to Article 42 (6) Federal Railways Act.

The entire grant for 2016 according to Article 42 of the Federal Railways Act amounts to EUR 2,068.5 million (prior year: EUR 1,850.4 million). The grant for expansion and reinvestment in the amount of EUR 767.6 million (prior year: EUR 678.2 million) was reduced by EUR 76.0 million (prior year: EUR 43.7 million) to EUR 691.6 million (prior year: EUR 634.5 million) due to the investment measures carried out and more favorable interest rate developments and is presented in other operating income. Following improved operating performance and more favorable interest rate trends, the EUR 1,300.9 million (prior year: EUR 1,172.2 million) grant for operation and inspection/maintenance/troubleshooting and repair was reduced by EUR 130.1 million and is recognized in revenue. The amount of EUR 1.0 million recognized in deferred income in 2015 was realized and recognized in revenue. The subsidy in the amount of EUR 62.0 million (prior year: EUR 53.6 million) attributable to capitalized interest under IAS 23 is considered to be an investment grant and is used to cover future expenses incurred in the form of depreciation and amortization. Consequently, only EUR 1,109.8 million (prior year: EUR 1,099.5 million) of the subsidy pursuant to Article 42 of the Federal Railways Act was recognized through profit or loss for operation, inspection/maintenance/troubleshooting, and repair. The deferred amounts of EUR 76.0 million (prior year: EUR 43.7 million) relating to grants for expansion and reinvestment, and of EUR 129.1 million (prior year: EUR 20.6 million) relating to operation and the apprenticeship program are recognized as other liabilities, while the subsidy of EUR 62.0 million (prior year: EUR 53.6 million) that is attributable to capitalized interest under IAS 23 is recognized as investment grants. Ex post settlement of the annuity relating to the Brenner base tunnel resulted in a principal portion for ÖBB-Infrastruktur AG of EUR 0.8 million (prior year: EUR 0.0 million), which is recognized as deferred income.

The development of grants in 2016 is as follows:

in EUR million	Total grant	Accruals	Income or loss in 2016
§ 42 (1) operational management	786.6	-211.7	574.9
§ 42 (2) inspection/maintenance/repair	514.3	20.6	534.9
Revenue	**1,300.9**	**-191.1**	**1,109.8**
§ 42 (2) Investment (annuity)	767.6	-76.0	691.6
Other operating income	**767.6**	**-76.0**	**691.6**
Total	**2,068.5**	**-267.1**	**1,801.4**

The development of grants in 2015 is as follows:

in EUR million	Grant agreement 2014-2019	Accruals	Income or loss in 2015
§ 42 (1) operational management	671.2	74.1	597.1
§ 42 (2) inspection/maintenance/repair	501.0	-1.4	502.4
Revenue	**1,172.2**	**72.7**	**1,099.5**
§ 42 (2) Investment (annuity)	678.2	43.7	634.5
Other operating income	**678.2**	**43.7**	**634.5**
Total	**1,850.4**	**116.4**	**1,734.0**

With respect to Group liabilities assumed by the federal government, see Note 25.

In addition, contributions (usually grants for investment measures) from the Austrian provincial governments amounting to EUR 34.9 million (prior year: EUR 50.8 million) and from municipalities in the amount of EUR 23.3 million (prior year: EUR 13.2 million) were received, whereby on the reporting date there were still outstanding receivables amounting to EUR 12.9 million (prior year: EUR 7.6 million) and outstanding liabilities of EUR 0.3 million (prior year: EUR 0.7 million). Furthermore, EU subsidies amounting to EUR 62.5 million (prior year: EUR 39.0 million) were granted. The investment grants and EU grants are grants from the public authorities or the EU, and are recognized as a reduction of cost.

Remuneration of members of the Board of Management

The Board of Management of ÖBB-Infrastruktur AG consisted on the reporting date of two members (prior year: three). Total remuneration paid to the members of the Board of Management in active service in the reporting years as defined in Article 266 Z 2 UGB was kEUR 1,123 (prior year: kEUR 1,251) and also includes both variable components and benefits in kind. Statutory contributions to severance insurance plans totaled kEUR 17 (prior year: kEUR 18). Vacation accrual decreased by kEUR 23 from kEUR 128 to kEUR 105. As of December 31, 2016, provisions for target agreements amounted to kEUR 266 (prior year: kEUR 432). Pension payments were made to former members of the Board of Management in the amount of kEUR 41 (prior year: kEUR 41). Provisions for pensions were increased by kEUR 70 (prior year: reduced by kEUR 56).

The total remuneration of the members of the Board of Management is composed of a fixed and a variable 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 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-Infrastruktur AG are employees who are seconded for their period of office on the Board within a definite ÖBB employment relation in accordance with the general terms and conditions for employment with Austrian Federal Railways (AVB). The Company itself assumes no pension commitments. In the event of withdrawal from office or termination of employment, the relevant provisions of the Stellenbesetzungsgesetz [Appointment Act] apply to the vested rights of future pension payments and claims of the members of the Board of Management. No further claims exist.

Remuneration of members of the Supervisory Board

In accordance with the rules of procedure of the Supervisory Board of ÖBB-Infrastruktur AG and the resolution of the annual general meeting, the ÖBB-Infrastruktur Group shall reimburse the actual invoiced expenses incurred by the members of the Supervisory Board in the course of performing their duty and pay compensation to the shareholder representatives on the Supervisory Board.

The basic remuneration for a Supervisory Board member amounts to kEUR 9 per year. In addition, each Supervisory Board member receives an attendance fee of EUR 200 for each meeting of a Supervisory Board, the Executive Committee or any other committee. The chairman of the Supervisory Board receives 200% of the basic remuneration, and a vice chair within ÖBB-Infrastruktur AG receives 150% of the basic remuneration. For any activity in another Supervisory Board of the ÖBB Group, the member receives an additional 50% of the amounts stipulated above. If several functions are accumulated in one person, the upper limit of kEUR 27 (plus attendance fees) may not be exceeded. Members of the Supervisory Board who are members of the Board of Management, employee representatives, general managers or employees of the ÖBB Group do not receive any Supervisory Board remuneration.

The compensation of the shareholder's representatives on the Supervisory Board for their activities in the ÖBB-Infrastruktur Group amounted to kEUR 37 (prior year: kEUR 35).

33. Segment reporting

A business segment is a component of an entity that engages in business activities from which it may earn revenues and incurs expenses and whose operating results are reviewed regularly by the entity's chief operating decision-maker with respect to the allocation of resources to the respective segment and the assessment of its performance. It is a group of assets and operating activities that is providing products or services which are subject to risks and returns that are different from those of other operating segments and for which discrete financial information is available.

Information on company level

Major customers pursuant to IFRS 8.34 are ÖBB-Personenverkehr AG (total income of EUR 318.6 million [prior year: EUR 310.9 million]), ÖBB-Produktion GmbH AG (total income of EUR 159.6 million [prior year: EUR 185.6 million]), and Rail Cargo Austria AG (total income of EUR 167.9 million [prior year: EUR 170.7 million). This income results from infrastructure usage charges and the sale of traction power. These companies are part of the ÖBB Group and are thus affiliated companies.

The following table shows the Group revenue by geographic market, based on the registered offices of the customers, irrespective of the origin of the products and services:

Total income	2016 in EUR million	2015 in EUR million
Austria	3,098.1	2,987.2
Germany	28.6	37.7
Other markets	28.1	26.5
Total	**3,154.8**	**3,051.4**

The presentation of the carrying amounts of the segment assets and the additions to property, plant and equipment and intangible assets, grouped by geographic areas, is omitted as all assets, except for those in Liechtenstein in the amount of EUR 14.7 million (prior year: EUR 15.5 million) are located in Austria. Additions to property, plant and equipment in Liechtenstein amounted to EUR 0.1 million (prior year: EUR 0.4 million). See Note 4 for external revenues broken down by service.

Information on segment reporting

Segment reporting of the ÖBB-Infrastruktur Group is based on the management structure of the Group. The ÖBB-Infrastruktur Group has only one segment – railway infrastructure.

34. Notes on the Cash Flow Statement

The Cash Flow Statement shows the change in cash of the ÖBB-Infrastruktur 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. There were no changes to cash and cash equivalents due to changes in exchange rates.

Liquid funds include cash and cash equivalents and current receivables and liabilities with respect to ÖBB-Finanzierungsservice GmbH. Current receivables from ÖBB-Finanzierungsservice GmbH (presented under cash and cash equivalents) amount to EUR 119.6 million (prior year: EUR 217.6 million), while current liabilities to ÖBB-Finanzierungsservice GmbH (presented under current financial liabilities) total EUR 20.8 million (prior year: EUR 14.7 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 62.0 million (prior year: EUR 53.6 million) received in this connection are also recognized in operating cash flow under changes in liabilities from trade payables and other liabilities and deferrals.

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 reclassifications to inventories of real estate recovery projects whose use changed during the financial year.

35. Group companies

Information on the subsidiaries, associated companies, investments, and other holdings in the ÖBB-Infrastruktur Group as of December 31, 2016, as well as changes that occurred in financial year 2016:

ÖBB-Infrastruktur Group	Country, registered office	Type of consolidation
Deletion following liquidation		
100% Hans Hechenbichler Erdölprodukte Gesellschaft m.b.H. in Liquidation	A-1020 Vienna	V0

Below is a list of those Group companies in which ÖBB-Infrastruktur AG held an investment either directly or indirectly through other affiliated companies as of the reporting date or which were established in 2016. The corporate purpose of the Group companies is described in letters a) to i). Disclosures relate to both years unless prefixed by "previous year:", in which case they only relate to the previous year.

ÖBB-Infrastruktur Group	Country, registered office	Type of consolidation	
100% ÖBB-Infrastruktur Aktiengesellschaft	A-1020 Vienna	V	c)
├► 100% Austrian Rail Construction & Consulting GmbH	A-1020 Vienna	V0	f)
├► 100% Austrian Rail Construction & Consulting GmbH & Co KG	A-1020 Vienna	V0	f)
├► 100% Güterterminal Werndorf Projekt GmbH	A-1020 Vienna	V	d)
├► 100% Mungos Sicher & Sauber GmbH	A-1150 Vienna	V	e)
├► 100% Mungos Sicher & Sauber GmbH & Co KG	A-1150 Vienna	V	e)
├► 100% Netz- und Streckenentwicklung GmbH	A-1020 Vienna	V0	d)
├► 100% ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. (Foundation in June 2016)	A-1020 Vienna	V0	b)
├► 100% ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG (Foundation in June 2016)	A-1020 Vienna	V0	b)
├► 100% ÖBB-Immobilienmanagement Gesellschaft mbH	A-1020 Vienna	V	a)
├► 100% ÖBB-Projektentwicklung GmbH	A-1020 Vienna	V	b)
├► 100% ÖBB-Realitätenbeteiligungs GmbH & Co KG	A-1020 Vienna	V	b)
├► 100% Businesscenter Linz Entwicklungs- und Verwertungs GmbH & Co KG	A-1020 Vienna	V0	b)
├► 100% Elisabethstraße 7 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V	b)
├► 100% Elisabethstraße 9 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V	b)
├► 100% Europaplatz 1 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V0	b)
├► 100% Gauermanngasse 2-4 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V	b)
├► 100% Mariannengasse 16-20 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V0	b)
├► 100% Modul Office Hauptbahnhof Graz GmbH & Co KG	A-1020 Vienna	V0	b)
└► 100% Operngasse 16 Projektentwicklung GmbH & Co KG	A-1020 Vienna	V	b)
├► 100% ÖBB-Stiftungs Management Gesellschaft mbH	A-1020 Vienna	V0	h)
├► 100% Rail Equipment GmbH	A-1040 Vienna	V	g)
├► 100% Rail Equipment GmbH & Co KG	A-1040 Vienna	V	g)
├► 51% WS Service GmbH	A-3151 St. Georgen am Steinfeld	V	c)
├► 50% Galleria di Base del Brennero - Brenner Basistunnel BBT SE	I-39100 Bozen	E	c)
├► 43,05% Weichenwerk Wörth GmbH	A-3151 St. Georgen am Steinfeld	E	c)
├► 25% (PY: 28,54%) Breitspur Planungsgesellschaft mbH	A-1010 Vienna	E0	d)
├► 8% HIT Rail B.V.	NL-3500 HA Utrecht	0	n/a
├► silent partnership „Am Hafen“ Garagenerrichtungs- und Betriebs GmbH & Co KG	A-6900 Bregenz	0	n/a
└► partnership Tiefgarage Stuben Gesellschaft m.b.H. & Co. KG	A-6762 Stuben/Arlberg	0	n/a

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 investment
n/a	not applicable
i.L.	in Liquidation

Explanation of the purposes of the Group companies:

a) Maintenance, management and utilization of real estate properties
b) Project development and utilization of properties
c) Planning and construction (including replacement investment that exceeds maintenance and repair) of railway infrastructure as well as planning and construction of related projects and sub-projects and the provision of railway infrastructure.
d) Optimization and harmonization of infrastructure planning and development
e) Cleaning and special cleaning (for example, graffiti removal) of railway stations as well as security and other services
f) Research and development, especially in connection with railway infrastructure
g) Procurement, purchasing, financing, maintenance and Group-wide rental of rail vehicles, equipment and rail-bound vehicles
h) Continuing professional training
i) Services associated with the operation of terminals

The following presents the equity and net income from those Group companies 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.

	Shareholder's equity in kEUR		Profit or loss in kEUR	
ÖBB-Infrastruktur Group	Dec 31, 2016	Dec 31, 2015	2016	2015
Austrian Rail Construction & Consulting GmbH	138	138	0	-2
Austrian Rail Construction & Consulting GmbH & Co KG	208	207	-2	-3
Netz- und Streckenentwicklung GmbH	421	421	0	28
Businesscenter Linz Entwicklungs- und Verwertungs GmbH & Co KG	-3	-2	-1	-1
Europaplatz 1 Projektentwicklung GmbH & Co KG	-3	-2	-1	-1
Mariannengasse 16-20 Projektentwicklung GmbH & Co KG	12,556	12,656	101	-131
Modul Office Hauptbahnhof Graz GmbH & Co KG	-3	-2	-1	-1
ÖBB-Stiftungs Management Gesellschaft mbH	71	70	1	0
Breitspur Planungsgesellschaft mbH	4,438	5,402	-2,464	-1,016
Hans Hechenbichler Erdölprodukte Gesellschaft m.b.H. in Liquidation	n/a	423	n/a	-7
ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H.	33	New 2016	-2	New 2016
ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG	99	New 2016	-1	New 2016

36. Events after the reporting date

On April 4, 2017, the members of the Board of Management of ÖBB-Infrastruktur AG released the audited Consolidated Financial Statements as of December 31, 2016 for submission to the Supervisory Board. The Supervisory Board is charged with reviewing the Consolidated Financial Statements and declaring whether it approves the Consolidated Financial Statements.

The option of premature termination of two CBL transactions was exercised in December 2016. Accordingly, the transactions were closed in January 2017.

Instead of issuing own bonds on the capital market, ÖBB-Infrastruktur AG will source the funding amounting to up to EUR 1.65 billion that it needs in 2017 mainly through loans from the Republic of Austria, which will be organized through Österreichische Bundesfinanzierungsagentur (OeBFA). 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 taken 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.

In January 2017, the assets amounting to EUR 5.7 million that were required for ÖBB-Güterzentrum Wien Süd Betriebsgesellschaft m.b.H. & Co KG, which was established in 2016, were transferred to the company in kind. ÖBB-Infrastruktur AG also paid in a shareholder’s contribution of EUR 7.3 million.

Wiener Hafen und Lager Ausbau- und Vermögensverwaltungs GmbH & Co KG and ÖBB-Infrastruktur AG plan to establish a company to operate both the container terminal in Vienna-Freudenau port that was formerly run by WienCont Containerterminal GmbH and the newly built container terminal in Vienna-Inzersdorf, and to provide associated services. The entity will be subject to joint control by ÖBB-Infrastruktur AG and Wiener Hafen und Lager Ausbau- und Vermögensverwaltung GmbH & Co KG. The planned business combination relates to container turnover and associated services. The corresponding business combination application has been filed with the Federal Competition Authority. The federal antitrust attorney and the Federal Competition Authority have requested examination of the business combination in proceedings brought before the cartel court.

37. Executive bodies of the parent company of the Group

Members of the Board of Management		
Ing. Mag. (FH) Andreas Matthä	until July 4, 2016	
Mag. Silvia Angelo	as of January 16, 2017	
DI Franz Bauer		
KR Ing. Franz Seiser		
Members of the Supervisory Board		
Mag. Christian Kern	until May 17, 2016	Chairman
Mag. Brigitte Ederer	as of September 14, 2016	Chairwoman
Mag. Josef Halbmayr, MBA		1. Deputy chairman
DI Herbert Kasser		2. Deputy chairman
Dr. Tanja Wielgoß		
Lic.iur. Philippe Gauderon		
Mag. Silvia Angelo	until November 29, 2016	
DI Marion Medlitsch	as of March 10, 2017	
Günter Blumthaler		Employee representative
Peter Dyduch		Employee representative
Gottfried Winkler	until December 31, 2016	Employee representative
Gerhard Schneider	as of January 16, 2016	Employee representative

Vienna, April 4, 2017

The Board of Management

Mag. Silvia Angelo	DI Franz Bauer	KR Ing. Franz Seiser
Department of finances, market, and service	Department of infrastructure facility provision	Department of operations and systems

Auditor’s Report*

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of **ÖBB-Infrastruktur Aktiengesellschaft, Vienna,** and of its subsidiaries (the Group) comprising the consolidated balance sheet as of December 31, 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2016 and its financial performance for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and with Section 245a Austrian Company Code (UGB).

Basis for Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing. Our responsibilities under those regulations and standards are further described in the "Auditor’s Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We present what we consider to be the most important findings of the audit below:

- Appropriateness of useful lives as the basis for depreciation of property, plant and equipment, and intangible assets of the fixed assets
- Distinction between capital expenditures requiring capitalization and maintenance measures immediately recognized as expenses
- Recognition and measurement of capitalized own work in connection with investment projects
- Cross-border leasing transactions

Appropriateness of useful lives as the basis for depreciation of property, plant and equipment and intangible assets of the fixed assets

Facts and reference to further information	Audit process
The carrying amounts of property, plant and equipment and intangible assets of the fixed assets as of December 31, 2016 stood at EUR 21.2 billion. This corresponds to almost 94% of the Group's balance sheet total. The resulting depreciation recognized as an expense amounted to EUR 725.7 million in 2016. The amount of the depreciation is primarily influenced by assumptions regarding the useful lives of the assets. In 2016, the useful life of tunnel systems built using the cut-and-cover construction method was shortened due to a reassessment, resulting in an increase in depreciation of EUR 4.4 million. Both the determination of useful lives and the annual assessment of the appropriateness are subject to uncertainties. For the financial statements, there is a risk that an inaccurate amount of depreciation will be reported due to excessively short or long useful lives. This may in turn have an impact on the carrying amounts of the non-current assets and thus also on the Group's equity. The information on the useful lives used can be found in the notes to the consolidated financial statements under item "A. Basis and methods, 3. Summary of significant accounting policies. The sub-item "Use of estimates and judgment – b. Estimated useful lives of property, plant and equipment and intangible assets" in this section also depicts the corresponding sensitivities.	During the audit, we discussed the process of determining the useful lives and their annual review. Based on this, we thoroughly reviewed the documentation of the determination of the useful life, taking into account historical values, descriptions of the current state of assetsand technical innovations with the responsible staff and technical experts of the Group. This applies in particular to the 2016 change in the useful life of tunnel systems built using the cut-and-cover construction method. We also verified the appropriateness of the useful lives by making international industry comparisons with other railway infrastructure companies. We understood the sensitivity calculations made by the company.

Distinction between capital expenditures requiring capitalization and maintenance measures immediately recognized as expenses

Facts and reference to further information

In addition to investing in the construction of railway infrastructure, the Group has significant expenditures for the renewal and maintenance of existing infrastructure. While measures that are classified as capital expenditures are capitalized and thus written off as expenses over several years, maintenance measures are immediately reflected as an expense in the results for the period. As with all major infrastructure companies, the distinction between investment and maintenance measures and their correct presentation in the financial statements is particularly important. In particular for measures affecting existing infrastructure, there may be delimitation or classification problems. The risk for the financial statements is therefore an inaccurate balance sheet assessment of construction and restoration measures and the associated impact on the annual result.

The information on the accounting principles are described in the notes to the consolidated financial statements under "A. Basis and methods, 3. Summary of significant accounting policies". Information on the maintenance activities recorded in the income statement in the financial year is provided in the notes under item "B. Notes on the Consolidated Statement of Financial Position and the Consolidated Income Statement, 7. Costs of materials and purchased services". The investment measures capitalized in the financial year are shown under item "B. Notes on the Consolidated Statement of Financial Position and the Consolidated Income Statement, 14. Property, plant and equipment".

Audit process

In conducting our audit, we gained an understanding of the relevant processes and internal controls on the balance sheet categorization of construction and restoration projects and the effectiveness of selected internal controls. This relates in particular to internal controls on the opening of orders in the SAP system in accordance with the internal accounting guidelines ("activation principles") as well as subsequent controls by asset accounting. Based on this, we have defined further auditing procedures.

We have applied these audit procedures to a selected sample of projects (both investment and maintenance contracts). In addition to a random selection, the selection was made according to risk-oriented criteria taking into account project size, project designation, and project duration. The audits included, in particular, the review of project descriptions, the discussion of project content with the project managers and project controllers, and the assessment of the accounting decisions made. Where necessary, we have also looked into the billing and contract documents for the projects included in the sample.

Recognition and measurement of capitalized own work in connection with investment projects

Facts and reference to further information	Audit process
EUR 300.3 million was capitalized as own work for activities related to the planning and construction of assets in the 2016 financial year. The majority of the capitalized own work relates to personnel costs. Employees enter their service hours on orders which are transferred to the SAP system monthly with the rates charged. Own work is valued at plan cost rates during the year. At the end of the year, a re-calculation is carried out based on the actual costs and the actual productive hours of the employees. The calculation of the cost rates is mainly based on data that has been automatically transferred; individual calculation procedures also include manual steps. For the financial statements, there is a risk that the capitalized own work and the associated balance sheet items of the fixed assets will be misrepresented due to incomplete or incorrect service assessments or service evaluations. Information on the own work capitalized in the financial year is provided in the Notes to the Consolidated Financial Statements under item "B. Notes on the Consolidated Statement of Financial Position and the Consolidated Income Statement, 5. Other own work capitalized".	During the audit, we gained an understanding of the recognition and measurement of own work in connection with investment projects and of the effectiveness of selected internal controls. This applies in particular to internal controls relating to the recording of services. In addition, we checked the calculation of the cost rates and the basic data (mainly different cost types, service and attendance hours) used in this document for plausibility. This included a review of the distinction between expenses that can be capitalized and those that cannot be capitalized and their treatment in the calculation models. We discussed major deviations between the plan approaches and the actual values in the re-calculation with the respective business unit controllers or with the staff responsible for cost accounting.

Cross-border leasing transactions

Facts and reference to further information	Audit process
The balance sheet treatment of cross-border leasing transactions is an inherently highly complex topic. This complexity and the risk of error associated therewith are increased in the case of contract modifications (for example the exchange of repayment vehicles or the provision of additional collateral) and on the termination of transactions if the basic structure had to be modified beforehand. The ÖBB-Infrastruktur Aktiengesellschaft is the contractual partner of all cross-border leasing transactions in external relationships, whereas the economic effects on other companies of the Österreichischen Bundesbahnen-Holding Aktiengesellschaft Group are passed on due to sublease agreements, with the exception of one transaction. In financial year 2016, two cross-border leasing transactions were terminated prematurely. In the case of one transaction, the borrowings received during a restructuring process as well as the repayment vehicle exchanged at that time were continued. For the financial statements, there is a risk that the net effect of the associated expenses and income (gains and losses from the reversal of the transaction, and interest, foreign currency effects of the continuing financial instruments) will not be charged to the economically affected sister company in full or will be charged inaccurately, with a negative impact on the results of ÖBB-Infrastruktur Aktiengesellschaft. Information on the balance sheet presentation of cross-border leasing transactions can be found in the notes to the consolidated financial statements under item "E. Other notes, 30.3. Cross-border lease agreements".	Individual case-based auditing procedures were mainly used in the audit of the accounting for cross-border leasing transactions. These concern, inter alia, the inspection and evaluation of contractual agreements, the review of booking documents, discussion protocols, and external confirmations, as well as the discussion of specific issues with the experts of the Corporate Finance department of the Österreichischen Bundesbahnen-Holding Aktiengesellschaft, as well as the consultants used by ÖBB-Infrastruktur Aktiengesellschaft. We have reviewed the underlying facts and calculations with regard to the passing on of charges to Group sister companies in connection with the termination of two cross-border leasing transactions.

Responsibilities of Management and of the Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and with Section 245a Austrian Company Code (UGB), for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the Group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether it was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the Group's management report in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the Group's management report.

Opinion

In our opinion, the management report for the group was prepared in accordance with the valid legal requirements, includes appropriately stated information in accordance with Section 243a Austrian Company Code (UGB) and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the Group's management report came to our attention.

Other Informations

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the Group's management report and the auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsible Austrian Certified Public Accountant

The engagement partner on the audit resulting in this independent auditor’s report is Mr. Mag. Gerhard Posautz, Certified Public Accountant.

Vienna, April 4th, 2017

BDO Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Gerhard Posautz	Mag. Peter Bartos
Certified Public Accountant	Certified Public Accountant

*) This report is a translation of the original report in German, which is solely valid.

Publication or sharing with third parties of the group financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the audited version.. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

We draw attention to the fact that the English translation of this long-form audit report according to Section 273 of the Austrian Company Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

About this report

Published by
ÖBB-Infrastruktur AG
Praterstern 3
1020 Vienna
Tel: +43 1 93000-0
E-mail: infra.kundenservice@oebb.at
oebb.at/infrastruktur

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Enquiries regarding the annual report
ÖBB-Holding AG
Group Communications & Marketing
Am Hauptbahnhof 2
1100 Vienna
Tel: +43 1 93000-44075
E-mail: kommunikation@oebb.at
oebb.at

ÖBB Customer Service
24-hour train and bus information is available from ÖBB customer service.
Tel: from Austria, call 05-1717 (without area code) at the local rate; from abroad, please call +43 5-1717.

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