ÖBB

Zukunft am Zug

Annual Report 2007

Everything For Our Customers

Capital Expenditure 2007: 2,528.8 million EUR –
e.g. 450.7 million EUR invested in vehicle fleet projects

An increase in EBIT of 45% to 513.6 million EUR proves that we successfully managed to continue the course of our business operations in 2007.

447 million passengers were carried by ÖBB in 2007 – 4 million more than in the previous year.

The timetable for 2008 considerably improved the coordination between railway and bus thus enhancing the attractiveness of our mobility services.

We care about satisfied customers: This is why we are consistently improving the equipment of our railway stations.

Safety is always given priority – in the trains, the buses and the station buildings.

We also move along regarding accessibility: In 2007 we invested about 6.8 million EUR in rail passenger transport in order to remove remaining obstacles.

We make more of a railway station and use available open space to increase the services offered.

No one else in Austria transports more goods from A to B than ÖBB carrying about 97 million tons.

Key Figures 2007

Operating Figures ÖBB Group

	2007	2006	Change in %
Sales in million EUR	4,874.2	4,564.0	7
thereof direct sales in million EUR	2,392.2	2,199.0	9
thereof abroad in million EUR	1,194.2	899.0	33
Total revenues in million EUR	5,521.4	4,990.2	11
Total expenditure in million EUR	5,007.7	4,637.0	8
Earnings before interest and taxes (EBIT) in million EUR	513.6	353.2	45
EBIT margin in %	9	7	29
Financial results in million EUR	-469.2	-254.4	84
EBT in million EUR	44.4	98.8	-55
Profit for the year in million EUR	42.4	96.5	-56
Total revenues per employee in TEUR	127	112	13
Return on equity in %	2	3	-33

Balance Sheet Ratios ÖBB Group

	31.12.2007	31.12.2006	Change in %
Balance Sheet Total in million EUR	15,449.2	13,381.8	15
Capitalization ratio in %	86	86	-
Equity in million EUR	2,940.6	2,844.2	3
Equity ratio in %	19	21	-10
Long-term liabilities in million EUR	10,637.7	8,425.1	26
thereof financial liabilities in million EUR	10,151.4	7,897.5	29
Capital expenditure (additions to fixed assets at acquisition costs) in million EUR	2,528.8	2,052.3	23
Investment ratio of total revenues in %	45	41	10

Employees ÖBB Group

	31.12.2007	31.12.2006	Change in %
Employees	9,273	7,118	30
Tenured employees	32,299	34,591	-7
Apprentices	1,321	1,242	6
Total	**42,893**	**42,951**	**-0.1**

We Are Heavily Investing for Our Customers

Enclosures:

– ÖBB Investment Atlas page 47
– Figures, Data, Facts page 304

Quality improvement:

10 million EUR for the Railway Station Renovation Program

Constantly improving equipment and information systems

The goal is unrestricted mobility

18 million EUR spent on accessibility

In rail passenger transport from 2007 to 2009

Noise control:

32 million EUR spent on noise barriers

As part of basic investments in the existing railway network

Infrastructure:

1,878.9 million EUR invested in Austrian railway network

More than 1,600 multi-year projects.

Freight transport:

400 million EUR spent on increasing capacities

Gradual acquisition of about 5,000 new wagons

Research and innovation:

18 million EUR for R&D

Prorated expenses of about 18 million EUR for actively managed R&D projects

New buses:

55.2 million EUR invested in the vehicle fleet of ÖBB-Postbus

20% of the entire bus fleet was replaced within the last two years

New railway stations:

200 million for the first stage of the railway station renovation program

Renovation of the railway stations Feldkirch, Graz, Baden, Krems, Linz, Wiener Neustadt, Leoben, Wels and Klagenfurt; the second stage focuses on the railway stations in Vienna where the new main railway station is scheduled to be completed by 2013.

Traction:

98.4 million EUR invested in locomotive fleet

The fleet of ÖBB is top class among European railway companies

Railway traffic:

352.3 million EUR invested in vehicle fleet

51 Talent and 27 Desiro trains, 12 double-deck carriages, modernization of 43 long-distance carriages

Expanding power stations:

400 million EUR spent on expanding power stations

Modernization and expansion of ten water power plants owned by ÖBB

Reduced Traveling Times and Increased Capacities for Our Customers

Capital expenditure on the expansion of the railway network in 2007: about 1.9 billion EUR
– e.g. Lainzer Tunnel requiring overall investments (1999 – 2013) of 1,273 million EUR

Two of these giant moles drive the tunnel underneath the Wienerwald at a speed of about 27 meters per day.

The Wienerwald tunnel is only one out of more than 1,600 planning and building projects under way in 2007.

We are investing to take you even faster to your destination; e.g. Vienna – St.Pölten in 25 min.; Vienna – Salzburg in 2 hours 15 min. – as from 2012.

Five new railway stations were inaugurated in Vorarlberg in 2007 – just in time before the world gymnaestrada began.

Highly qualified engineers and experts of ÖBB-Infrastruktur Bau make sure that investments in maintenance and expansion of infrastructure facilities are realized in an efficient manner.

The 13.3 km long Wienerwald tunnel is a key section in the four-tracked expansion of the Westbahn route. Through-cut of the tunnel took place in the fall of 2007.

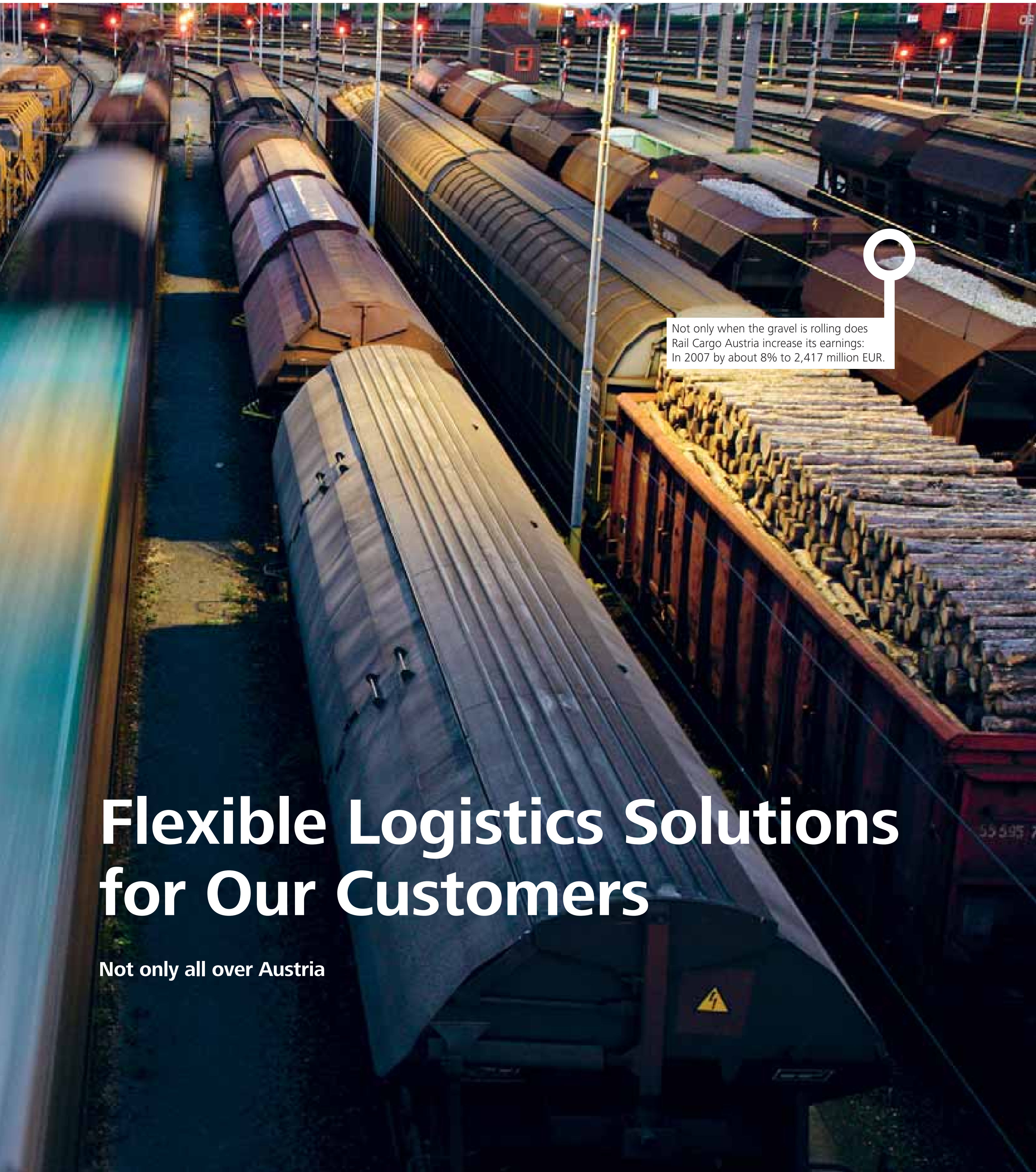
We are investing about 160 million EUR in our own workshops until 2009 in order to ensure that maintenance and repair be carried out quickly and precisely.

One of thousands of wagons we used to transport almost 97 million tons of goods in 2007 – about 5% more than in the previous year.

The acquisition of the Hungarian company MÁV Cargo, which is still subject to approval by the cartel authorities, would redefine the geographical limits of subgroup Rail Cargo Austria.

We want to keep the pace set: By 2011, we will have invested about 400 million EUR in about 5,000 new freight cars to ensure capacities and growth.

Whatever it is – we transport simply everything.



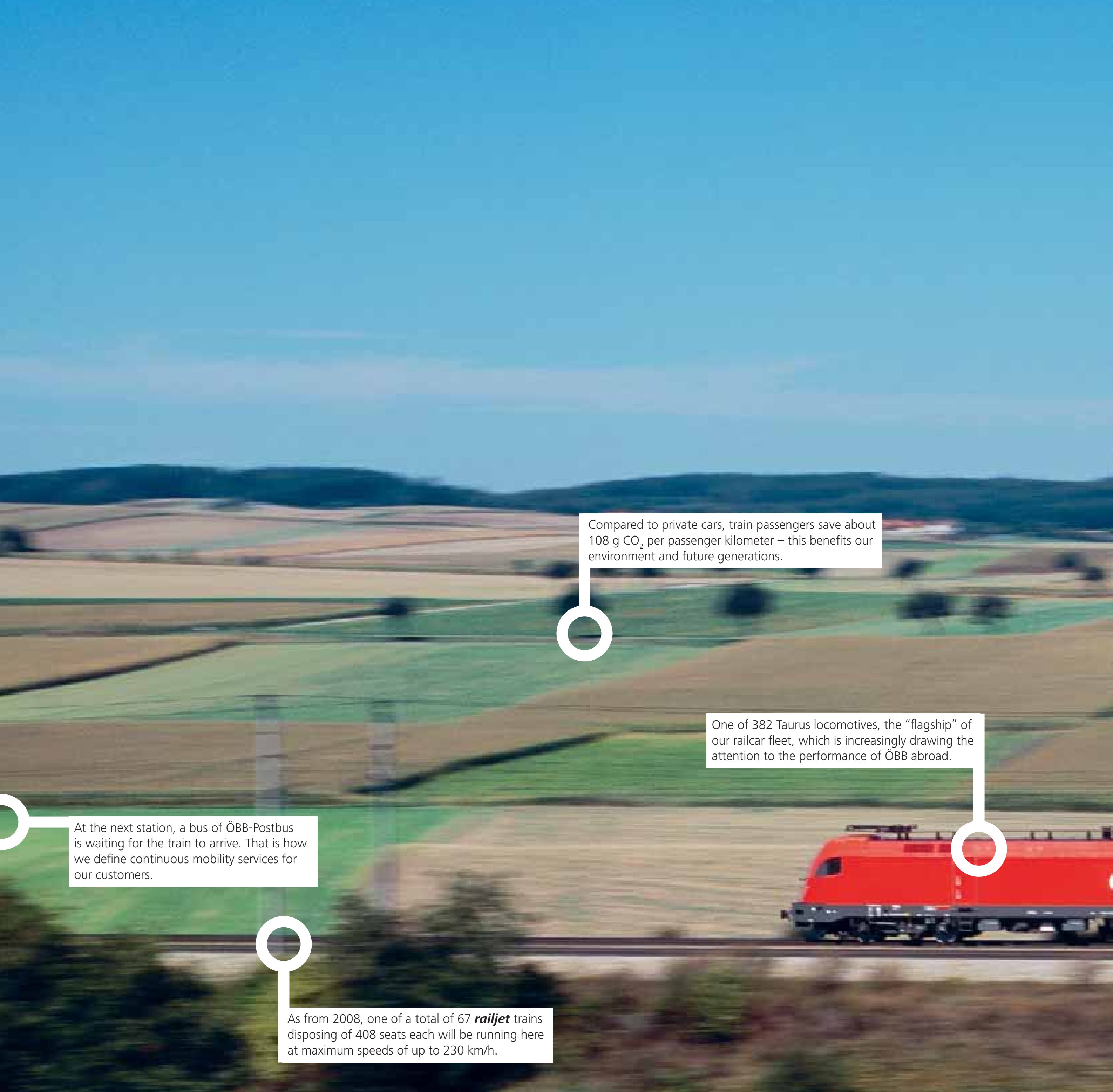
Not only when the gravel is rolling does Rail Cargo Austria increase its earnings: In 2007 by about 8% to 2,417 million EUR.

Flexible Logistics Solutions for Our Customers

Not only all over Austria

New Trains for Our Customers

450.7 million EUR invested in 2007 alone – e.g. in the purchase of 51 sets of Talent trains



Short-distance traffic does not fall behind: In 2007, 51 Talent trains, 27 Desiro trains and 12 double-deck carriages were put into operation.

In this compartment, one of our 14,072 employees of subgroup ÖBB-Personenverkehr is taking care of the well-being of our passengers. And our employees do this better every day as our customer surveys show.

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KR Gustav Poschalko: "... absolute customer and market orientation ..."

Report by the Executive Board of ÖBB-Holding AG

ÖBB Group consistently continued on its way towards absolute market orientation and improved operational efficiency; in many respects, 2007 was the most successful year in the recent history of ÖBB. Never before did so many passengers use the trains and buses of ÖBB as in 2007; we carried 447 million people in passenger transport, which is 4 million more than in the previous year. Subgroup Rail Cargo Austria increased the number of tons transported by about 5% to almost 97 million tons thus scoring a new record. In both cases growth rates are considerable and prove that we are right on track with the strategic alignment developed in 2005 in line with the restructuring of ÖBB and that it is being implemented successfully. ÖBB increasingly succeeds in focusing all operational efforts on its customers' needs. And the unalterable principle of "Everything for our Customers", which is the motto of this year's annual report, also applies to investment projects.

In 2007 ÖBB Group invested about 2,528.8 million EUR thus about 23% more than in the previous year. Groundbreaking infrastructure projects as well as purchasing programs in passenger and freight transport continued as scheduled. Our customers appreciate these investments as is shown by the development of the number of passengers carried and tons transported.

EBIT improved by about 45% to 513.6 million EUR

The business development of ÖBB Group reflects these successful operations. With staff levels remaining practically unchanged, total revenues rose by about 11% to about 5.52 billion EUR. Despite rising operating expenses primarily due to the increase in prices of raw materials and energy, earnings before interest and taxes (EBIT), which were determined according to IFRS for the first time in 2007, further improved. Earnings before interest and taxes were up about 45% to about 513.6 million EUR over the previous year thus proving that ÖBB Group managed to successfully continue its business operations.

Rising interest expenses and reserves burden financial results

Earnings before taxes (EBT) were marked by financial results amounting to about -469 million EUR thus being up about 215 million EUR over the previous year. Interest expenses rose by about 20% to 486 million EUR due to an increase in financial liabilities by about 21% to about 10,574 million EUR. However, part of the negative development of the financial results is due to IFRS which provide for very cautious reporting of derivative financial instruments and thus of Collateral Debt Obligations (CDO) assumed by ÖBB Group in the course of cross border leasing transactions. Although these hedging transactions, which are based on operative transactions having no speculative purposes, have a remaining term to maturity until 2015, temporary price fluctuations have been taken into account in the form of reserves affecting net income as of the balance sheet date. Only at their maturity date will it be possible to determine if they actually caused any loss. Primarily due to this form of recognition, earnings before taxes amounting to about 44 million EUR are reported for 2007 compared to about 99 million EUR in the previous year. Also earnings before taxes would be up from about 82 million EUR to about 181 million EUR if adjusted by this temporary effect. Over the past years ÖBB Group managed to significantly increase profitability on the basis of its EBIT margin; while in 2005 an EBIT margin of 4.5% was reported, this benchmark figure was up to 9% in 2007. We have to consistently continue our way because only by improving profitability we will achieve the financial power we need to become one of Europe's top railway companies in the medium term.

Number of goods transported rose by about 5%

It is true that we benefited from increasing demands for mobility in the period under review, but competition is on the rise too due to increasing liberalization of European markets. All in all, freight transportation posted an increase in transport volume due to a favorable economic development and the growing economic integration of Europe. Nevertheless, due to increasing competition by other transport operators and the lack of actual costs being made transparent in these segments, the share of rail transport in overall development is still disproportionate. There is no automatic balancing in this environment; we can only be successful by offering every day best possible services and quality, customer-orientation, innovative transport solutions and reliability. This applies in particular to short-distance and long-distance passenger transport.

Unification of customer definition

This is why in 2007 ÖBB Group focused on these aspects more than ever before. Our success depends on our customers' satisfaction; as passengers they trust in their needs being met in a reliable manner. This is why every link in the production chain has to take into consideration these needs without exception. In 2007 we focused on raising awareness thereof. The definition of the term "customer" was standardized at group level regardless of internal performance of services. Apart from some niche products, passengers are our customers in passenger transport, and business enterprises are our customers in freight transport. All other internal or external providers or recipients of services are defined as contractors and buyers respectively. This delimitation might sound banal, but it is very important for optimizing market orientation. While up to now the corresponding transport operations companies were held responsible for meeting our customers' needs, it is now up to all ÖBB companies and employees to take care of our customers' satisfaction. The corporate model developed in 2007 reflects this conception.
"We fill our customers with enthusiasm."
"Quality we can be proud of!"
"ÖBB, that is all of us!"

About 6,000 employees, senior executives, the top management and the works council of ÖBB Group were actively involved in the development of this corporate model. It was the most extensive "value definition process" ever launched in the history of ÖBB: Our employees worked out "customer-orientation", "quality" and "all of us" as the core values which are most important on our way to becoming one of Europe's top railway companies.

Customers appreciate improvement in quality

A series of small successes illustrates that also in 2007 ÖBB Group managed to successfully maintain its hold on the market. Introduction of the new Talent trains operating in short-distance transport led to an increase in regional passengers of up to 35% with customers being enthusiastic about the resulting improvement in quality. Piggyback services continued to grow in freight transport; the corresponding capacities are to be further increased by about 30% in 2008.

Capital expenditure on infrastructure amounting to about 1.9 billion EUR

About 1.9 billion EUR were invested in infrastructure in order to meet customers' needs even better. These funds were used for new constructions as well as maintenance and modernization measures and improvement of existing infrastructure facilities. On the one hand, these measures aim at improving the services offered to the customer in the long term, and on the other hand, there are short-term measures the impact of which the customer will notice rather quickly.

Punctuality of trains further improved

In operational management, quality of railway traffic further improved compared to 2006. The number of trains arriving on time increased by about 3.5% to almost 80% in long-distance passenger transport and to almost 96% in short-distance passenger transport while punctuality in freight transport rose to about 67%. Quality also increased at the traffic stations due to investments and improvement measures taken. This finds its expression in better results of customer surveys. A ranking of Austria's most popular railway stations proves how important these investments in the design of railway stations are, as the successful projects implemented within the framework of the railway station renovation program take all the first places.

Internationalization of ÖBB Group

Besides our daily efforts in operational management to comply with customers' requirements in the best possible way, on-going internationalization of ÖBB Group is a crucial element of the corporate strategy. Subsidiary Rail Cargo Austria accounts for 66 of a total of 72 foreign participations and subsidiaries of ÖBB Group. About 70% of overall freight transports were cross-border transports in 2007. In such an environment, quality and flexibility will not be enough to succeed; corporate size will become all the more important to benefit from economies of scale. By acquiring the Hungarian freight railway company MÁV Cargo still subject to approval by the cartel authorities, we took a decisive step towards becoming the leading provider in freight transport in Eastern and Southeast Europe in the medium term.

Uniform alignment regarding customer and market orientation

Implementation of this market alignment from the structural point of view by causing as little friction as possible requires close cooperation to be agreed upon by all ÖBB companies. Structuring of the group into stock companies and GmbH-companies (limited companies) provides for a clear delimitation of responsibilities and competencies. This structure increases cost awareness of the individual business units and facilitates cost transparency when offsetting internal exchange of services. We are convinced that uniform strategic alignment and coordination are essential for achieving absolute customer and market orientation.

ÖBB on its way to becoming a top railway company

The challenges the market imposes on our employees require a high level of commitment and performance awareness. This is why we would like to express our thanks and recognition to our employees as they not only support the successful course of ÖBB Group, but are actually making it possible. We also express our thanks to the members of the supervisory board for their commitment and cooperation accompanying ÖBB on its way to becoming a top railway company.

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DI Peter Klugar KR Gustav Poschalko Mag. Erich Söllinger

ÖBB Group at a Glance

Organizational Alignment

Austria's largest and most environmentally friendly mobility provider

ÖBB Group is Austria's largest and most environmentally friendly mobility provider. Apart from transporting passengers and goods it is responsible for ensuring the operation and maintenance of railway infrastructure. With 43,000 employees, total revenues amounting to about 5,5 billion EUR and capital expenditure totaling about 2,5 billion EUR in 2007, ÖBB Group is one of Austria's biggest companies and employers giving the Austrian economy important new impetus. In 2007 the number of passengers carried increased by 1% to 447 million, and the number of tons transported rose by about 5% to 97 million.

The subgroups ÖBB Personenverkehr and Rail Cargo Austria are responsible for passenger and freight transport and the performance of public-benefit services by order of the Federal Government, provinces and municipalities as well as public transport associations. Their joint subsidiaries ÖBB-Traktion GmbH and ÖBB-Technische Services GmbH are responsible for the areas of locomotives and railway workshops respectively. ÖBB-Postbus GmbH, a subsidiary of ÖBB Personenverkehr AG, is the market leader regarding regional public transport in Austria and is also operating in bordering regions, although to a very limited extent.

ÖBB Holding AG is the strategic holding company of ÖBB Group holding all shares in its four subsidiaries which are ÖBB-Personenverkehr AG, Rail Cargo Austria AG, ÖBB-Infrastruktur Betrieb AG and ÖBB-Infrastruktur Bau AG forming ÖBB's subgroups. The basis of this organizational structure is defined by the Bundesbahnstrukturgesetz 2003 (Federal Railway Structure Act).

Subgroup ÖBB-Infrastruktur Betrieb guarantees the demand-oriented and safe use of the railway infrastructure making it available without any kind of discrimination. Subgroup ÖBB-Infrastruktur Bau is in charge of erecting the railway infrastructure in agreement with the owner of ÖBB-Holding AG, the Republic of Austria, while being the owner of all infrastructure facilities. Management, development and exploitation of real estate belonging to ÖBB Group are incumbent on ÖBB-Immobilienmanagement GmbH, a subsidiary of ÖBB-Infrastruktur Bau AG.

ÖBB-Dienstleistungs GmbH, a 100% subsidiary of ÖBB-Holding AG, is to support the whole ÖBB Group in all cross-sectional issues ranging from human resources to information technology and central procurement.

Tasks and Responsibilities of ÖBB-Holding AG

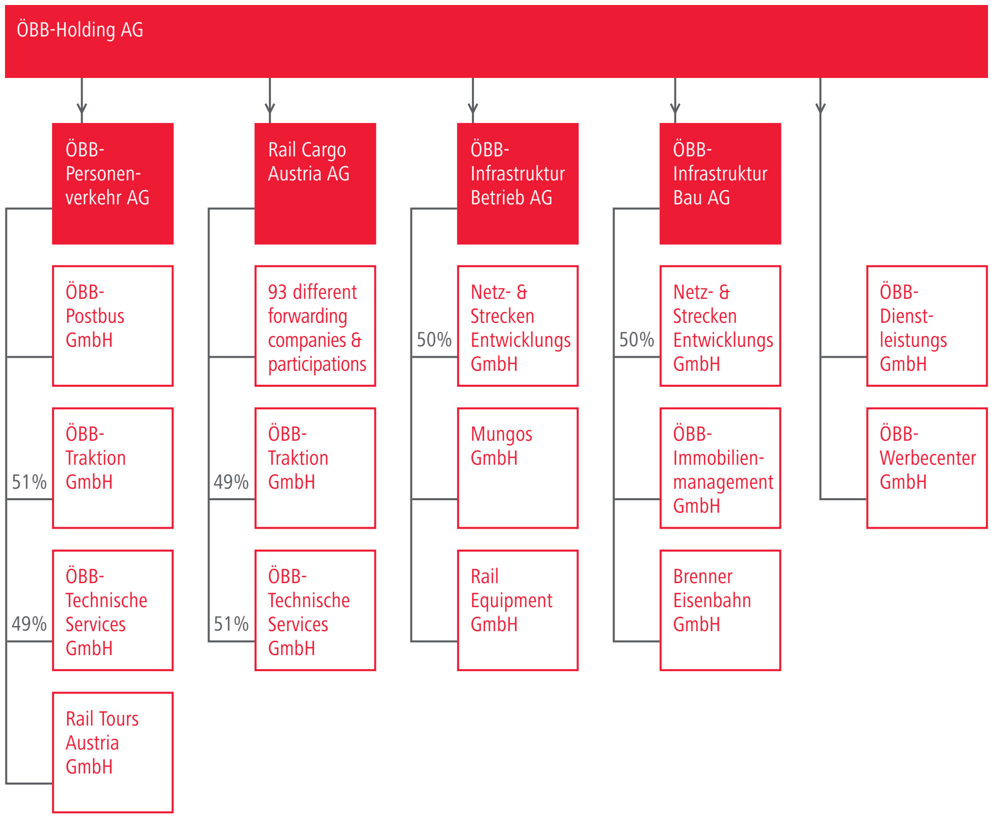
Statutory provisions regarding the tasks of ÖBB-Holding AG

The core tasks assigned to ÖBB-Holding AG are defined as follows by Section 4 of the Bundesbahnstrukturgesetz (Federal Railway Structure Act):

- Exercising the equity interests in Österreichische Bundesbahnen
- Reorganizing Österreichische Bundesbahnen
- Safeguarding its equity interests in the restructured companies and all other companies aimed at a uniform strategic alignment

In order to comply with this purpose, ÖBB-Holding AG may take all steps required and may exert influence on the group companies to the extent necessary in order to control and to achieve the superordinate goal of ÖBB Group, which is a uniform strategic alignment.

ÖBB Group Structure (extract)



Control and Coordination

ÖBB-Holding AG controls and coordinates this task involving the supervisory boards of the operative companies. Furthermore, it is in charge of organizing group-wide areas such as research and development, legal affairs, environmental protection and sustainability, international relations, communications, and unrestricted mobility. Group guidelines and communication platforms are meant to ensure efficient coordination between the subgroups.

Coordination by means of guidelines and communication platforms

At executive board level, the separation of operational functions was implemented as planned regarding the holding company and the subgroups. Erich Söllinger, CFO of ÖBB-Holding AG had been appointed CFO of ÖBB-Personenverkehr AG for a limited period of time until 30.11.2007 as well as CFO of Rail Cargo Austria AG for a limited period of time until 31.12.2007. This limited personal linkage served the purpose of implementing uniform controlling and accounting procedures in all subgroups. After completing these changes, the job was advertised in both companies in 2007 and a new CFO was appointed.

Separation of operational functions

Schedule of Participations

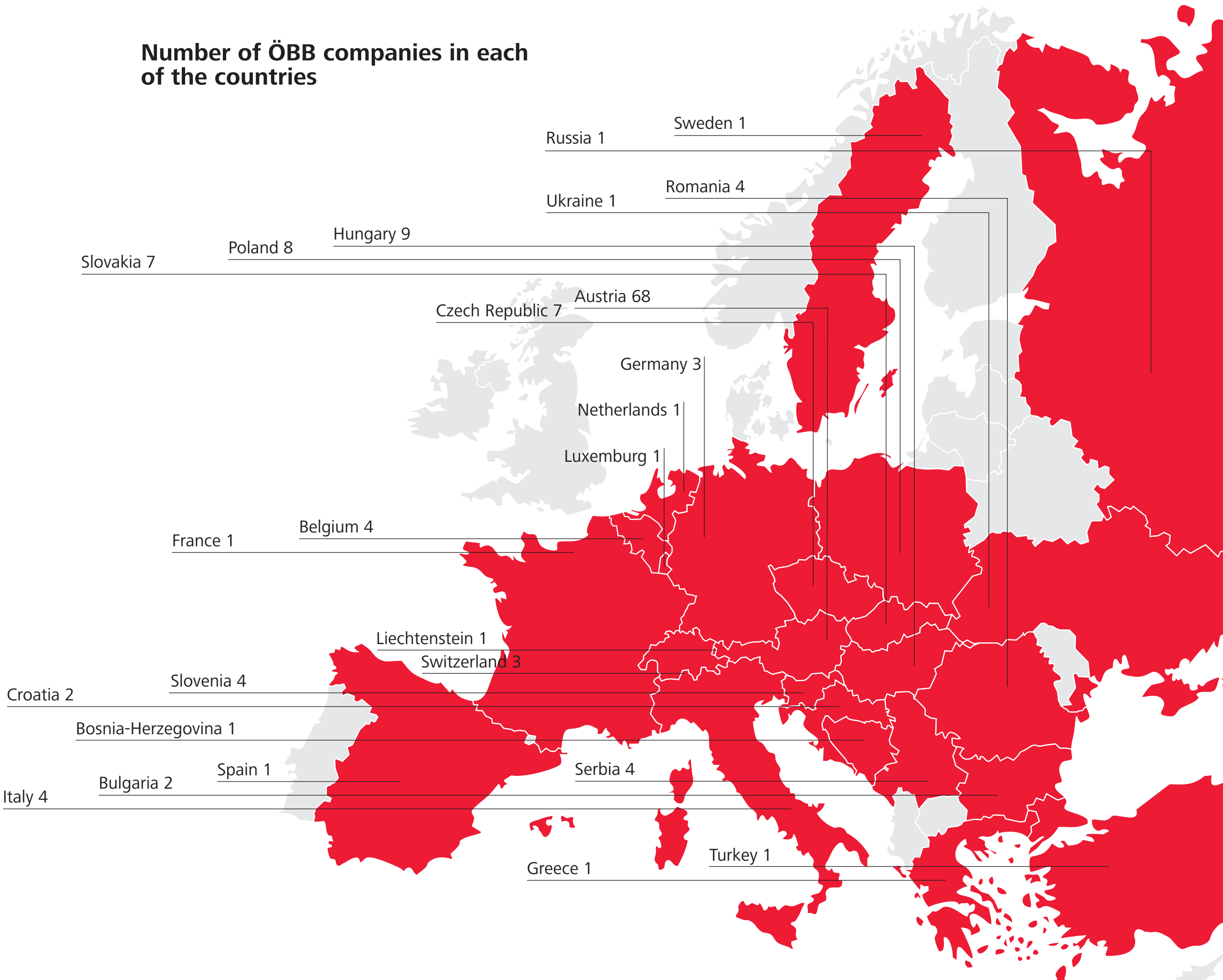
All participations of ÖBB Group are listed in the Schedule of Participations in the Notes to the Consolidated Financial Statements on page 288; an overview is given below subdivided into subgroups and countries:

	Subgroup					
	Personen-verkehr	Rail Cargo Austria	ÖBB-Infra-struktur Betrieb	ÖBB-Infra-struktur Bau	Other	Total
Participation > 50%	10	59	8	9	10	96
thereof abroad	1	37	0	0	0	38
Participation of 20% to 50%	3	23	1	0	1	28
thereof abroad	1	18	0	0	0	19
Other participations	2	11	0	2	1	16
thereof abroad	2	11	0	1	1	15
Total	**15**	**93**	**9**	**11**	**12**	**140**
thereof abroad	4	66	0	1	1	72

72 participations abroad

Outside Austria, the group holds participations in 72 companies having their registered office in the following countries: Hungary (9), Poland (8), Czech Republic (7), Slovakia (7), Romania (4), Italy (4), Slovenia (4), Belgium (4), Serbia (4), Germany (3), Switzerland (3) two investments in Bulgaria and two in Croatia, and one investment in Spain, Russia, Bosnia-Herzegovina, France, Sweden, Greece, Liechtenstein, Turkey, Ukraine, Netherlands, and Luxemburg respectively.

Number of ÖBB companies in each of the countries



Value Added Pattern within ÖBB Group

Contributions by the Federal Government, Provinces and Municipalities

Close cooperation with public sector

The overall economic importance of ÖBB Group is shown by different dimensions and diverse trade relationships with business enterprises and central, regional, and local authorities. Capital expenditure amounting to about 2.5 billion EUR in the period under review highlights its role as an important customer of the domestic economy. Services to be rendered by order of the Federal Government, provinces and municipalities are clearly defined. By order of the Federal Government, ÖBB Group rendered so-called public-benefit services in the area of passenger and freight transportation. At the same time the Federal Government pays a compensation for operating the infrastructure all over Austria. This compensation is paid directly to ÖBB-Infrastruktur Betrieb AG and amounted as in the previous year to 1,066 million EUR. Thus 25 railway companies may use the infrastructure facilities of ÖBB for their business activities based on this agreement.

Services ordered by the Federal Government in the area of passenger transport include in particular free travel for students and apprentices, discounts on weekly and monthly season tickets, annual season tickets and the VORTEILScard. In the period under review ÖBB-Personenverkehr AG charged 468 million EUR for those public-benefit services after 466 million in the prior year. This compensation is based on the political will to offer favorable prices to certain groups of people, and the Federal Government takes over the costs incurred in connection therewith in favor of the customers. Moreover, ÖBB-Personenverkehr AG has entered into traffic service agreements with the provinces defining the services offered at regional level. These service agreements encompass the preparation of timetables, connections offered outside rush hours, or the use of certain sets of wagons.

Federal Government supports users of piggyback services

In order to increase the transfer of freight transport from road to rail, the Federal Government instructed ÖBB to promote combined road-and-rail traffic in freight transportation. Thus the Federal Government agreed to pay costs of about 25 million EUR incurred by customers of piggyback services in 2007. For example, trucks using the transit route Wörgl – Brenner have to pay about 94 EUR for using the road; when taking advantage of the piggyback services (ROLA) offered, a transport fee starting from 74 EUR results much more attractive due to the contribution by the Federal Government.

Cost and interest contributions by the Federal Government as from 2008

The financing policy in the area of infrastructure was completely realigned in 2005. Automatic loss coverage assumed for the business division of infrastructure was switched to compensations for services rendered by ÖBB-Infrastruktur Betrieb AG. In addition to that, the Federal Government assumes the liability for financing instruments raised by ÖBB-Infrastruktur Bau AG on the capital market. There are no payments made by the Federal Government to subgroup ÖBB-Infrastruktur Bau for daily business activities resulting therefrom. However, the owner is obliged by law to provide ÖBB-Infrastruktur Bau AG with the liquidity and equity necessary to ensure financing of infrastructural investments based on the six-year master plan.

Therefore for investments made from 2008, a 70% cost and interest contribution by the Federal Government was agreed upon to be paid to the company in tranches of 30 years each. The provinces, cities and municipalities will also contribute to the financing of infrastructural facilities, in particular if such projects benefit short-distance traffic. Some projects which are of importance at the European level are being co-financed by the European Union.

ÖBB Group's Customers

Differentiation between customer and business partner

So far, the term "customer" had been defined in many different ways within ÖBB Group as many intra-group services are being rendered in a parallel or separate manner to services performed for the external market. In order to eliminate any disadvantages in connection therewith for joint production and outside perception, standardization of the terms used was initiated in the fall of 2007. Except for special areas such as the maintenance of railcars and wagons belonging to third parties by ÖBB-Technische Services GmbH, passengers in passenger transportation and business enterprises in freight transportation are deemed to be customers of ÖBB Group. All other parties receiving or rendering services are considered as business partners. These services include all intra-group services between individual ÖBB companies as well as services rendered by order of the Federal Government, provinces, municipalities or public transport associations.

The fundamental difference between customer and business partner is based on the fact that in the end any offer by ÖBB has to be focused on meeting customers' needs. Offers between business partners are only an intermediate product on the way to our customer. Any relations with business partners are to be based on merely rational principles and have to ensure adequate and appropriate benefits for the customer.

In pursuit of a sustainable business development, ÖBB Group strives to steadily increase its number of customers; this may be achieved directly or indirectly via its business partners. This differentiation between customers and business partners is also important for the income statement. Due to group-wide consolidation, internal services offset each other without affecting profit regarding expenses as well as income. Customers, however, generate real payment flows. This is true for external business partners too, but the goal is different. Their orders support the demand for public transport, and this is why these business relations is not to be compared with those of end users.

In passenger transport as well as freight transport, orders placed by external partners result in price cuts for customers. The following table shows how favorable the prices offered by ÖBB are at an international level:

ÖBB-Personenverkehr AG Price Comparison at International Level

Short distance:

ÖBB: Vienna – Mürzzuschlag 119 km: 2. class 9.90 EUR – 1. class 16.55 EUR

DB: Passau – Regensburg 119 km: 2. class 12.50 EUR incl. ICE – 1. class 20.00 EUR incl. ICE

SBB: Buchs – Zurich 113 km: 2. class 9.90[1] EUR – 1. class 16.50[1] EUR

Medium distance:

ÖBB: Wien – Salzburg 317 km: 2. class 22.10 EUR – 1. class 36.70 EUR

DB: Passau – Würzburg 323 km: 2. class 28.50 EUR – 1. class 45.50 EUR incl. ICE

SBB: Buchs – Thun 317 km: 2. class 22.80[1] EUR – 1. class 37.80[1] EUR

Long distance:

ÖBB: Wien – Innsbruck 572 km: 2. class 27.15 EUR – 1. class 45.10 EUR

DB: Passau – Koblenz 592 km: 2. class 45.00 EUR – 1. class 72.00 EUR incl. ICE

SBB[2]: Buchs – Genève Aéroport 461 km: 2. class 31.50[1] EUR – 1. class 52.20[1] EUR

All prices indicated are prices valid when using customer cards granting more favorable prices [ÖBB VORTEILSticket (50%);
DB: Bahncard 50 and SBB: Halbtaxabo(nnement)].
1 Exchange rate as of 31.12.2007 Swiss Franc to Euro: 0.60 EUR
2 Note: due to geographical reasons; maximum price for 540 km: 2. class 34.50 EUR, 1. class 57.00 EUR

Short-Distance and Long-Distance Passenger Transport

Further increase in number of passengers

The number of passengers carried in short-distance passenger transport further increased in the reporting period. ÖBB Group is the biggest provider of short-distance transport services in the Eastern part of Austria holding a market share of 65% in commuter traffic. In short-distance passenger traffic 170 million passengers were carried by rail. Additional orders placed by the provinces resulted in an increase in public-benefit transport services. All in all, ticket price revenues in passenger transport were up 5.6%. Connections to Germany account for the biggest share in long-distance passenger transport. This is why the long strikes at Deutsche Bahn in summer and fall 2007 had such serious consequences. However, due to strong domestic demand, the number of passengers grew by 2% to 200 million.

ÖBB-Postbus GmbH, which provides bus connections throughout Austria, carried about 247 million passengers in the period under review. About 15% of all passengers carried by public transportation enterprises in Austria use this service.

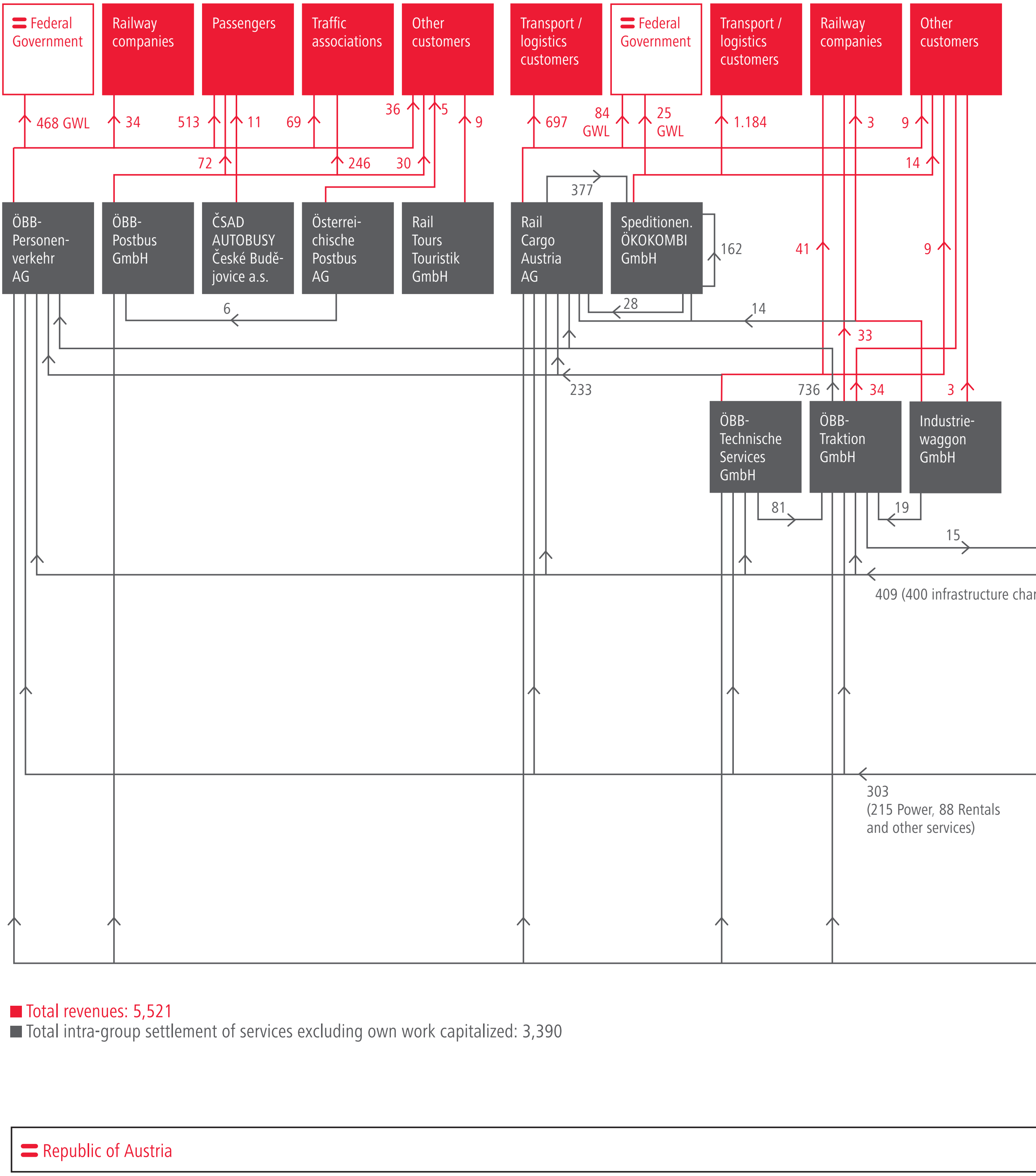
Freight Transport

Solid clientele in Europe

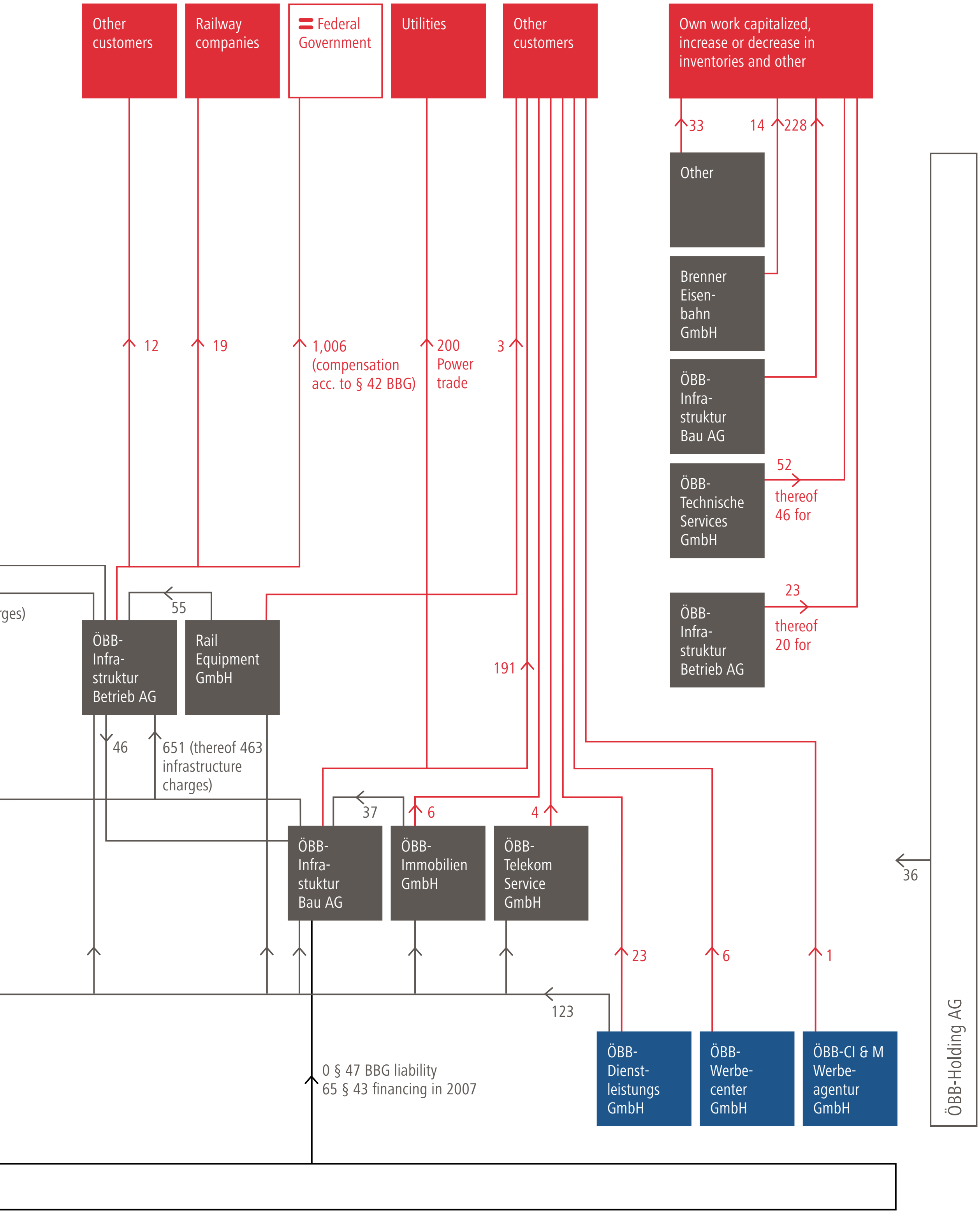
Subgroup Rail Cargo Austria considers itself to be a complete logistics supplier so that its customers may focus on their core business. A solid clientele of mostly manufacturing enterprises was built up in a liberalized environment. Companies of all sectors and sizes trust Rail Cargo Austria convincing tens of thousands of customers all over Europe as it stands for reliability, punctuality, service, and innovation.

Flow of Goods and Services and Payments Therefore

2007 – figures in million EUR



■ Total revenues: 5,521
■ Total intra-group settlement of services excluding own work capitalized: 3,390



Note:
There are many further minor intra-group business relations not listed herein.

Intra-group flow of goods and services

Services rendered by	IFRS in million EUR	Services received by	Services in million EUR
ÖBB-Traktion GmbH	736	ÖBB-Personenverkehr AG,	Traction and traction power
		Rail Cargo Austria AG	
ÖBB-Infrastruktur Bau AG	651	ÖBB-Infrastruktur Betrieb AG	463 rental of infrastructure, 39 rentals, 16 power, 82 maintenance and 51 other sales
ÖBB-Infrastruktur Betrieb AG	409	ÖBB-Personenverkehr AG, Rail Cargo Austria AG, ÖBB-Traktion GmbH, ÖBB-Technische Services-GmbH	400 infrastructure charges, 4 maintenance, 3 other sales, 2 other operating income
Rail Cargo Austria	377	Speditionen und ÖKOMBI GmbH	Sales from freight transport
ÖBB-Infrastruktur Bau AG	303	ÖBB-Personenverkehr AG, Rail Cargo Austria AG, ÖBB-Traktion GmbH, ÖBB-Technische Services-GmbH	215 power, 44 rentals, 15 maintenance, 20 other sales, 9 other operating income
ÖBB-Technische Services-GmbH	233	ÖBB-Personenverkehr AG, Rail Cargo Austria AG	Technical services
Speditionen	162	Speditionen	Offsetting within forwarding business
ÖBB-Dienstleistungs GmbH	123	Konzerngesellschaften	Services regarding human resources and IT
ÖBB-Technische Services-GmbH	81	ÖBB-Traktion GmbH	Technical services
Rail Eqipment GmbH und Rail Equipment GmbH & Co KG	55	ÖBB-Infrastruktur Bau AG, ÖBB-Infrastruktur Betrieb AG,	Management of vehicle fleet
ÖBB-Infrastruktur Betrieb AG	46	ÖBB-Infrastruktur Bau AG	Maintenance, other sales, and other operating income
ÖBB-Immobilienmanagement GmbH	37	ÖBB-Infrastruktur Bau AG	Facility management
ÖBB-Holding AG	36	Konzerngesellschaften	Holding company activities and internal SAP activities
Industriewaggon GmbH	33	Rail Cargo Austria AG, ÖBB-Traktion GmbH	Rental of rolling stock
ÖBB-Technische Services-GmbH	32	Konzerngesellschaften	Technical services
Mungos Sicher & Sauber GmbH & Co KG	31	Konzerngesellschaften	Cleaning and security services
ÖBB-Personenverkehr AG	30	Konzerngesellschaften	Special rates and other operating income
ÖBB-Infrastruktur Bau AG	30	Konzerngesellschaften	Rentals, other sales
Speditionen	30	ÖBB-Infrastruktur Bau AG	Transport services
Speditionen	28	Rail Cargo Austria AG	Sales of forwarding business with Rail Cargo Austria AG
ÖBB-Traktion GmbH	15	ÖBB-Infrastruktur Betrieb AG	Traction services
CI & M Werbeagentur GmbH	14	Konzerngesellschaften	Marketing campaigns
ÖBB-Traktion GmbH	10	Konzerngesellschaften	Traction services
Österreichische Postbus AG	6	ÖBB-Postbus GmbH	Rentals, other sales
Total intra-group services	**3,508**		
less own work capitalized contained therein	-118		
Total consolidation	**3,390**		
thereof in subgroup ÖBB-Personenverkehr	399		
thereof in subgroup Rail Cargo Austria	572		
thereof in subgroup ÖBB-Infrastruktur Betrieb	63		
thereof in subgroup ÖBB-Infrastruktur Bau	31		
thereof at group level	2,325		

First-time Reporting Pursuant to IFRS

Reasons and Procedure

Pursuant to § 244 UGB (Unternehmensgesetzbuch: Austrian Corporate Law) ÖBB-Holding AG is obliged to draw up consolidated financial statements. In 2007, the right of election pursuant to § 245a (2) UGB was made use of for the first time according to which the consolidated financial statements may also be prepared pursuant to internationally recognized accounting principles with discharging effect. The consolidated financial statements of ÖBB-Holding AG as of 31.12.2007 (including previous year's figures as of 31.12.2006) were drawn up in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IABS), as well as according to the interpretations of the International Financial Interpretation Committee ("IFRIC"), and the Interpretations of the Standards Interpretation Committee ("SIC") as applicable as of 31.12.2007 within the European Union.

For the first time in 2007, ÖBB-Holding AG draws up its consolidated financial statements pursuant to IFRS as applicable within the European Union. Thus it takes advantage of the opportunity to significantly increase the transparency of reporting in favor of its stakeholders and to provide even more detailed information to equity investors and lenders.

Pursuant to § 245 (5) UGB two subsidiaries of ÖBB-Holding AG, ÖBB-Infrastruktur Bau AG and ÖBB-Personenverkehr AG, are obliged to prepare partially consolidated financial statements according to IFRS as bonds issued by these companies are admitted to dealings at the organized market on the Vienna stock exchange.

While Austrian Corporate Law (UGB) focuses on protecting the rights of creditors, the main objective of financial accounting pursuant to IFRS is to provide equity investors and lenders with relevant information on which to base their decision. At the same time, ÖBB Group takes advantage of the opportunity to significantly increase the transparency of reporting and to facilitate comparability of business practices at international level.

Date of transition
01.01.2006

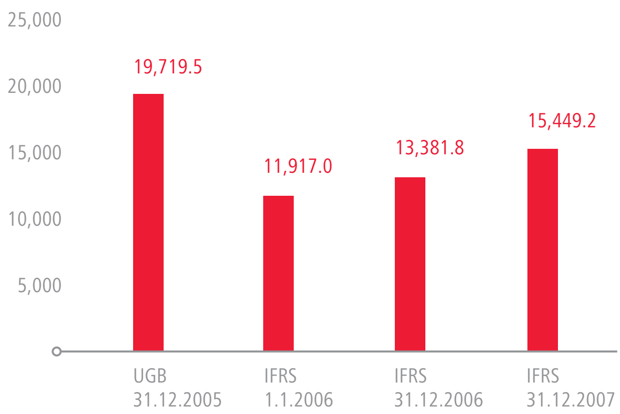
January 1, 2006, was fixed as the date of transition to IFRS. Pursuant to IFRS 1 ("First-time Adoption of International Financial Reporting Standards"), the company applied the same accounting and valuation principles in its opening IFRS balance sheet for 2006 and for all reference periods presented in the first IFRS financial statements. Several exemptions and exceptions were made use of which are presented in detail in note 34 from page 280 onwards.

Material Deviations of IFRS from Austrian Corporate Law

Assets

Pursuant to IFRS, the balance sheet is classified in accordance with maturities, moreover, individual balance sheet items are classified differently than according to Austrian Corporate Law. For example, as of 31.12.2007 about 41,7 million EUR are reported in "investment property" up to now recognized as fixed assets. In line with this approach, "assets held-for-sale" amounting to about 13,2 million EUR are reported as part of current assets.

Development of assets in the course of transition from UGB to IFRS in million EUR



Apart from these reclassifications, IFRS result in substantial differences in the recognition of balance sheet items. Thus these regulations no longer report third party contributions as separate item on the liabilities side, which were carried in the balance sheet as of 31.12.2006 at almost 6 billion EUR, but directly deduct them from fixed assets. A further decrease was caused by the revaluation of tenancy and lease agreements (see comments on page 280, note 34) and the non-recognition of linked cross border lease transactions (deposits and securities on the one hand, and lease payment obligations on the other hand). All in all, these factors reduce financial assets defined pursuant to Austrian Corporate Law (UGB) and thus the balance sheet total by about 897.5 million EUR. Therefore assets amounting to about 11,917.0 million EUR are reported in the opening IFRS balance sheet as of 01.01.2006 while these assets amounted to about 19,719.5 million EUR as of 31.12.2005 pursuant to Austrian Corporate Law (UGB).

Impairments of value of fixed assets to be implemented due to the impairment tests provided for pursuant to IAS 36, were directly recognized in equity. The provisions of IAS 36 for identifying an asset that may be impaired go far beyond the concept of prudence as defined in § 201Abs. 4 Austrian Corporate Law (UGB). The higher of net realizable value and value in use is decisive for assessing the sustained value; unscheduled depreciation has to be made regardless of the duration of the impairment of value. Priority is given to forming groups (cash generating units) or separate valuation unities.

Austrian Corporate Law defines the market value as the relevant factor for determining the replacement cost or reproduction value and focuses on permanent impairment and the isolated consideration of individual assets. When preparing the opening IFRS balance sheet as of 01.01.2006, impairments of value amounting to about 840.2 million EUR had to be made.

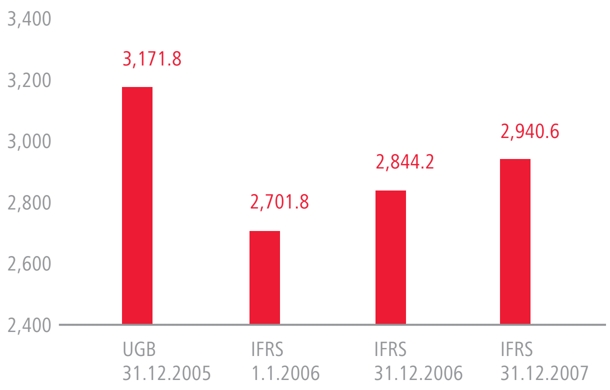
Equity

Several factors are to be taken into account for the presentation of equity according to IFRS (detailed information on page 280 in the notes to the consolidated financial statements). Besides consolidation effects and the reclassification of untaxed reserves, the item of "Change in revaluation and hedging reserve" considers several factors: The different treatment of provisions results in a positive overall effect amounting to about 553.3 million EUR. Pursuant to IAS 37, a provision is to be reported for a present obligation arising from past events the occurrence of which is deemed to be probable and the amount of which can be calculated in a reliable manner. The obligation has to be enforceable from the legal and economic point of view with the likelihood of outflow of resources being estimated at more than 50%.

Based on the same facts, the concept of prudence pursuant to Austrian Corporate law (UGB) tends to lead to the setting up of higher provisions than pursuant to IFRS. Thus provisions for restructuring amounting to about 501.9 million EUR, provisions for other expenses amounting to about 57.3 million EUR, and lump-sum provisions amounting to about 33.3 million EUR were not reported in the opening IFRS balance sheet. On the other hand, provisions for social capital increased by about 41.1 million EUR.

The effect of impairment of value of fixed assets pursuant to IAS described above caused a decrease in equity of about 840.2 million EUR. In addition to that, measurement of derivative financial instruments and measurement in foreign currency of financial instruments reduced equity by about 110.9 million EUR.

Transition of equity in million EUR

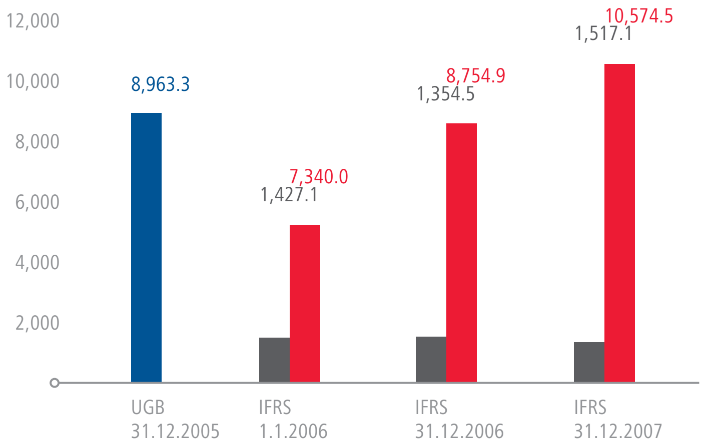


Liabilities

According to IFRS, liabilities are classified in financial liabilities, provisions, trade payables, other liabilities, deferred tax liabilities, and liabilities from taxes on income. Liabilities classified up to now pursuant to Austrian Corporate Law (UGB) were reclassified accordingly.

Reclassification of liabilities

In million EUR ■ Total liabilities ■ Liabilities (Liabilities L&L + other liabilities) ■ Financial liabilities



Thus short-term and long-term financial liabilities amounting to about 10,574.5 million EUR as of 31.12.2007 include bonds issued by the subgroups, liabilities to banks, lease payment obligations, and other financial liabilities. A detailed presentation according to maturities is to be found on page 261 in the notes to the consolidated financial statements.

Transition of the Consolidated Income Statement 2006

New recognition of provisions

Since for the purpose of drawing up the opening IFRS balance sheet provisions amounting to about 553.3 million EUR are not reported and provisions could only be set up to a very limited extent in 2006, earnings before interest and taxes pursuant to IFRS decreased by about 104.9 million EUR in 2006.

Due to different parameters used for calculating provisions for personnel expenses, recognition of personnel expenses increased by about 10.4 million EUR. Furthermore, extraordinary expenses for allocation to other provisions for future personnel expenses had a negative impact on earnings before interest and taxes. These developments are offset by a decrease in depreciation expenditure of about 127.3 million EUR. This reduction is due to a redefinition of the useful life of assets, the change in the recognition of leased assets, and the reduced depreciation requirements for fixed assets resulting from impairment tests.

EBIT pursuant to IFRS improved by about 45% to 513.6 million EUR

Pursuant to Austrian Corporate Law (UGB), earnings before interest and taxes (EBIT) amounted to about 314.3 million EUR in 2006 while according to IFRS earnings before interest and taxes amounting to about 353.2 million EUR were determined. With calculation parameters remaining unchanged, earnings before interest and taxes amounting to about 513.6 million EUR are reported for 2007 thus improving by about 45% over the previous year.

Group Strategy

Based on the objectives of the four subgroups, a group strategy is to be defined by means of an extensive strategic process aimed at developing the group into one of Europe's top railway companies. A series of projects and measures has been and is being taken at group level in order to reach this goal.

Coordinating the activities of the different group companies

Over the first years after establishing ÖBB-Holding AG as the leading company of ÖBB Group in 2005, the focus was on coordinating the activities of the different group companies and on ensuring the economic success of the group. At the same time, important large-scale projects were launched or prepared for refurbishing and expanding infrastructure facilities. On the basis of this fundamental strategic course, an intensive coordination process was started in the period under review in order to develop a uniform multi-year group strategy. The starting point is the mission – the mission as defined by the Bundesbahnstrukturgesetz (Federal Railway Structure Act) 2003 – and the vision and model developed in 2006 and 2007 by largely involving our employees.

Common Alignment

Developing a uniform group strategy

A group-wide strategy project was launched in April 2007 aimed at taking into account the transformation of ÖBB Group from a production-oriented into a market-oriented company from the strategic point of view, and at bundling the diverse strategies of the group companies pursued so far into a common group strategy agreed upon by all companies.

The strategies to be followed by the group companies are developed and quantified on the basis of product groups and business divisions while focusing on our customers' needs. The product groups are formed into cash-generating units resulting from changing over the financial statements to IFRS. A basic assumption according to mid-term planning, and a best possible and a worst case scenario for the years 2007 to 2015 are being prepared for each product group. For the years 2015 to 2025 a scenario as close to reality as possible is being developed and quantified.

Based on the individual strategies, ÖBB-Holding AG as the strategic holding company is to define a common group strategy identifying and solving any possible conflict of goals and ensuring that all group companies act in a uniform way.

Strategic Group and Company Projects

Apart from the strategic goals defined by the four subgroups, the details of which are to be found in the corresponding sections "Portraits of the Subgroups" starting on page 69, and the group-wide strategy project, several projects were defined in 2007 which will significantly improve the overall development of ÖBB Group. The objectives of these projects focus on three main issues: Internationalization, quality and customer orientation, and cost and capacity management. Some of these group projects including all companies as well as specific plans of the subgroups (company projects) are presented below.

Internationalization

There are significant differences regarding technical equipment and standards of the European railway system at national level. Possibilities for cross-border cooperation or entering a new market are still limited. Liberalization of intra-Community railway traffic triggered by the EU started overcoming these national frontiers and is aimed at creating a uniform market.

Taking advantage of liberalization

ÖBB Group is very much interested in an opening of the markets and thus supports this liberalization process. Quick and cost-effective interoperability of the railway systems is given top priority so as to overcome existing technical differences. New technical solutions for cross-border use of locomotives and staff, and uniform standards for safety devices are to implement this goal.

By 2010, ÖBB Group wants to be the leading complete logistics provider in Eastern and Southeast Europe while at the same time maintaining its big market shares in Western Europe through strategic partnerships, despite rising competition.

Company Project (Eastward) Expansion – Rail Cargo Austria AG

Expanding into the logistics markets in Central and Eastern Europe

Rail Cargo Austria AG defines the logistics markets in Central and Eastern Europe posting strong growth rates above average, as the target markets of its geographical expansion. The project "(Eastward) Expansion" is to determine possible acquisitions or investments, a market entry by its own efforts or through strategic alliances. The goal is to establish itself as a complete logistics provider in Central Europe and as a leading company in Eastern and Southeast Europe.

Taking over the Hungarian railway company MÁV Cargo, which is still subject to approval by the cartel authorities, would be an important step towards reaching these goals. Together, Rail Cargo Austria and MÁV Cargo would be one of the largest logistics providers in Europe. Synergies resulting from a uniform service and price system would improve productivity and reliability while long connecting axes in its own area of influence would considerably expand the scope for action. The number of carriages and wagons available would reach a new dimension too: Together, Rail Cargo Austria and MÁV Cargo dispose of about 32,000 freight cars. In addition to that, ÖBB is investing in a program aiming at procuring a further 5,000 new freight cars, which is to be completed by 2011.

Group Project ETCS

Uniform railway safety system

ETCS (European Train Control System) is a new railway safety system aimed at defining a uniform European safety standard. This project is an optimal opportunity for Austria to migrate to ETCS which is to optimize investments and ongoing maintenance expenses. In order to avoid any duplicate investments, implementation of GSM-R and "Betriebsführungssystem neu" (new operating management system) have to be taken into account when introducing ETCS. Futhermore, optimal replacement of existing technologies has to be done in cooperation with all railway companies taking into consideration their technical equipment.

Company Project "Market Expansion and Tender Management PREPARE NRV" (ÖBB Personenverkehr AG)

Getting prepared for increased competition

As of 01.01.2010 cross-border road and rail passenger transportation will be liberalized within the European Union. As from that date, domestic services (cabotage) will be possible in cross-border traffic too. Subgroup ÖBB Personenverkehr has launched the company project called "market expansion and tender management PREPARE NRV" in order to be prepared for the fierce competition on a liberalized market. By standardizing the procedure for participating in competitive bids for traffic services at home and abroad as well as for M & A transactions, the company is to generate further growth potential outside existing markets while maintaining its current market position.

Further Projects Relating to Internationalization

50 new Taurus 3 locomotives put into operation

ÖBB Group is heavily investing in a locomotive fleet suitable for international transportation so as to be in a position to distinguish itself in cross-border traffic. The latest generation of locomotives of the ÖBB vehicle fleet, the Taurus 3 (1216) locomotive, is designed as a multi-system locomotive which can be used in the most important traction power systems in Europe. By the end of May 2008, 50 units of this type of locomotive will be operating as part of the ÖBB vehicle fleet.

Railteam

An important step towards cross-border cooperation of European railway companies in passenger transportation was taken on July 2, 2007, by creating the international quality cooperation initiative **Railteam** in Brussels. Besides ÖBB, Deutsche Bahn (Germany), SBB (Switzerland), SNCF (France), SNCB (Belgium), NS Hispeed (Netherlands), Eurostar UK (Great Britain), and the subsidiaries Thalys (subsidiary of SNCF and SNCB), Lyria (subsidiary of SNCF and SBB), and Alleo (subsidiary of SNCF and Deutsche Bahn) form part of this initiative. As operators of high-speed trains, these railway companies aim at considerably improving the services and prices offered to the customer and at expanding information and distribution services.

Infrastructure expansion has to be focused on actively coordinating railway networks at international level, and on making available an effective and uniform infrastructure at Community level deemed as the prerequisite for offering market-oriented and competitive services. This applies to the traffic from west to east on the Danube axis as well as to north-south railway traffic on the Südbahn, the axis Summerau – Spielfeld-Strass, the Tauern axis and the Brenner route. Connections within a radius of 600 km offered in **long-distance passenger transport** have to be made even more attractive so as to be able to effectively compete with air traffic.

Improving railway infrastructure within the EU

The European Commission has launched the supportive program **Trans-European Networks (TEN)** in order to accelerate the improvement and coordination of railway infrastructure within the EU. TEN are of utmost importance for the future of European and Austrian traffic since they will lead to an increased transfer of traffic from road to rail. An essential element for ÖBB of this railway integration is the so-called TEN corridor no. 17, the axis from Paris to Bratislava. In Austria this corridor passes from Freilassing and Salzburg through Linz and Vienna to the border crossing Kittsee. ÖBB and the Republic of Austria are working on this international high-speed railway connection in close coordination with the governments and railway companies of Slovakia, Germany, and France. TEN corridor no. 17 will help customers of ÖBB save up to 20% of time, which is about an hour, on the route from Kittsee to Salzburg. Modern and accessible railway stations in Vienna, Salzburg, Linz, and St. Pölten increase the feeling of comfortable traveling on this route, turning the railway into an appealing alternative to private transport.

Brenner Basistunnel as part of TEN corridor no. 1

TEN corridor no. 1 passes through the railway axis Berlin-Verona/Milan-Bologna-Naples-Messina-Palermo including the 56 km long Brenner Basistunnel still to be built. TEN corridor no. 22, the railway route from Athens to Prague and Nuremberg passing through Sofia, Budapest, and Vienna, is supposed to be the backbone of the future Eastern European railway network connecting Central and Northern Europe with the ports of Athens, Thessaloniki and Constanza. Modernization and expansion of the route Danzig-Warsaw-Brno-Bratislava-Vienna are the focus of the program TEN corridor no. 23.

Apart from these TEN projects, ÖBB is working on corridor X in cooperation with railway companies from Bulgaria, Germany, Greece, Croatia, Macedonia, Hungary, Serbia, and Slovenia. The aim of this international cooperation project is to link international railway axes from Salzburg and Budapest, passing through Villach and Belgrade respectively, to Southeast Europe and on to Istanbul. The members of ARGE (task force) Corridor X are carrying out research and market projects in order to increase the transfer from road to rail of freight and passenger transport in the entire region.

Besides these projects and further international co-operations, ÖBB Group is also part of a series of organizations such as the Community of European Railway and Infrastructure Companies (CER), EUROFIMA (European Company for the Financing of Railroad Rolling Stock), the Freight Forum of the International Union of Railways UIC or the European Committee for Social Dialogue of Railways.

Quality and Customer Orientation

"We fill our customers with enthusiasm. Quality we can be proud of." This statement to be found in the current corporate vision of ÖBB Group illustrates the diverse measures taken in order to guarantee and improve quality and increase customer orientation. Some of the projects verifying this alignment are given as examples below.

Group Project "Quality"

The "Quality" project is supposed to ensure that the quality of all services and products offered is to be constantly improved in line with the expectations of our customers. Key performance indicators serve as a standard and are used to determine if there is need for action by comparing actual and target performance. Furthermore, targeted measures aimed at increasing quality are being prepared and developed. In 2008 the performance resources of the individual companies will be linked, thus becoming measurable, and will be extended up to the management level.

Improving the quality of services and products

Group Project "Process Model"

The "Process Model" group project is closely interweaved with the quality initiative. The change process within ÖBB Group initiated through the Bundesbahnstrukturgesetz 2003 (Federal Railway Structure Act) requires the structuring of operations including interfaces. Based on the preliminary work done by the group companies, ÖBB Group is to be structured as a process-oriented company, responsibilities are to be uniquely assigned and input and output performances are to be clearly defined. The outcome of this project is supposed to be the basis for determining any possibilities for improvement and for launching the resulting change projects.

Defining interfaces and responsibilities

Company Project "Multimodal Mobility Interface" (ÖBB-Infrastruktur Betrieb AG)

Apart from coordinated timetables and guaranteed connections, customers expect short and comfortable ways when changing from one means of transport of ÖBB Group to another or to a means of transport operated by another transport company. The project is to determine where the points of contact between bus and railway are and how comfortable changing might be implemented. This task is especially challenging outside the big traffic stations.

Optimizing the change of means of transport

Company Project "Passenger Information System – KISS" (ÖBB-Personenverkehr AG)

In 2007 passenger information systems as well as guaranteed connections were considerably expanded and improved. The KISS project is to combine and evaluate existing services and to adjust new services and offers to our customers' needs and to further develop existing technologies.

Developing new passenger information systems

Concrete Examples of Implementation

The group and company projects described above were defined by ÖBB-Holding AG in order to build up the group strategy. Below you find the description of a series of measures and steps taken to reach the project goals.

Timetable 2007/2008 – Project PLAN912

Introduction of ICE connections

The PLAN912 project is dedicated to timetable coordination aiming at preparing an integrated timetable for all Austria. This means a completely new planning of the timetable offered by railway and ÖBB Postbus to be gradually implemented until 2012. Preparation of the timetable 2008, which came into force in December 2007, reflected the customer orientation of ÖBB Group by offering new connections and improved coordination and integration of bus and rail services. All over Austria more than 100 short-distance connections were coordinated and 646 new connections between rail and bus were created. The highlight in long-distance transport was the introduction of a new ICE-T connection running six times a day in two-hour intervals between Vienna and Frankfurt, after having introduced the ICE pair of trains running daily between Vienna and Munich, and Vienna and Bregenz.

Railway and Bus – Strong Partners

Improved coordination between bus and rail

Top priority is given to coordination between rail and bus when organizing and structuring transport connections at group level. New connections and improved communication between train and bus in case of delays are to guarantee a continuous mobility chain for our customers. As in the period under review, new duty rota and timetable software was implemented; timetable posters and thus customer information regarding regular transport services will be considerably improved. ÖBB-Postbus GmbH was able to achieve significant improvements of quality by using new ultramodern buses in regional transportation and by implementing new timetable and traffic concepts.

Higher Quality of Equipment at Traffic Stations

More information, safety, and comfort

Improving the quality of equipment at traffic stations is a matter of concern for ÖBB. The focus is on improving the information offered and the equipment of railway stations, on taking measures to increase safety, and the quality of services offered to mobility-restricted passengers. In order to try and perfect new developments and technologies to be introduced by ÖBB, Baden was chosen as the site for testing innovations. The “model traffic station“ in Baden is state-of-the-art regarding innovations and equipment used by ÖBB. Monitors displaying not only connections offered by ÖBB, but also times of arrival and departure of buses, trams, and other means of transport, an improved signpost system, an information mile equipped with static and dynamic travel information elements, and accessibility illustrate the range of possible equipment.

Passenger Information Systems

Scotty provides door-to-door route planning

“Scotty“ has set a new standard in the field of passenger information. Since the beginning of 2007, this route planner has been delivering door-to-door information on all timetable queries taking into consideration all public means of transport available in Austria. In summer 2007 ÖBB Personenverkehr launched a pilot project at Wien Westbahnhof – so-called platform stewards support travelers on-site providing information on timetables and connections. As customers responded very positively, it was decided to gradually implement this service at all railway stations in Austria. At the railway stations Wien West, Wien Süd, Linz, Salzburg, and Innsbruck, employees of ÖBB provide comprehensive passenger information at accessible InfoPoints (information desk) to improve information and service quality at railway stations. Specially trained employees inform on trains and timetables, provide information on public inner-city transport and help handle luggage lockers and ticket machines.

Customer guidance systems

Information desk at the railway station

Improving Quality in Freight Transportation

Customer satisfaction survey shows further possibilities for improvement

In freight transportation, access to customer-relevant data was further optimized by simplifying e-services, and information flow with our customers was further improved by introducing the electronic order book for operating resources or the railgate application used for supervising transport status. The company website to be found at www.railcargo.at provides exhaustive information on the services offered; it is one of the most frequently visited websites in the sector. In order to guarantee constant improvement of quality and customer satisfaction, customer satisfaction surveys are carried out to be able to define projects and measures to be taken. By means of a multi-year purchasing program encompassing the purchase and rent of new freight cars, the number of wagons made available to our freight customer was considerably increased in 2007. Complete revision of the timetable for single wagon traffic improved punctuality in freight car traffic while improving internal work flow. The environmental management certification according to ISO 14001:2004 marked another milestone as it was awarded for the first time by Quality Austria to a logistics company. Customer-oriented internationalization of the subgroup was successfully continued by erecting a logistics center in Sarajevo.

Successful Positioning of ÖBB-Technische Services GmbH

Market share of 95% in Austria

ÖBB-Technische Services GmbH, an expert in maintenance services, carries out the assembly and maintenance of the modern Taurus locomotives for almost all European operators at its location in Linz. More than 95% of the vehicle fleet running on the Austrian railway network are being repaired and overhauled at this company's sites. In order to ensure such a big market share, we are constantly working on improving quality and productivity. At the same time, we examine possible ways of internationalization. The development of external sales which were up by almost 25% in the period under review reflects the successful market position of the company.

Safe and Efficient Traction

Certification of security management system

ÖBB-Traktion GmbH manages one of Europe's most modern locomotive fleets, ensuring maximum capacity utilization of driving engines and efficient deployment of personnel. Its position on the overall European railway market was further strengthened by expanding cross-border traffic services to the direct-current networks in Slovenia and Italy. ÖBB Traktion GmbH was one of the first railway companies to be awarded the certification of a sustainable security management system according to EU directive 2004/49 EC and national legislation in October 2007.

Interview with the Executive Board of ÖBB-Holding AG

KR Gustav Poschalko: "Our modern rolling stock sets new standards regarding quality."

Mag. Erich Söllinger: "Investments amounting to about 24.5 billion EUR until 2020."

Gustav Poschalko, Peter Klugar and Erich Söllinger, members of the executive board, on the current challenges and most important strategic goals of ÖBB in the years to come.

By 2010 ÖBB wants to be one of Europe's top railway companies. What has still to be done to reach this goal?

Söllinger: To come to the most important point first: in 2007 we took not only one, but several important steps in order to achieve this goal. One of the objectives that I am very concerned about was to create kind of a new team spirit within ÖBB spanning all companies. I think we were quite successful even though such a change process cannot be implemented overnight. When we presented the new vision and model at the four Employees' Days, a lot of enthusiasm could be felt. This atmosphere ought to be made a lasting one so that the group and all its employees may benefit from it. There is a reason why our new vision and model states: ÖBB, that is all of us! In 2007 we proved once again that we are able to achieve a lot by perfectly cooperating within the group. The world gymnaestrada held in summer 2007 in Vorarlberg is a good example. In only one week we carried an additional 500,000 people by train and an additional 1.2 million people by bus. This is an impressive increase in such a short period of time. Overall coordination, passenger information and customer service worked out perfectly. Every-

DI Peter Klugar: "Even more comfortable connections in short-distance and long-distance transport."

one, customers and politicians, was full of praise for the services rendered by ÖBB. An outstanding performance!

However, the European Football Championship to be held in 2008 will be an even greater challenge.

Klugar: The UEFA EURO 2008™ is a unique big event offering Austria the tremendous chance to make its mark. All of Europe will look at Austria in June. We all would like our football team to become European Champion, but that seems well out of our league. However, we certainly do have a chance to make ÖBB European mobility champion. It is up to all of us to make this gigantic event a huge success for ÖBB and Austria as a whole. Together we have the opportunity to position ÖBB as the leading mobility provider during the European Championship. Preparatory work has been running at full stretch for a long time in close cooperation with our partners in Switzerland and the responsible organizers. We are well on the way to becoming a top railway company. The owner, the Republic of Austria, is making an important contribution too. By committing itself to support a strong railway company and considerable investments to be made, it is strengthening the future position of ÖBB in a sustainable way.

Investments in new trains for short-distance traffic will be completed in 2008. What else has to be done to stand up to competition at European level?

Poschalko: Since the 1990's an enormous backlog of investments to be made has piled up; there has practically been no capital expenditure on new rolling stock. This is why a complete change in strategy has been implemented over the last three years. Management and owner have decided to heavily invest in modern infrastructure and state-of-the-art rolling stock. And I think that this is absolutely necessary. Because we will only be able to keep existing customers and win new ones by offering top quality services. Meanwhile, these investments are beginning to take effect. We are setting new quality standards with the new short-distance trains and in particular with the ***railjet*** trains. Increasing numbers of passengers will prove these measures to be successful.

Söllinger: By purchasing new trains for short-distance and long-distance traffic, we have set the right course towards the future. In short-distance traffic the results are already positive today. Our customers appreciate the quality and comfort the modern Talent and Desiro trains and the double-deck carriages offer in short-distance transport. In European long-distance traffic we will set new standards regarding quality, comfort and traveling times introducing the ***railjet*** trains in 2008. Until 2014 we will spend about 816 million EUR on 67 new ***railjet*** trains. And these investments will start to pay off soon.

Over the past years ÖBB has made heavy investments in the expansion of infrastructure. What is the present situation?

Klugar: Investing in the expansion of its infrastructure is absolutely mandatory for ÖBB if it is to reach its goal of becoming one of Europe's top railway companies. The owner has decided in favor of a sustainable investment program including projects such as the four-tracked expansion of the Westbahn route, the new main railway station and the expansion of the Südbahn route. This will strengthen ÖBB's position for decades. We have to think in generations and not only in business years. A solid infrastructure is the basis for a functioning railway. The expansion of Südbahn and Westbahn is expected to eliminate bottlenecks and to build high-speed routes of international quality. Thus new growth potentials will emerge. In the years to come the focus will also be on improving and replacing existing lines. By erecting new infrastructure while optimizing the existing railway network, we will be able to offer our customers even more comfortable and faster connections in short-distance and long-distance traffic. Just in line with our concept of integral mobility.

Klugar: "Any growth registered by ÖBB is benefiting the environment. Since the owner agrees with that, it supports our efforts to expand railway infrastructure."

Söllinger: By 2020 about 24.5 billion EUR will have been invested; that is the considerable amount of 2 billion EUR each year. By taking this decision, the Republic of Austria clearly committed itself to realizing the necessary expansion of the railway infrastructure. This will allow us not only to comply with the great demands made on the railway of the future, but to expand our infrastructure in an economical and ecological way according to our "Everything for our Customers" principle. We are well aware, of course, that we have to ensure an absolutely efficient use of funds. This applies not only to the implementation of large-scale projects. We have to look into every corner of ÖBB Group searching for improvement and savings potentials without harming the quality of the services we offer.

By acquiring the Hungarian company MÁV Cargo, ÖBB has made an important step towards Eastern Europe. What are the actual advantages of this acquisition?

Söllinger: In April 2005 the management presented the strategy prepared for ÖBB Group. One of the main targets was and still is to become number one in freight transport in Eastern and Southeast Europe by 2010. Upon taking over the Hungarian company MÁV Cargo we would be market leader in this region. Thus the acquisition was a big strategic success for Rail Cargo Austria AG and the entire ÖBB Group. According to the rules, I have to mention that the acquisition is still subject to approval by the cartel authorities and we expect the approval to be granted in summer 2008.

Söllinger: "We have to look into every corner of ÖBB Group searching for improvement and savings potentials."

Poschalko: The takeover of MÁV Cargo by Rail Cargo Austria AG would be the most decisive acquisition made by ÖBB Group in the last years. About 13,000 freight cars would be purchased. The number of wagons available would rise to almost 32,000 taking into account about 14,500 own freight cars and about 4,500 freight cars rented by RCA. This would be the competitive edge in view of growing transport flows and the resulting shortage of tonnage. The transaction also includes a workshop and a wagon plant located in Miskolc which have already been working for subgroup Rail Cargo Austria in the field of manufacture and wagon inspection. Thus we are able to considerably reduce dependency on manufacturers and to extend our value added pattern.

Poschalko: "By acquiring MÁV Cargo we would considerably increase our freight transport capacities while ensuring competitive advantages.

How does ÖBB finance acquisitions of this magnitude as well as infrastructure projects and the renewal and replacement of the vehicle fleet?

Poschalko: Financing the acquisition of MÁV Cargo is based on three pillars: one part is financed by means of cash earnings, another part is borne by our consortium partner, Györ-Sopron-Ebenfurti Vesút Zártörüen Müködö Részvénytaraság (formerly: Raab-Ödenburger-Ebenfurter Eisenbahn Aktiengesellschaft), and the remaining amount is raised on the capital market, possibly by issuing a bond.

Söllinger: Infrastructure investments are financed on the basis of the master plan which is in force for a period of six years and has to be updated annually. ÖBB-Infrastruktur Bau AG raises large parts of the funds required for its investments by issuing bonds on the capital market. The owner assumes the liability for these financial instruments. As done so far, the purchase of wagons, carriages and trains is financed by means of cash flow and EUROFIMA loans as e.g. 816 million EUR required for purchasing the new ***railjet*** trains.

To what extent does ÖBB Group take into consideration aspects regarding environmental protection and sustainability when preparing its corporate strategy?

Klugar: Any growth registered by ÖBB is benefiting the environment. Since the owner agrees with that, it supports our efforts to expand railway infrastructure and purchase new trains. It is in everyone's interest to transfer as much traffic as possible from road to rail. In 2007 we presented the first ÖBB sustainability report. The report shows the diversity of the services ÖBB is performing for the benefit of the environment and the society. It is a clear commitment to acting in a responsible and sustainable way. When everybody is talking about climate change, the railway has to come first and position itself as the means of transport of the future. Because everyone who goes by train saves CO_2 and contributes to protecting the climate.

Investment Offensive of ÖBB Group

The master plan 2008-2013 provides for annual capital expenditure on new-construction and expansion projects of 1.2 to 1.4 billion EUR and for investments aiming at improving existing routes of about 520 million EUR to be made by ÖBB Group.

Investment volume increased by 23% to 2.5 billion EUR

In 2007 ÖBB Group invested about 2,529 million EUR in intangible and tangible assets thus outperforming previous year's figures by about 23%. Compared to the book values of tangible assets, this is an investment ratio of about 22% (prior year: 20%). Subgroup ÖBB-Infrastruktur Bau accounts for the main part of these investments with capital expenditure amounting to about 1,879 million. As these investments are financed in a very special way based on the master plan, this plan is being presented below followed by a summary of the most important investment projects carried out by the four subgroups in the period under review.

Master Plan for Infrastructure Investments

Infrastructure investments amounting to about 24.5 billion EUR until 2020

In accordance with the targets set by the owner, ÖBB Group invested about 1,879 million EUR in the expansion of the railway infrastructure in the reporting period. Individual projects are implemented in accordance with a six-year master plan which has to be approved by the Federal Ministry of Transport, Innovation and Technology and the Federal Ministry of Finance pursuant to § 43 BBG. This master plan is to be revised annually and extended for another year. It encompasses those planning and building projects regarding infrastructure which are to be implemented over the next six years. Capital expenditure on traffic infrastructure has increased massively over the last years. A preview of the construction projects to be implemented until 2020 shows that all in all about 24.5 billion EUR (excluding special financing of the Brenner Basistunnel) are expected to be invested in the expansion of railway infrastructure.

Liability assumed by the Federal Government for investment volume agreed upon

The Republic of Austria assumes the liability for the investment volume agreed upon pursuant to § 66 Bundeshaushaltsgesetz (Austrian budget law); however, these investments are made directly by ÖBB-Infrastruktur Bau AG, which are financed in part by means of proceeds such as the infrastructure rentals paid by ÖBB-Infrastruktur Betrieb AG or income from letting and leasing, and the use and exploitation of real estate by ÖBB-Immobilienmanagement GmbH. A large part of the financing is done by means of issuing bonds on the capital market. In 2007 a straight bond amounting to 1.3 billion EUR was issued which was two times oversubscribed. Due to the liability assumed by the Federal Government, ÖBB-Infrastruktur Bau AG has an excellent credit rating (AAA/Aaa rating).

Master Plan 2007–2012

In March 2007, the master plan for 2007 – 2012 was presented. Over the six-year planning period, it provides for annual investments of 1.5 billion to 1.8 billion EUR for erecting and expanding infrastructure projects.

The central route projects of this master plan are:
- the four-tracked expansion of the Westbahn route (Vienna – St. Pölten, Amstetten – Linz, Ybbs – Amstetten)
- the four-tracked expansion of the Unterinntal route

– the expansion of the connection Linz – Summerau
– the expansion of the route Vienna – Bratislava
– the expansion of Südbahn by erecting the Koralm tunnel and the Semmering base tunnel
– the connection between Westbahn, Südbahn, and Donauländebahn by completing the Lainzer tunnel.

The most important railway station projects are:
– Vienna main railway station (construction period 2007–2013)
– Salzburg main railway station (construction period 2008–2014)
– St. Pölten main railway station (until 2013)
– Refurbishing of the railway station Wien Praterstern (to be inaugurated in April 2008)
– Refurbishing and expansion of the railway station Wien West (until 2011)

Every year about 450 million EUR invested into existing infrastructure

Apart from guaranteeing the financing of these new-construction and expansion projects, the master plan 2007–2012 is focused, more than ever before, on modernizing and improving the existing railway infrastructure and railway stations with an annual investment volume of about 450 million EUR. Within the framework of the program, in 2007 about 32 million EUR were invested in erecting noise barriers along existing train paths thus contributing to considerably reduce annoyance caused by noise in numerous municipalities. Furthermore, six park & ride facilities were completed in 2007 and construction of four additional park & ride facilities was started with all these projects forming part of basic investments. These basic investments also encompass the preparation of studies and plans for level crossings, tunnel safety, connecting railway lines, and park & ride facilities.

Erection of five operational management centers

The platform-lifting program is also part of the master plan 2007–2012 which aims at lifting platforms along defined route sections to a height of 55 cm in order to further increase customer comfort and the attractiveness of traffic stations. Furthermore, safety, telecommunications, and electrical facilities will be concentrated in 5 operational management centers (Vienna, Linz, Salzburg, Villach, and Innsbruck) to optimize safety and quality and to modernize operations through automation. The European Train Control System (ETCS) as well as train running control, two projects to be implemented at European level, are aimed at further increasing overall safety of the principal railway network of ÖBB and at defining a uniform European railway traffic control system.

Sustainable Financing of Infrastructure

Adaption of financing policy in agreement with Federal Government

Financing of railway infrastructure facilities to be newly erected was restructured on the basis of the Budgetermächtigungsgesetz 2007 (budget authorization act). So far, ÖBB has taken over the costs for new infrastructure facilities; as from now the Federal Government will bear indirectly about 70% of the construction costs. ÖBB will continue to raise the funds necessary for erecting new projects on the capital market through subgroup ÖBB-Infrastruktur Bau; however, as from 2007 the Republic of Austria will pay 70% of the amortization installments and interest expenses distributed over a period of 30 years. With respect to 2008 this modification means that the Federal Government will take over 1.05 billion EUR plus the corresponding interest expenses, distributed over a period of 30 years, from the planned investment volume amounting to 1.8 billion EUR.

In the course of continuing the master plan for 2008–2013, an agreement was signed by ÖBB and the Federal Ministry for Traffic, Innovation and Technology regarding the taking over of these investment costs.

This financing agreement was the decisive step towards ensuring the sustainable financing of Austrian railway infrastructure since on average only 30% of construction investments can be financed from the commercial and operational point of view. About 70% of investments in the expansion of infrastructure serve an overall economic purpose aiming at increasing climate protection, and at strengthening the business location and the job market. In the future the owner will take over this macroeconomic component of investments in railway infrastructure.

Master Plan 2008–2013

Increase in quality by improving existing railway network

The Federal Ministry for Transport, Innovation and Technology presented the master plan 2008–2013 to the public in March 2008. The new master plan continues to focus on the same new-construction and expansion projects as up to now with an annual investment volume of 1.2 to 1.4 billion EUR. Furthermore, every year about 520 million EUR are invested in improving existing routes. The goal is to further increase the quality of services offered by ÖBB by eliminating reduced-speed sections and bottlenecks.

Compared to the master plan 2007–2012, the changes refer primarily the adjustments of time schedules for individual projects, a partial adaption of train paths, the launch of new projects, and an increase in basic investments by about 60 million EUR in the area of reinvestments into the existing railway network.

Investment Highlights 2007

Subgroup ÖBB-Personenverkehr

In passenger transport, capital expenditure focused on replacing and renewing the vehicle fleet in 2007 too. In short-distance transport, about 310.9 million EUR were spent on purchasing 51 sets of Talent trains, 27 Desiro trains and 12 double-deck carriages. A sum of about 6.9 million EUR was spent on system improvements and a new distribution system.

Modern coaches of Postbus

51 new sets of Talent trains

67 ***railjet*** trains until 2014

In 2007 ÖBB-Postbus GmbH invested about 55.2 million EUR in the replacement and renewal of its vehicle fleet; over the past two years more than 20% of the entire bus fleet has been replaced. The acquisitions included primarily coaches and low-platform buses which are not only accessible but also offer more comfort being completely air-conditioned. After completion of development, the "emotionliner", a luxury bus, was presented at the beginning of the year which can be used as mobile conference and presentation room.

In 2007 ÖBB-Traktion GmbH invested about 98.4 million EUR in the modernization of its locomotive fleet. Another six Taurus 1216 locomotives will be delivered in 2008 requiring an investment volume of about 22.2 million EUR. By acquiring the Taurus (1016/1116/1216), Hercules (2016) and Hector (2070) locomotives, we reached our ambitious goal of making the locomotive fleet of ÖBB top class among European railways by 2007. Moreover, the most innovative train wash in Europe was put into operation in June 2007 requiring an investment of 3 million EUR.

High-performance freight cars

Traffic control center

Most innovative train-wash in Europe

Subgroup Rail Cargo Austria

All in all, subgroup Rail Cargo Austria invested about 87.1 million EUR in intangible and tangible assets in the reporting period. The focus was on purchasing efficient and innovative rolling stock, such as 500 wagons with sliding sides, 200 container cars and 150 timber wagons. In order to increase capacities, the existing vehicle fleet was also refurbished and upgraded. Apart from these measures, investments were made mainly in railway-specific software.

Subgroup ÖBB-Infrastruktur Betrieb

In 2007, the subgroup spent about 10.4 million EUR on continuing its program called "Qualitätsfokus Bahnhof" (focusing on enhancing quality at railway stations) with the focus being on improving the information offered, the equipment of railway stations, as well as on enhancing safety and accessibility. Expansion of the traffic control center continued at full speed, and the traffic control system for UEFA EURO 2008™ was established.

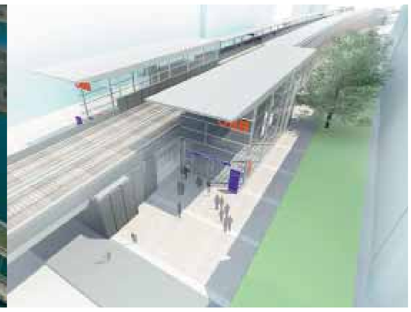
Subgroup ÖBB-Infrastruktur Bau

In 2007, subgroup ÖBB-Infrastruktur Bau continued implementing at full stretch the measures aimed at increasing the performance of the railway network and at modernizing the railway stations.

Several milestones were marked in the course of the four-tracked expansion of the Westbahn route. In the Western section of the new route being built between Vienna and St. Pölten, through-cut of the Stierschweiftunnel took place in spring while the throught-cut of the two tunnels of Wienerwaldtunnel in fall marked the successful completion of driving in this section. Furthermore, construction of the tunnels erected using the cut-and-cover tunneling method was finished in the Tullnerfeld section. By 2012 the entire new route Vienna – St. Pölten will be completed. After almost five years of construction, the 10.8-km long high-speed route section of the bypass Enns was completed in April 2007.

Driving of Wienerwaldtunnel

Expansion of freight terminal Freudenau



Visualization of suburban railway stop Wien Traisengasse

Construction of the new Vienna main railway station started with the implementation of the preliminary project Südtirolerplatz on June 6, 2007. The main railway station, which will link trains arriving from the north, south, west, and east for the first time in Vienna, is to be completed by 2013.

At the beginning of 2007 expansion of the freight terminal Freudenau commenced pursuing two objectives: The existing terminal Freudenau is to be refurbished and a new container terminal is to be erected. Furthermore, the connection between Donauländebahn and Donauuferbahn, which has been interrupted since 1945, will be closed by re-constructing the Winterhafenbrücke (a railway bridge). The entire project is scheduled to be finished by the end of 2009 transforming the terminal Freudenau into a central logistics hub in Central Europe.

In October 2007 refurbishing of the suburban railway stop Traisengasse was started which constitutes an important section regarding the modernization of the suburban railway route between Wien-Meidling and Wien-Floridsdorf. In the course of this building project, about 1.6 km of suburban railway route will be modernized and optimized, layout of the line will be straightened, and the entire superstructure will be completely replaced.

Just in time before the inauguration of the world gymnaestrada, the railway stations Dornbirn and Feldkirch and the railway stops Bregenz-Riedenburg, Dornbirn-Schoren and Dornbirn-Hatlerdorf were opened in June 2007.

Short-distance traffic hub Don Bosco in Graz


Main railway station Vienna – construction work on forecourt Südtiroler Platz


New railway station Feldkirch

Considerable progress was also made regarding the expansion of Südbahn and Koralmbahn in the area of Graz. In September the new short-distance traffic hub Don Bosco was inaugurated linking for the first time Südbahn, Steierische Ostbahn and Koralmbahn, thus offering attractive ways of changing between inner-city and regional transport as it is a central part of the suburban railway system of Graz.

Investments Planned to Be Implemented by 2013

Subgroup ÖBB-Personenverkehr

In the years to come, subgroup ÖBB-Personenverkehr will continue making heavy investments in order to further modernize its vehicle fleet. A second buyer's option was taken up for the ***railjet*** train making possible annual delivery of ten sets of trains until 2013 as from the middle of 2010. After completing the delivery of these 40 sets of trains, the ***railjet*** fleet of ÖBB will consist of a total of 67 sets of trains. This wave of modernization is expected to reduce annual maintenance costs by about 20 million EUR. Modernization of the commuter train fleet will be continued. 28 Talent trains, 15 Desiro trains and 57 double-deck carriages will be put into operation in 2008 representing an investment volume of about 268.5 million EUR. In addition to that, about 33.5 million EUR will be spent on sewage disposal installations throughout Austria until 2013.

In the period 2005–2008, ÖBB-Postbus GmbH is implementing an extensive program aimed at purchasing new buses. The next 230 buses will be delivered in 2008 while in the years to come about 160 buses will be purchased annually. Further investments will be made in telematics, modern state-of-the-art ticket machines and equipment of traffic stations and workshops required for increasing safety at work and operating safety. All in all, about 208 million EUR are to be invested until 2012.

Due to these investments in locomotives and railcars, a highly energy-efficient and sustainably eco-friendly vehicle fleet is already available today. Furthermore, ÖBB-Traktion GmbH is giving priority to three topics regarding the responsible use of traction power: technical improvement of the railcars, training of engine drivers in energy-saving driving, and a new stabling logistics.

Subgroup Rail Cargo Austria

In order to increase capacities, subgroup Rail Cargo Austria will invest about 400 million EUR in the purchase of about 5,000 wagons until 2011. ÖBB-Technische Services GmbH will invest about 160 million EUR in extensive modernization of its workshops until 2009.

Subgroup ÖBB-Infrastruktur Betrieb

The goal of ÖBB-Infrastruktur Betrieb AG is to accelerate modernization of the railway network while trying to balance investments in the existing railway network and construction of new network. In 2008 capital expenditure, in particular on rationalization measures (e.g. remote operating control systems) will increase to about 127.9 million EUR; by 2013 annual investment volume is expected to find its level at about 46.3 million EUR.

Subgroup ÖBB-Infrastruktur Bau

Apart from erecting new routes and expanding existing lines, ÖBB-Infrastruktur Bau AG focuses on planning and implementing reinvestment projects. Construction of new routes will concentrate on the erection of high speed routes as the backbone of future mobility. As explained on page 38, investment projects to be carried out by subgroup ÖBB-Infrastruktur Bau are defined in the master plan approved by the Federal Government. A selection of current large-scale projects is presented below. Furthermore, an "investment atlas" is enclosed in this annual report illustrating the context and importance of these projects.

New bridge over the river Enns

Visualization of the future BahnhofCity Wien West

Greater Vienna

- **Vienna Main Railway Station**
  Completion scheduled for 2013; investment volume of about 890 million EUR; 145,000 passengers and 1,000 trains daily.
- **BahnhofCity Wien West**
  October 2008 until the end of 2011; investment volume of about 130 million EUR
- **Lainzer Tunnel**
  Completion scheduled by the end of 2012; investment volume of about 1.3 billion EUR; length of the tunnel 12.8 km; connection between Westbahn, Südbahn and Donauländebahn within Greater Vienna.
- **Container terminal Freudenau / Donauländebahn / Donauuferbahn**
  Completion scheduled by 2009; investment volume of about 95 million EUR; closure of gap still existing between Donauländebahn and Donauuferbahn thus creating a continuous

Central point of intersection in the trans-European railway network: Vienna Main Railway Station

route between the central shunting station in Kledering and the Viennese harbor; modernization of the existing terminal Freudenau and erection of a new container terminal.

– **Planning activities**
  Planning of the double-tracked expansion of the Pottendorfer Line in the section between Vienna-Blumental (Inzersdorf-Metzgerwerke) and Wampersdorf; planning of the double-tracked expansion of the route Stadlau – Machegg and Götzendorfer Spange.

Danube Axis

– **Short-distance transport Salzburg**
  Expansion of suburban railway network: The three-tracked expansion of the route between Salzburg main railway station and Saalachbrücke/Freilassing (Western section of suburban railway) will be realized by 2013, and four new stops will be erected. In addition to that, rails, viaducts and signaling equipment will be replaced and investments in noise and vibration control will be made. Overall investment volume of about 200 million EUR.
– **Salzburg main railway station**
  2008 to 2014; investment volume of about 250 million EUR; refurbishing and reconstruction of existing facilities; about 22,000 passengers and 300 trains daily.
– **Expansion of the Westbahn route**
  Until 2013, investments will be focused on the sections between Vienna and Linz, in particular the new route Vienna – St- Pölten and the section Ybbs – Amstetten as well as the route Vienna – Bratislava. The sections Vienna – St. Pölten, Ybbs – Amstetten, and St. Valentin – Linz will be dimensioned for a maximum speed of 250 km/h.
– **St. Pölten main railway station**
  Completion scheduled for 2013; investment volume of about 207 million EUR.

Pontebbana Axis – Expansion of the Southern Route

– Koralmbahn and Semmering base tunnel new

The 130 km long new route of the **Koralmbahn between Graz and Klagenfurt** is to be finished by 2016/2018 the core section of which is the 33 km long Koralmtunnel. Total investments of about 5 billion EUR; traveling time between Graz and Klagenfurt will be reduced from three hours to one.

– Results of the train path selection for the project of the **new Semmering base tunnel** will be presented in spring 2008.

Brenner Axis – Four-tracked Expansion of Unterinntal Route

First section between Kundl and Baumkirchen to be put into operation in 2012; overall investment volume of about 2 billion EUR.

Expansion of Tauern Axis

Closure of the gap between Kolbnitz-Mühldorf (project costs of about 47 million EUR) and Mühldorf-Puarnitz (project costs of about 50 million EUR); as from completion scheduled for the middle of 2009, access to the Tauern route from the South will be completely double-tracked.

Pyhrn-Schober Axis

– Linz – Summerau

Expansion of the Summerauerbahn (Linz – Summerau, project costs of about 243 million EUR) aims at increasing capacities on this route; assessment of the environmental impact of the measures planned is to be initiated as soon as possible.

– Wels – Passau

Renewal of about 70% of the route Wels – Passau completed; further construction work will focus on the area of Taufkirchen a. d. Pram/Schärding and Wernstein – Passau. By 2010 all reduced-speed sections are expected to be eliminated. Barrier-free redesign of the Neumarkt/Kallham train station; total projected costs of about 330 million EUR.

Arlberg Axis

– Arlberg tunnel

In order to significantly improve the safety installations of the Arlberg tunnel erected between 1879 and 1884, a series of measures will be taken by 2010 to refurbish and expand the tunnel, in addition to the connecting galleries between railway tunnel and road tunnel erected as escape routes in cooperation with ASFINAG. Overall costs: about 206 million EUR.

– Rheintal project

In order to improve short-distance traffic in the Rheintal (the Rhine valley), railway stations and stops will be modernized and refurbished to make them more attractive to customers. In addition to the railway stations already modernized which are Feldkirch, Dornbirn, Dornbirn-Schoren, Dornbirn-Hatlerdorf and Bregenz-Riedenburg, the railway stations in Hohenems, Götzis, Rankweil and Lauterach will be made more attractive until 2010. Overall capital expenditure on the entire Rheintal project amounts to about 194 million EUR.

Should the investment atlas of ÖBB Group containing detailed information on infrastructure projects to be implemented by 2013 not be enclosed, you may request it at +43(1)93000-0.

You want to know more about the efforts made by ÖBB Group regarding a sustainable management? Please request our sustainability report at nachhaltigkeit@oebb.at or +43 (1) 93000-0.

ÖBB-Postbus GmbH serves almost each of the 2,360 municipalities in Austria; in 871 of them it is the only public transport provider.

In order to have its finger on the pulse of time, ÖBB Group is investing about 18 million EUR in almost 70 research and development projects.

Sustainability

ÖBB Group is the biggest mobility services provider in Austria and lives up to the resulting responsibility in every respect.

Modern, up-to-date equipment: Comfort is given priority in our fleet of 2,250 buses.

Our bus driver was trained in fuel-saving driving, as 2,500 of his colleagues. The goal is to sustainably reduce fuel consumption by 5% which means 1.9 million liter diesel every year.

And to make traveling easier for mobility-restricted people, we are investing massively in adapting our vehicle fleet and infrastructure facilities.

Sustainable Management

Based on the purpose of the company, ÖBB Group is putting special emphasis on a clearly sustainable management. Ecological and social aspects are given as much importance as ensuring economic efficiency in business operations.

Declaration of Commitment of ÖBB Group

First sustainability report published in September 2007

ÖBB Group is fully aware of its overall economic, social, and ecological responsibilities stemming from its ownership structure, the size of the company, and the range of services offered. Aspects of sustainable management are an integral part of the corporate strategy and are of utmost importance for all corporate decisions. A coordination department which is part of ÖBB-Holding AG is in charge of coordinating and advising the subgroups on all related activities. The sustainability report 2006 published in September 2007 is the first extensive documentation of all sustainability activities and further targets to be achieved in the years to come. This report may be found at www.oebb.at/holding/de/Das_Unternehmen/Nachhaltigkeitsbericht/index.jsp for download.

Sustainable Management

Balance between profit maximization and public-benefit services

The principal task of ÖBB Group is defined by law: ÖBB is to focus on transporting passengers and freight and on rendering the infrastructure services required in connection therewith. The primary goal is to continuously increase the number of passengers carried and the number of tons transported. At the same time, resources are to be used efficiently while increasing profitability and productivity so as to be able to finance by itself further investments aimed at improving the quality and range of the transport services offered. Thus in this area of conflict, a balance has to be found and maintained between free-market orientation including consistent increase in efficiency and the performance of public-benefit services to be rendered by order of the Federal Government. Public-benefit services rendered by order of the Federal Government, the provinces and municipalities are the backbone of mobility in Austria. Numerous connections would be unjustifiable from the operational point of view without these orders. The same applies to large-scale infrastructure projects the realization and financing of which are incumbent on the owner on the basis of so-called master plans.

The following sections discuss and present the most important challenges and measures of ÖBB Group regarding the issues of environmental and climate protection, employees, social responsibility, and research and development.

Environmental and Climate Protection within ÖBB Group

Coordinated Environmental Protection

The group-wide platform for environmental protection set up by ÖBB-Holding AG in 2005 serves the purpose of coordinating and managing all environmental activities within the group, of leveling out any opposing interests and of clarifying legal aspects. Waste management and environmental protection agents appointed by the subgroups monitor the compliance of all environment-specific statutory provisions.

Group-wide platform to coordinate environmental issues

The potential for environmental measures that might be taken by each subgroup depends on the corresponding area of operation. When purchasing new trains, subgroup ÖBB-Personenverkehr focuses on acquiring innovative, environmentally friendly technologies. The traction motors of the new Talent railcars to be used in short-distance transport are equipped with electro-dynamic recuperation brakes facilitating energy savings of up to 15%. Moreover, regular driving training is conducted to optimize energy consumption. When it comes to big building projects, subgroup Rail Cargo Austria takes care of disposing of the excavated material in an environmentally compatible way. The environmental measures taken by the subgroups ÖBB-Infrastruktur Betrieb und ÖBB-Infrastruktur Bau range from measures aiming at preventing water pollution and protecting the countryside to securing areas alongside tracks as a retreat for animals and plants.

The "noise control program" started by ÖBB Group is another exemplary initiative worth-mentioning which is to considerably reduce the noise emissions near train paths. In 2006 and 2007 about 58 million EUR were invested on the basis of this program to erect 81 km of noise barriers.

Going by Train Helps Avoid CO_2 Emissions

From the ecological point of view, railways come off much better than road traffic in passenger transport as well as in freight transport. Therefore it is in the interest of climate protection to transfer traffic from road to rail. Each ton of goods transported by rail saves 134.5g of CO_2 per ton-kilometer compared to transport by truck. Passenger transport by rail saves 107.8g of CO_2 per passenger-kilometer compared to an average private car carrying 1.5 people, and 185.9g of CO_2 per passenger-kilometer compared to air traffic.

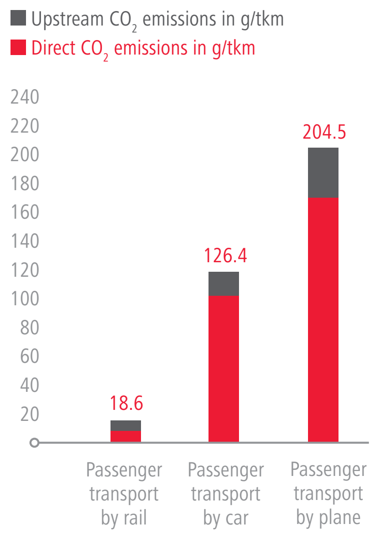
CO_2 emissions Freight transport in 2007[1]

Source: Umweltbundesamt 2008

1 Overall CO_2 emissions in g/ton-kilometers of ÖBB freight transport by rail (including shunting operations) compared to an average truck load (load: 5.8 t)

CO_2 emissions Passenger transport in 2007[1]

Source: Umweltbundesamt 2008



1 Overall CO_2 emissions in g/ton-kilometers of ÖBB passenger transport by rail (including shunting operations) compared to an average car (number of passengers: 1.5 persons)

Entsorgungslogistik Austria GmbH, a 100% subsidiary of Rail Cargo Austria AG, is another example showing the advantages of rail transport. It is in charge of transporting by rail 90% of the waste to be utilized at the garbage incineration plant of Abfallverwertung Niederösterreich GmbH. This represents a volume of about 350,000 tons of waste and recyclings saving about 184 truck rides every day and thus about 46,000 truck rides every year.

Expansion of park & ride facilities

Besides constantly improving its mobility offer, ÖBB Group is pushing the expansion of park & ride facilities to make rail travel more attractive. In 2007, 6 park & ride facilities were built providing 963 parking spaces for cars and 362 covered spaces for bicycles. At present there are more than 29,000 parking spaces for cars and about 17,100 spaces for bicycles available.

Drivers' trainings to reduce fuel consumption

As a partner of the Federal Ministry of Agriculture, Forestry, Environment and Water Protection in connection with the climate protection initiative called klima.aktiv, ÖBB Group is making a valuable contribution to increasing environmental awareness regarding mobility. A prize awarded by the Federal Ministry of Agriculture, Forestry, Environment and Water Protection to ÖBB-Postbus GmbH in May 2007 confirms that our efforts have been successful. The target of sustainably reducing fuel consumption by 5% is to be achieved by training more than 2,500 bus drivers in fuel-saving driving; this means cutting annual diesel consumption by 1.9 million liters.

Furthermore, ÖBB-Holding AG took on group-wide coordination of the cooperation with the Austrian Climate and Energy Fund. This fund was established by the Austrian Federal Government in 2007 in order to favor and support climate protection measures by granting special subsidies.

Increasing Energy Efficiency

Five-point cooperation program continued

In fall 2006 ÖBB Group and the Federal Ministry of Agriculture, Forestry, Environment and Water Management signed a "five-point cooperation program aiming at increasing efficient use of energy". The most important objectives of this cooperation agreement are energy savings of 5% by 2010, testing of alternative modes of drive, intensive use of so-called klima:activ programs, and the development and testing of measures to increase energy efficiency in building and facility management. In 2007 the subgroups took a series of measures and initiatives to implement these targets in coordination with ÖBB-Holding AG. Thus, energy consumption was optimized not only in the traction division, but also in facility management and shunting operations. Subgroup ÖBB-Infrastruktur Betrieb set up an "energy working group" focusing on evaluating extensive energy savings potentials. ÖBB-Postbus GmbH is a role model regarding the use of alternative modes of drive. In cooperation with the city of St. Pölten, 23 buses powered by natural gas will be purchased. Five of them have already been operating since spring 2007. This innovative measure puts ÖBB-Postbus at the forefront in the field of environmentally friendly CNG (Compressed Natural Gas) technology.

Spullersee, storing reservoir of the power plant

Further Expansion of Water Power Plants

Traction power generation is to increase by 25%

The total power demand of ÖBB Group amounted to about 2,019 GWh in 2007. 266 GWh thereof were used to supply installations with 50 Hz three-phase current; 1,753 GWh were required to supply passenger and freight trains as well as train pre-heating facilities, operational monitoring systems, and point heaters with 16.7 Hz traction power. About 31% of the required traction power was generated in the eight water power plants of ÖBB-Infrastruktur Bau AG. 24% were purchased from 4 partner water power plants, and the remaining 46% were bought from the public power supply system as 50 Hz three-phase current to be converted into 16.7 Hz traction power at one of the five converter stations belonging to ÖBB. The share of water power in traction power supply was about 89% in 2007. In order to further reduce dependency on the electricity market as well as CO_2 emissions, the power station division, which is part of subgroup ÖBB-Infrastruktur Bau, will continue to expand its capacities in the years to come. In the period under review, erection of the frequency converter Timelkam has been started and is to be completed in 2009. Moreover, existing power generation installations are to be expanded as e.g. at Spullersee in Vorarlberg. These measures requiring an investment of about 400 million EUR will increase environmentally friendly traction power generation by 25% in the medium term.

Employees

Our key values:
ÖBB that is all of us!
We fill our customers with enthusiasm!
Quality we can be proud of!

By adopting an "employee health care charter" and signing a plant agreement, we took an important step towards promoting the health of our employees.

An extensive program was launched within ÖBB Group aimed at increasing the number of female employees from currently 7% to 10% by 2010.

One of our 42,893 employees making sure that we are able to offer you our services 24/7 throughout the year.

In 2007, our employees took advantage of the extensive training and education program offered by ÖBB Group and participated in a total of 122,000 training days within the framework of the so-called training and further education schedule.

At present, 1,321 apprentices are being trained in different apprenticeship trainings. Thus we are one of Austria's biggest training workshops.


6.9% female employees at group level


One out of 1,321 apprentices of ÖBB Group

Employees

With 42,893 employees (as of 31.12.2007) ÖBB Group is one of Austria's biggest employers. Well-trained, motivated, and customer-oriented employees are the prerequisite for being successful as a service provider. This is why personnel management is given top priority within ÖBB Group. Personnel development, training and further education as well as health care programs are to increase employees' motivation, satisfaction and health, and to strengthen their identification with the company.

Employee structure	31.12.2006	31.12.2007	Change in %
Employees	42,951	42,893	-0.1
thereof tenured employees	34,591	32,299	-6.6
thereof apprentices	1,242	1,321	6.4
Share of women in %	6.3	6.9	10.4
Share of women among apprentices in %	12.5	14.9	19.2

Detailed information on the employee structure of the subgroups and further data are given in the Status Report from page 189 onwards.

Extensive Training and Further Education Programs

122,000 training days

ÖBB Group makes use of targeted and demand-oriented tools and programs to ensure permanent training and further education of its employees. The focus is on employees who are in direct contact with the customer, and on training and further education programs for senior staff and skilled labor. Apart from group-wide training programs, the subgroups offer individual, tailor-made programs meeting their specific needs. In 2007, our employees took advantage of the extensive training and education programs offered by ÖBB Group and participated in more than 122,000 training days within the framework of the so-called training and further education schedule. Specialist training accounted for about 105,000 days thereof. The offer ranges from tailor-made programs for engine drivers and station masters to specialist training in EDP, safety and engineering. Strategic personnel development measures implemented last year, such as the leadership circle, the management curriculum, the top performer program, and the traineeships, were successfully continued and expanded.

6,000 employees draw up a corporate model

In order to involve the employees of all business divisions in the strategic corporate targets and to increase their awareness of ÖBB Group in its entirety, a group-wide corporate model was drawn up for the first time in the history of ÖBB in 2007 and presented at four regional Employees' Days in which more than 6,000 employees took part.

Make a Career Starting as an Apprentice with ÖBB

Up to 500 apprentices hired every year

ÖBB Group has always given top priority to apprenticeship training to be able to cover its skilled labor requirements and to offer young people the opportunity of getting an optimal start into their professional life. At the end of 2007, 1,321 apprentices were being trained in the different business divisions of ÖBB Group. ÖBB Group is one of Austria's biggest training workshops hiring 400 to 500 new apprentices every year. A total of 19 different apprenticeship trainings are being offered. Training in eleven technical or traffic-oriented occupations is provided in eleven training workshops throughout Austria. The apprenticeship training offered by ÖBB-DLG was classified as "state-approved training workshop" by the Federal Ministry of Economics and Labor. The fact that top awards have been won in numerous apprenticeship contests reflects the high standard and quality of the apprenticeship training offered by ÖBB. ÖBB-Dienstleistungs GmbH, ÖBB-Immobilienmanagement GmbH, Rail Cargo Austria AG and ÖBB-Personenverkehr offer four commercial apprenticeship trainings. ÖBB-Postbus GmbH offers four additional professional trainings. The focus of all apprenticeship trainings is on providing a practically relevant training and on developing personal responsibility. In 2007 about 60% of technical apprentices and about 90% of commercial apprentices were permanently employed after passing their final exams.

In order to further increase the number and attractiveness of the apprenticeship trainings offered, the ÖBB apprenticeship campaign 2007 was launched in the period under review defining seven new apprenticeship trainings which may be chosen by technical apprentices as from their third year of apprenticeship training starting in September 2009. Furthermore, the integrated apprenticeship model offers 35 young people requiring special assistance and support the opportunity to receive a sound professional training.

Women on The Move

Increasing the number of female employees

The number of female employees in the railway sector is still rather small. ÖBB Group strives to even out this imbalance by taking targeted measures. By 2010 the number of women working with ÖBB Group is to rise from 6.9% to 10%. The "program for women in management positions" aims at increasing the number of female senior staff. ÖBB tries to address in particular young women when looking for new apprentices. So-called "taster days" and "girls' days" are organized to draw their attention to the possibility of professional training with ÖBB Group. Due to these initiatives the number of female apprentices amounts to 14.9% thus clearly exceeding the group's average.

Attractive and Responsible Employer

In order to strengthen its reputation as an attractive employer, ÖBB Group increasingly participates in and presents itself at professional and career fairs and at events organized by universities. Within ÖBB Group vacancies are published and offered on job platforms to show internal career and job change opportunities.

In the course of necessary restructuring of some business divisions, a modern payments system based on performance was implemented. At the end of 2007 the payments models drawn up so far applied to about 17,000 employees.

Improving employees' health

A big health care event organized in April 2007 was the starting point for introducing at group level the health care program based on the findings of an extensive employee survey carried out in 2006. On the occasion of this event, an "employee health care charter" and a plant agreement on an employee health care program were signed by the members of the executive boards and the managers of the ÖBB companies and the group works council. The Versicherungsanstalt für Eisenbahn und Bergbau (VAEB) (social insurance for railway and mining employees) is acting in an advisory capacity to the program. Initial costs including all measures to be taken by the end of 2008 amount to about 3 million EUR. In order to emphasize sustainability, the corresponding human resources were made available by appointing health care managers (since October 2007) who are in charge of coordinating the program at group level.

Social Responsibility

Unrestricted Mobility

Consistent elimination of mobility-restricting barriers until 2015

In order to allow mobility-restricted passengers to travel in as stress-free and unrestricted manner as possible, ÖBB Group is striving to consistently eliminate any barriers limiting their mobility. All these efforts to be made over the next years are based on the transport stage plan as provided for in section 19 Bundes-Behindertengleichstellungsgesetz (Austrian act on equal treatment of disabled people). This stage plan was prepared by experts of ÖBB Group after holding talks with representatives of the disabled people's associations; it comprises the areas of short-distance and long-distance passenger transport, transport by bus, infrastructure, and homepage. Remaining barriers mobility-restricted people are still confronted with are to be eliminated by 2015 in stages of three years each. In order to ensure that the improvements are as practically relevant as possible, ÖBB evaluates the results of each stage implemented in cooperation with the representatives of mobility-restricted people. Thus corrective measures can be taken if necessary. Furthermore, ÖBB-Holding AG established the "Group coordination department for accessibility" in charge of coordinating all measures to be taken at group level.

According to ÖBB's plans, all railway stations with more than 2,000 travelers per day as well as the most important railway stations of all district capitals shall be made accessible without any limitation of mobility by 2015 at the latest, by installing elevators, wheelchair lifts and guiding systems for the blind.

Offering Tailor-Made Information and Services

Special needs are also taken into account when preparing the information offered. By 2010 the website of ÖBB at www.oebb.at will comply with the recognized standard WAI-AA (Web Accessibility Initiative). At present, the font size is adaptable to the needs of partially sighted people. For the first time an abstract of this annual report will be published in Braille which may be requested at +43(1)93000-44076, and as an audio version, too, which will be available at www.oebb.at.

By means of an online form or via the ÖBB call center (05-1717) mobility-restricted people may require help for getting on and off the trains. Especially trained staff informs on the equipment

Unrestricted traveling

Consistent elimination of barriers at ÖBB-Postbus

of trains and railway stations. The VORTEILSCard, a customer card offered by ÖBB, takes into account the needs of mobility-restricted people, too. One person accompanying a partially sighted or blind passenger disposing of a VORTEILSCard may travel for free. Wheelchair users accompanied by a maximum of two persons buying a second-class ticket may travel first class without any extra charge in case the wheelchair place is to be found there.

Apart from these organizational measures, ÖBB Group is heavily investing in eliminating any barriers still to be found in carriages and buses. A summary of these investments is given below.

Capital Expenditure in Short-Distance and Long-Distance Passenger Transport

Upgrading equipment for multifunctional carriages

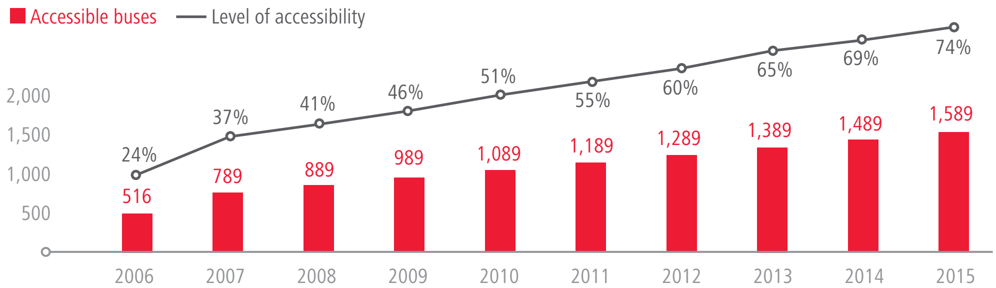
While 2005 and 2006 were marked by preparing the implementation of the stage plan, capital expenditure started in the period under review. By 2009 about 11 million EUR will have been spent on equipping a total of 67 double-deck driving trailers with accessible lavatories and a helping device mounted to the vehicle for getting on and off the train. Furthermore, within the scope of an upgrading program, twelve long-distance carriages will be equipped as multifunctional carriages for about 3 million EUR. About 3 million EUR will be invested in adapting 188 Talent carriages. In 2008 ÖBB will set a milestone towards accessibility by purchasing the new railjet trains. For the first time lifts mounted to the vehicle will be available to mobility-restricted people.

Investments to eliminate barriers in rail passenger transport

	2007		2008		2009		Total	
	Units	in million EUR	Units	in million EUR	Units	in million EUR	Units	in million EUR
Double-deck driving trailers	20	3.38	13	2.20	34	5.75	67	11.32
Talent trains	71	2.30	117	3.26			188	3.07
Upgrading of multi-functional carriages	4	1.08	5	1.35	3	0.81	12	3.24
Total	**95**	**6.76**	**135**	**6.81**	**37**	**6.56**	**267**	**17.63**

ÖBB-Postbus GmbH has already taken into consideration the needs of mobility-restricted passengers for several years when purchasing new vehicles. All new low-platform vehicles dispose of a hinged ramp, and all new buses operated in interurban traffic offer special spaces for wheelchairs. These gradual improvements are aiming at achieving a level of accessibility of 74% by 2015.

Level of accessibility of buses operated by ÖBB-Postbus from 2006 to 2015



Safety

Apart from operational efficiency and speediness, the ÖBB Group gives top priority to the safety of customers and employees. In this context a distinction is made between security management and technical operating safety.

Security Management

Preventing criminal offenses

In accordance with all relevant statutory provisions, ÖBB Group has defined instructions and regulations serving as rules of conduct for ÖBB employees in order to guarantee safe railway operations. Because of its constant public presence and deep sense of responsibility, ÖBB Group established a security management unit within subgroup ÖBB-Personenverkehr. It is primarily responsible for informing about and preventing criminal attacks and offenses committed against customers and employees. Furthermore, security management is the central point of contact for all police stations and the Federal Ministry of the Interior. In 2005 a cooperation agreement was signed with this ministry which aimed at intensifying cooperation in security-related issues. Moreover, this unit represents security-related interests of ÖBB Group vis-à-vis the European association of railway police and security services. A platform was set up for internal coordination of all security-related projects. An intensive exchange of experiences and views takes place with other Austrian infrastructure providers. In addition to this cooperation, an accessory agreement was signed regarding the European Football Championship 2008 so as to be optimally prepared for any security- and safety-related issues in connection with this big event.

Technical Operating Safety

Technical operating safety is being taken care of by means of numerous measures and initiatives implemented by the individual business divisions which in their entirety have to guarantee an optimal safety performance despite the enormous complexity of railway traffic. Moreover, within the framework of a safety offensive, subgroup ÖBB-Infrastruktur Betrieb drew up a series of concepts aiming at achieving in the medium term the corporate goal that is to become one of Europe's safest railway infrastructure operators. Subgroup ÖBB-Personenverkehr launched a safety management system in 2006 which has to meet the requirements of the railway act and is to be certified in December 2008. In bus transport, traffic safety projects for kids and young people are being carried out. Another focus is permanent training and further education of employees.

Bundling of Safety and Cleaning Services
In order to bundle safety and cleaning services along the entire mobility chain, Mungos Sicher & Sauber GmbH & Co KG, a 100% subsidiary of ÖBB-Infrastruktur Betrieb AG, was put in charge of all related activities in 2005. It takes care of ensuring travelers' safety at 22 railway stations in Austria and is responsible for rendering cleaning services at 125 railway stations.

Research and Innovation

Objectives and Alignment

69 innovation projects; proportionate R & D expenditure of 18 million EUR

By means of an R & D group platform ÖBB-Holding AG coordinated group-wide work on 69 research and innovation projects having the most diverse objectives in 2007. Overall expenditure on these research projects amounts to about 157 million EUR with ÖBB Group accounting for about 18 million EUR. After realigning the research strategy, the focus is on the challenges to be found in the areas of environmental and climate protection, safety, interoperability and telematics. Austria as a business location benefits from ÖBB's commitment to research as well as from its innovative capabilities as many projects are carried out in cooperation with scientists and industrial undertakings as well as small and medium-sized businesses. The Federal Ministry of Transport, Innovation and Technology honored the success of the efforts made in 2007 by awarding its annual prize. ÖBB Group was nominated for five innovative projects submitted according to the topic of "Environmentally friendly freight transportation". The cooperation projects "SimConT – Simulation of Hinterland Container Terminal Operations" and "EGGER – logistics systems presenting a high level of ecological acceptance" were awarded the prize in category A and the special prize for transport logistics 2007.

Selected research and innovation projects realized by ÖBB subgroups are given as examples below in order to gain an insight into the diversity and objectives of these projects:

Subgroup ÖBB-Personenverkehr

I2-ÖPNV

Telematics solutions encompassing all means of transport

The aim of this sponsored research project is to develop solutions which are to ensure improved coordination between international traffic connections and the services offered by public short-distance passenger transport. Smoothless changing between the different means of transport is to be supported by using telematics solutions encompassing all means of transport in the area of reservation and information systems while also including the park & ride facilities offered. The customer is to be offered the possibility to make reservations and to book seats using modern technologies such as text messages, internet, email or UMTS and to choose the ideal means of transport.

LiNK – Information on Connections

Information on connecting buses

After completing the project on ensuring connecting rides in case of delay, the first stage, which is informing on connecting bus rides, was implemented. Scotty, the central timetable system, sends information on delays to the bus driver. When approaching a connecting traffic station, he is automatically informed about possible train delays. Upon completion of a test run in Upper Austria and Styria, this solution is to be implemented all over Austria.

Near Field Communication (NFC)

Innovative transmission technique for mobile ticketing

The most extensive commercial NFC offer available at European level was introduced in cooperation with mobilkom austria, Nokia, Wiener Linien (inner-city transport operator in Vienna) and NXP. NFC is an innovative, wireless transmission technique facilitating easy communication between electronic devices such as mobile phones. It considerably simplifies mobile ticketing available so far; passengers only have to put their mobile phones to an NFC touch point mounted directly on the platform, then enter the destination and send this information via mobile radiotelephone service. A few seconds later they will receive their digital ticket on the mobile phone.

Subgroup Rail Cargo Austria

Combined Traffic Monitoring Services (KVMS)

Complex sensor systems used in freight transport

Containers and transported freight are exposed to different external influences in combined road-and-rail freight transportation. The KVMS project sponsored by the Federal Ministry in charge and carried out in cooperation with several partners and TU Wien (Institute of Science and Technology in Vienna) aims at reducing these external influences. The first module of the project (a multisensor telematics unit) focuses on the development and testing of a complex sensor system for determining parameters such as temperature, humidity, light, etc., and the subsequent acquisition and processing of these data in a sensor box. The second module (central internet control station) aims at developing innovative analyzing and evaluation methods. The third module is to ensure efficient energy supply of the sensor box. This system is to provide the customer with information on possible weaknesses in its logistics chain as early as possible in order to take corrective action if necessary.

Railenergy

Integrated solution to increase energy efficiency

Within the framework of this project sponsored by the European Union, railway infrastructure providers, railway companies and industrial undertakings cooperate on designing integrated solutions to improve energy efficiency in railway traffic. By 2020 energy consumption is to be cut by 6%, taking 2005 as the basis for calculation, by optimizing the railway system while at the same time reducing life cycle costs. Within a period of two years, 28 project partners will determine key parameters to be used for preparing calculation scenarios and a uniform method for measuring energy consumption. Furthermore, a decision-making tool is to be developed to choose efficiency-increasing measures, and a compulsory catalogue is to be drawn up focusing on the development, production and use of vehicles, infrastructure and transport management. All these reflections will be the basis for “Best Practice Standards” to be prepared.

CREAM

This freight transportation project focusing on combined traffic was initiated for the corridor passing through the Benelux countries, Germany, Czech Republic, Austria, Hungary, Romania, Bulgaria and Turkey in order to improve transport quality and adjust transport flow by coordinating transport organization structures.

Coordination of transport

Subgroup ÖBB-Infrastruktur Betrieb

MoTis

The mobile transport information system (MoTis) provides optimized data management in freight transport. By means of mobile computers, MoTis acquires on-site data that so far had to be collected and processed manually and sends them to the central system where they are being processed real-time. These state-of-the-art computers are connected by radio with the infra-transport information system. Thus in the field of data generation, MoTis is the prerequisite for automated operation and efficiently designed production processes.

Mobile transport information system

Subgroup ÖBB-Infrastruktur Bau

Vehicle Monitoring

This special monitoring system developed by several cooperating partners collects data regarding the different aspects of a transport operation such as dynamic effects, vibrations and noises during a regular train ride when passing a fixed check point. Apart from early detection of any damage suffered by the vehicle, noise emissions may be attributed to the vehicle which is the source of the noise thus facilitating an economic elimination of defects.

Early detection of damage and noise measuring

NOIDESc

This project aims at testing solutions showing how to reduce any noise emissions and vibrations to a minimum. Acoustic and audio signals are being collected. The sound waves are recorded and represented graphically. The multimedia standards according to MPEG 7, section 4 are used for this innovative measuring method. In cooperation with the Akademie der Wissenschaften (Academy of Sciences) in Vienna, improved noise measuring devices and methods are being developed to be able to exactly determine noise emissions alongside train paths.

Reducing noises and vibrations

3D-Inside

In order to service large, publicly accessible transport infrastructure buildings in an efficient and safe manner, even under changing conditions, information on the current condition of the building and the behavior of visitors and passengers must be available. Such information is provided by interactive, three-dimensional navigation, simulation, and visualization. 3D-Inside combines the new techniques of visual computing into a prototype for 3D visualization. Data are being constantly generated to be used for navigation and analyzing streams of visitors inside the building.

3D visualization of buildings

About 4,000 additional train rides and about 22,000 additional bus rides have been organized for this event.

In close cooperation with the police, extensive precautions were taken to ensure safety and security at railway stations and stops.

Due to far-sighted planning, almost 100% of the entire vehicle fleet will be available during the championship.

About four million visitors are expected to attend UEFA EURO 2008™ in Austria and Switzerland.

Special tickets will make it even more interesting to travel by rail and bus to and from this big football event.

UEFA EURO 2008™

We are perfectly prepared – to give way to emotions

UEFA EURO 2008™ – Football on the Move

In 2006 a group-wide project was launched with the motto "Football on the move" so as to be able to offer all existing and new customers extensive mobility services during UEFA EURO 2008™ which is taking place in June 2008. At the same time, this sports event, which is the third-biggest in the world in 2008, is to be taken advantage of for image building and winning new customers not only temporarily but in the long term.

Going by Bus and Train to UEFA EURO 2008™

Four million people expected to attend

During the event about 4 million visitors from all over Europe will come to Austria and Switzerland; this is approximately the population of Norway. Public transport is facing a particular challenge due to the large number of visitors expected to travel to the host cities and the public viewing zones. ÖBB Group will offer about 4,000 additional train rides and prepare a separate EURO timetable for this three-week event. Short-distance transport services will be increased and offered far into the night. In Vienna and Greater Vienna suburban railway services will be offered round the clock.

About 400 trains will be operated to and from the host city of **Salzburg** the majority of which will be the shuttle services to the stop Taxham-Europapark. The stadium Wals-Siezenheim is in walking distance from this stop, just a few minutes away. ÖBB is in the position to transport an additional 43,000 people per football match. The first test was brilliantly passed in **Innsbruck**. When Austria played against Ivory Coast in October 2007, ÖBB played an important role transporting about 30,000 people attending the match. As Innsbruck main railway station is located centrally, the stadium and the fan zone are in easy walking distance. The city of **Klagenfurt**, which is the host city to the teams of Croatia, Poland, and Germany, bears utmost importance as people from these countries are strong users of rail transport. Transport of fans between Vienna and Klagenfurt will be a particular challenge.

All in all, about 3.6 million additional seats in buses and trains will be available during UEFA EURO 2008™.

22,000 additional bus rides

ÖBB-Postbus GmbH will operate about 22,000 additional bus rides for the visitors of UEFA EURO 2008™ and will play an important role in charter traffic. These services are of utmost importance for Carinthia, Tyrol and the Eastern part of Austria due to their regional structures. The City Airport Line carrying the majority of airline passengers of Vienna together with City Airport Train and the suburban railway is facing a big challenge too. All over Austria, dozens of buses will be on stand-by to cover additional capacity requirements or failures.

In **long-distance traffic**, additional trains will run in particular on the Südbahn and Westbahn route. Extraordinary logistical skills will be required to ensure that the fans will leave in a orderly manner at the end of a football match. The main railway stations of the host cities will be open 24 hours on days matches are played.

One Hundred Percent Commitment of Employees and Vehicle Fleet

This temporary yet massive increase in mobility services offered requires not only long-term planning but also above-average commitment of employees. By bringing forward necessary maintenance services, almost 100% of the vehicle fleet will be available during the event. Supply of 230 new buses of ÖBB-Postbus was brought forward too, and 55 carriages have been leased from Deutsche Bahn.

Availability of almost 100% of vehicle fleet

Special Tickets

The 31 matches of the European Football Championship are practically sold out. Austria expects about 620,000 people attending the stadiums and about four times as many people coming to the fan zones. ÖBB offers special tickets for this event to make taking the train or bus a cost-effective alternative.

- **UEFA EURO 2008 Combi-Ticket:** The match ticket for UEFA EURO 2008™ will be recognized as a ticket to travel to and from the host city in Austria and Switzerland on the day of the match and the following day (departure by 12 noon at the latest). It is valid all over Switzerland and Austria for transport services offered by ÖBB and the public transport associations, and for inner-city public transport in the respective host cities.
- **UEFA EURO 2008 VORTEILScard Classic:** It offers all advantages of the VORTEILScard for the entire month of June and is valid in Austria and Switzerland. It may be extended for one year at a special price.
- **UEFA EURO 2008 Host City Ticket:** This ticket allows traveling to and from one of the four host cities in Austria including inner-city transport services. It is valid on the day of arrival and the following day until 12 noon.
- **InterRail Austria Pass:** It is valid for three, four, six or eight days on the entire ÖBB network and is exclusively available to foreign travelers.
- **InterRail Austria Switzerland Pass:** It is valid for three, four, six or eight days on the entire networks of ÖBB and Schweizer Bundesbahnen and is exclusively available to foreign travelers.
- **Eurail Austria-Switzerland Pass:** This is a ticket valid in both countries for football fans from non-European countries. It is valid for a period of 15 days in June 2008 on four to ten days of one's choice in Switzerland and on the ÖBB network.

Safety on the Move

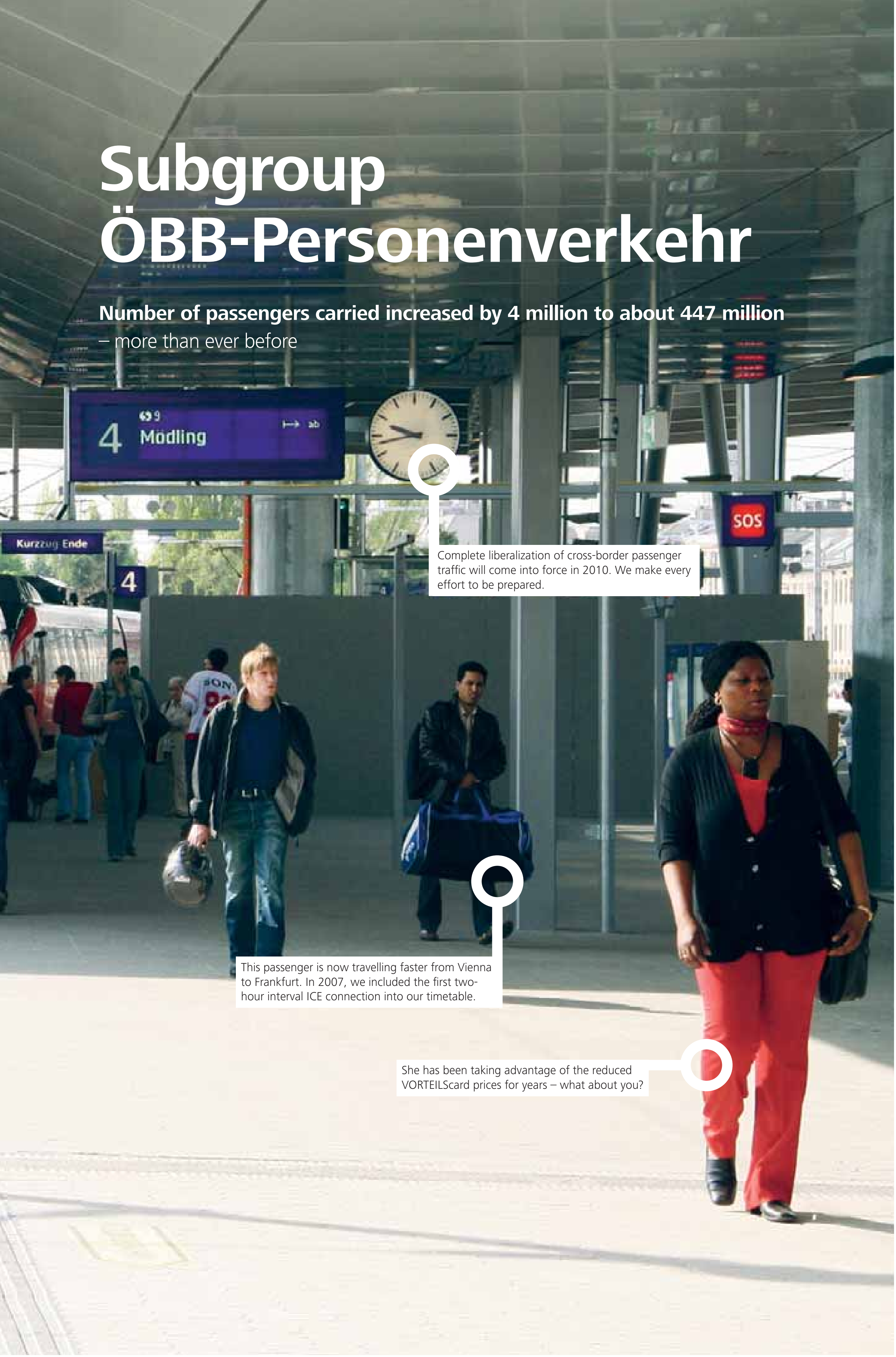
The large number of people expected requires preventive measures to be taken to ensure permanent safety and security at traffic stations and while using means of transport. ÖBB subsidiary Mungos, in charge of safety and cleanliness at the railway stations involved, will increase its number of staff during EURO 2008. ÖBB-Security Management will be in permanent contact with the police and closely observe the events at the railway stations via about 2,000 cameras. The cooperation agreement signed with the Federal Ministry of the Interior was renewed and extended in the run-up to UEFA EURO 2008TM. This agreement provides for the reciprocal training of employees and for assigning staff to PICC (Police Information Coordination Center) and the EURO operations center of ÖBB at the traffic control center. This is to guarantee quick operations and coordinated first-hand information.

Providing safety and cleanliness


Customer information inside and outside the train, and on the platform
This brand-new Talent train serves only as an example for the way how our many investments in passenger transport amounting to about 683 million EUR result in noticeable and visible improvements for our customers.
Wien-Hütteldorf
ÖBB
70
By pulling forcefully ahead, subgroup ÖBB-Personenverkehr managed to increase total revenues by about 4% to about 1,996 million EUR in 2007.

Subgroup ÖBB-Personenverkehr

Number of passengers carried increased by 4 million to about 447 million
– more than ever before



Complete liberalization of cross-border passenger traffic will come into force in 2010. We make every effort to be prepared.

This passenger is now travelling faster from Vienna to Frankfurt. In 2007, we included the first two-hour interval ICE connection into our timetable.

She has been taking advantage of the reduced VORTEILScard prices for years – what about you?

Subgroup ÖBB-Personenverkehr

In 2007 about 447 million passengers were carried, this is an increase of 4 million people over the previous year. Earnings before interest and taxes amounted to about 34.8 million while total revenues were up by about 4% to about 2 billion EUR, which means that profitability improved significantly despite rising energy costs.

Austria's Leading Mobility Provider

Subgroup ÖBB-Personenverkehr mainly consists of ÖBB-Personenverkehr AG, ÖBB-Postbus GmbH (100%) and ÖBB-Traktion GmbH (51%, the remaining 49% being held by Rail Cargo Austria AG).

Executive Bodies of ÖBB-Personenverkehr AG

Executive Board

Mag. Gabriele Lutter (since 1.12.2007)
Mag. Josef Halbmayr MBA (since 1.12.2007)
DI. Dr. Stefan Wehinger (until 31.3.2008)
Mag. Erich Söllinger (until 30.11.2007)
Dkfm. Wilhelmine Goldmann (until 25.6.2007)

Supervisory Board

DI Horst Pöchhacker, chairman (since 29.5.2007)
Univ. Prof. DI Dr. Friedrich Zibuschka, deputy chairman (since 5.12.2007)
Franz Rauch, 2. deputy chairman (since 14.4.2008)
Mag. Maria Kubitschek (since 29.5.2007)
Dr. Gabriele Payr (since 29.5.2007)
KR Gustav Poschalko (since 14.4.2008)
Mag. Erich Söllinger (since 14.4.2008)
Dr. Johannes Seiringer (since 14.4.2008)
Kurt Eder (since 14.4.2008)
Franz Altenburger[1] (since 17.5.2004)
Ernst Friedl[1] (seit 17.5.2004)
Helmut Radlingmayr[1] (seit 1705.2004)
Dr. Ferdmund Malik, chairman (until 03.4.2007)
Dr. Brigitte Eggler-Bargehr, deputy chairman (until 9.5.2007), chairman of the supervisory board (until 29.5.2007)
Dr. Johannes Strohmayr (until 9.5.2007), deputy chairman (until 29.5.2007)
Mag. Josef Halbmayr MBA (until 30.11.2007)
DI Otfried Knoll (until 29.5.2007)
Mag. Rüdiger Schender (until 30.4.2007)

1 Staff representative

In order to continuously increase the number of passengers carried in all business divisions, subgroup ÖBB-Personenverkehr focuses on unconditional customer orientation, consistent modernization of the vehicle fleet and optimal development of the mobility chain. Close cooperation between bus and rail and expansion of traffic information systems ensure Austria-wide connections and excellent integration into and linking with neighboring countries, thus resulting in a successful positioning while competing with other transport operators.

Liberalization of public passenger transport to be implemented in 2010 will allow domestic and foreign competitors to enter the Austrian market. Therefore subgroup ÖBB-Personenverkehr is consistently striving to improve its flexibility in order to offer an attractive price-performance ratio and to expand its mobility offer so as to be in a position to successfully maintain its market shares in such an environment. At the same time massive investments are being made. As from the end of 2008 the railjet train will add a new dimension of comfort and pleasure in long-distance transport by rail. It complies with the international standards of premium high-speed trains combining the advantages of flexibility, speed, and price while being optimally competitive. In short-distance transport top priority is given to the multifunctionality of rolling stock so as to be able to meet the diverse requirements of our customers.

Business Development in 2007

Key Figures Subgroup ÖBB-Personenverkehr	2006	2007	Change in %
Number of passengers carried in million			
Short distance - by rail	167	170	2
Long distance - by rail	29	30	3
Total by rail	196	200	2
Total by bus	247	247	-
Total	**443**	**447**	**1**
Passenger kilometers in million			
Short distance - by rail	5,031	5,150	2
Long distance - by rail	3,615	3,775	4
Total by rail	8,646	8,925	3
Total by bus	3,189	3,401	7
Total	**11,835**	**12,326**	**4**
Vehicle fleet at the end of the year			
Railcars	392	485	24
Passenger carriages	3,016	2,954	-2
Luggage vans / mail cars	108	108	
Buses	2,096	2,250	7
Traction			
Locomotives as of 31.12.	1,096	1,089	-1
Man-hours in million	7,389	10,634	44
Financial key figures in million EUR			
Sales	1,846.0	1,919.9	4
Total revenues	1,912.5	1,996.2	4
EBIT	29.5	34.8	18
EBT	40.3	-21.7	-154
Balance sheet total	4,271.3	4,581.8	7
Equity (including third party contributions and untaxed reserves)	1,365.0	1,351.5	-1
Financial liabilities	2,376.8	2,641.8	11
Capital expenditure - intangible and tangible assets	343	683.2	99
Average number of employees	14,618	14,072	-4

In 2007 about 447 million passengers were carried, this is an increase of about 1% or 4 million people over the previous year. Even without taking into account inner-city transport, this is a market share of about 90%. Short-distance transport by rail was on the rise and even long-distance transport by rail increased despite the long uncertainties caused by the strike waged at Deutsche Bahn in summer and fall. ÖBB-Postbus GmbH carried a total of about 247 million passengers which is about the same number as in the previous year. ÖBB-Traktion GmbH rendered 92.6 million train-kilometers and 10.6 million man-hours in 2007 thus being by far the biggest service provider of its kind in Austria. On a yearly average, subgroup ÖBB-Personenverkehr employed 14,072 employees; this is 4% less than in the prior year. As total revenues rose by about 4% to about 1,996 million EUR, overall revenues per employee improved by 8% to 142,000 EUR. Despite rising energy costs, earnings before interest and taxes increased by about 18% to 34.8 million EUR; earnings before taxes (EBT) amounted to about –21.7 million EUR compared to about 40.3 million EUR in the previous year. Detailed information on the business development and the market environment is given in the Status Report from page 150 onwards.

DI Dr. Stefan Wehinger
Member of the executive board of ÖBB-Personenverkehr AG until 31.3.2008

"Long-distance traffic expanded its offer by about 240,000 train-kilometers in December 2007. The highlight in international passenger transport brought about by the timetable change is the new ICE-T connection linking Vienna and Frankfurt six times a day at two-hour intervals. Speeding up EC and IC services on the Westbahn route has generally improved the quality of the services offered. These improvements of the services offered on the basis of the timetable change are the first steps of PLAN912 that have already been implemented as the plan provides for an integrated timetable of regular services for Austria. PLAN912 is a completely new planning of the timetable services offered by railway and Postbus which is to be implemented gradually by 2012. Also the target group programs carried out in 2007 such as campaigns aiming at senior citizens, young people, or families were quite successful. And the ***railjet*** train marks a milestone on our way to offering new quality services in long-distance traffic. In 2007 the first carriage body was manufactured, and from 2008 until 2014 a total number of 67 sets of trains consisting of seven carriages each will be completed."

Highlights 2007

Number of Passengers Increased by 1% to about 447 Million

Number of passengers carried by rail increased by 4 million, ÖBB-Postbus maintains previous year's figures

In the reporting year about 200 million passengers were carried by rail, this is 4 million people more than last year. Long-distance traffic accounts for about 15% thereof. Ticket price revenues in short-distance traffic rose by 5.6% in 2007 primarily due to an increase in frequency. Development of suburban railway transport in Vorarlberg and Salzburg was especially successful posting growth rates of up to 17%; and the EURegio connection linking Austria and its Eastern neighboring countries grew by up to 23% too.

ÖBB-Postbus GmbH carried a total of about 247 million passengers which is about the same number as in the previous year. ÖBB-Postbus accounts for 65% of passengers in regional bus transport (regular services) and for 15% of passengers in overall public transport in Austria. This means that 70% of proceeds in regional bus transport and 20% of proceeds in overall public transport in Austria are generated by Postbus. With a vehicle fleet of about 2,250 buses (22% of all buses registered in Austria) and 871 lines (29,000 services), ÖBB-Postbus GmbH covers about 137 million km every year (that is eight times around the world daily). Apart from ČSAD in the Czech Republic, ÖBB-Postbus GmbH has also been operating in Switzerland since

2007, the period under review. It acquired an interest in two Swiss bus companies, the "Bus Ostschweiz AG" (BOS) and the "Bus Sarganserland Werdenberg AG". On December 1, business was started with 19 buses being put into operation in Sarganserland.

The City Airport Train (CAT) operating in cooperation with Flughafen Wien AG (Vienna airport) is by far the fastest means of transport on this route covering the distance between the railway station Wien-Mitte and Vienna airport in only 16 minutes' time. In 2007 the number of passengers increased by 1% to about 1 million.

Larger Scope for Action for ÖBB-Traktion

ÖBB-Traktion GmbH is in charge of the area of traction and shunting services as well as the required logistics in connection therewith, and is responsible for ensuring and checking the operating safety of the vehicles used. In order to benefit from the liberalization of railway networks in Central Europe, ÖBB-Traktion GmbH is constantly striving to obtain the certification of its means of traction required for international networks. In the period under review the Taurus locomotive 1216 was granted such a running permit by Slovenia and Germany. This generation of Taurus locomotives has also been used in corridor traffic between Innsbruck and Lienz since June.

Increasing the number of permits for international railway networks

Mag. Gabriele Lutter
Member of the executive board of ÖBB-Personenverkehr AG since 1.12.2007

"ÖBB-Personenverkehr AG is the transport operator of the future as it is an environmentally friendly mobility provider. Therefore we are striving to make the services offered along the entire mobility chain even more customer-friendly and appealing. In order to achieve this goal, we have been investing in new rolling stock to be used in short-distance transport for years. In 2007, 51 Talent trains, 27 Desiro trains and 12 double-deck carriages were put into operation. This allows us to place out of service 153 Schlieren wagons. Furthermore, we implemented more than 640 new connections between rail and bus in 2007. In 2008 our focus will be on further improving our services and the way we keep our customers informed. Over the last years, top priority was given to potential customers, that means people still using their private car, when preparing the services offered in short-distance traffic. This strategy is to be maintained in 2008. We aim not only at considerably increasing the number of passengers carried but in particular at changing the share of modal split in favor of public transport."

Successful Operations

The timetable change 2007/2008 implemented in December of the reporting year further improved the mobility offered in passenger transport while optimizing the coordination between bus and rail. For the first time an ICE connection between Vienna and Frankfurt operating in 2-hour intervals was included in the timetable. By strongly promoting the VorteilsCards and special ticket offers, new impetus was given to the areas of sales and marketing. Below you will find some select examples of successes and developments sorted by the federal provinces.

Improved coordination between bus and railway

Number of passengers increased to 447 million

One of 51 new Talent trains

Vorarlberg

Successful management of big events

In Vorarlberg ÖBB met a very special challenge by successfully rendering the transport services required in connection with the World Gymnaestrada held in July 2007. Within only one week an additional number of 1.7 million passengers was carried in the framework of the biggest popular sports event in the world in which about 25,000 people participated. Also in the reporting year, ÖBB-Postbus GmbH was in charge of performing all mobility services in connection with the "Lange Nacht der Museen" ("Long Night of the Museums"); moreover, it managed to conclude a contract with the corresponding municipalities regarding transport services to be performed in the upper Rhine valley and Blumenegg. Another Talent train will be operating as from January 2008 after signing a public transport agreement with the province of Vorarlberg.

Tyrol

275 short-distance trains running daily in Tyrol

Also in the province of Tyrol, ÖBB distinguished itself as a mobility provider for big events such as the ski downhill race in Kitzbühel, the Ski World Cup in St. Anton am Arlberg, or the football match between Austria and Ivory Coast in Innsbruck. The number of train-kilometers increased by 500,000, since regular services have been rendered in Ötztal; furthermore, regular services at one-hour intervals were introduced between Imst and Obergurgl. In the province of Osttirol, new XL trailer buses and a rapid bus line between Lienz and Kitzbühel were put into operation. On working days, modern vehicles are now running at half-hour intervals on the route Hall – Innsbruck – Telfs, which is part of the suburban railway operating in the Inntal (+ 250,000 train-kilometers). Since the timetable change implemented in December 2007, 275 short-distance trains have been running daily in Tyrol. The number of seats offered increased significantly; in 25 Talent trains the number of seats doubled from 200 to 400.

Styria

Seven train connections running daily between Graz and Klagenfurt

By introducing a suburban railway in December 2007, the number of trains being operated in Styria rose by 71 trains compared to the previous year. The connection between Graz and Klagenfurt has been improved too, since seven connections are now being offered daily in each direction at two-hour intervals. Upon signing the public transport agreement with the province of Styria, continuing operation of the regional railway line Radkersburger Bahn and Thermenbahn including the sections Spielfeld-Straß – Bad Radkersburg, Fehring – Friedberg, Friedberg – Tauchen-Schaueregg, Friedberg – Sinnersdorf and the section of Mariazeller Bahn running through Styria from Mariazell to Mitterbach could be ensured. The overall volume of the services agreed upon encompasses 819,771 timetable-kilometers to be rendered by bus or rail vehicles of ÖBB; the agreement will be in force from 2008 until 2016.

Carinthia

Launch of the short-distance traffic offensive

With the timetable change, a short-distance transport offensive was launched in the province of Carinthia introducing 12 Talent and 12 Desiro trains. In November 2007 the rapid bus line between Feldkirchen and Klagenfurt was put into operation. A total of more than 5,000 people attended the rail shows organized in Wolfsberg, Klagenfurt and Gailtal.

Lower Austria

ÖBB taking the lead in environmental protection

ÖBB-Postbus was the first operator in Austria to introduce a natural gas (CNG) powered bus fleet which was put into operation in the capital of Lower Austria in May 2007, thus being at the forefront of this innovative mode of drive. Since the end of December 2007, it has been introducing ten new lines thus more than doubling its annual traffic volume from 900,000 to 1.9 million. Another milestone was the extension of the airport line from Mödling to Baden where a completely new bus fleet is being used. When the pope visited Mariazell on September 8, 2007, ÖBB made a fundamental logistical contribution by successfully dealing with the enormous number of visitors. Seven special trains offering 2,300 seats, railway shuttle services, and about 300 buses from all over Austria were made available.

Salzburg

Success story of suburban railway

The suburban railway in Salzburg serves as a model project in Austria and at international level. A modern infrastructure with attractive stops and a timetable which can be easily remembered facilitate a constant increase in the number of passengers carried. In the period from January to October 2007, about 20% more tickets were sold on the route from Golling to Salzburg (including the new stop Salzburg-Taxham-Europark) compared to previous year's figures. Also in Salzburg, ÖBB is perfectly prepared for UEFA Euro 2008™ as was shown when successfully dealing with the big football match between Red Bull and Arsenal London in July 2007.

Upper Austria

87 new connections in 2007

In Upper Austria, 87 new bus-rail connections were implemented when changing the timetable as from December 2007. The Danube-Vltava ticket and the Dachstein-world heritage ticket successfully proved that the railway is the perfect means of transport to be used for excursions in Upper Austria.

Vienna

Vienna suburban line celebrates its 20th anniversary

In 2007 the Vienna suburban line S45 celebrated its 20th anniversary of passenger transport. Since then the number of passengers carried has been constantly on the rise, which was taken into account with an increase to 10-minute intervals at peak traffic times upon timetable change on 09.12.2007, which was made possible on the basis of the public transport agreement concluded with the city of Vienna. Commuters also benefited from the timetable changes. Regional trains running between Wiener Neustadt and Vienna Südbahnhof on the Pottendorfer Linie were directly linked to Stockerau by being operated on the suburban railway line. A series of additional late-night connections were created in order to safely take home night owls and to make it easier for them to do without their own cars.

Burgenland

More services offered to students and commuters

The timetable change of 2007 considerably expanded the services offered to commuters and students. New direct connections were introduced on the route between Hegyeshalom and Vienna with additional trains running between Györ and Vienna Südbahnhof. Another highlight tailor-made for commuters: The route between Deutschkreutz and Neckenmarkt-Horitschon was opened to passenger transport. During the first four months, it was in particular the commuters who benefited from the reopening of the route for passenger transport. As from 01.04.2007, the services offered were further extended with the route being operated at two-hour intervals, sometimes even at one-hour intervals during the day.

Investment Offensive to Be Continued

The investment offensive launched some years ago focusing on passenger transport continued in 2007 as scheduled. Top priority is given to constantly modernizing the vehicle fleet. 51 Talent trains, 27 Desiro trains and 12 double-deck carriages were purchased for about 310.9 million EUR to improve short-distance transport. 6.9 million EUR were spent on system improvements and a new distribution system. ÖBB-Postbus GmbH strives to be able to offer appealing high-quality buses by means of ongoing investments in the vehicle fleet.

Modern carriages for passenger transport

Outlook

Quality and investment offensive to be continued

In order to ensure competitiveness and to meet our customers' needs in the best possible way, we will continue our efforts aimed at further improving the quality of our services in the reporting year 2008. The timetable change 2007/2008 created the conditions required for such development. 646 new bus-rail connections were implemented, and two thirds of all passenger trains are already running at regular intervals.

These investments will bring fundamental improvements: The first 23 ***railjet*** trains disposing of 408 seats each will run at speeds of up to 230 km/h on the Westbahn route as from 2008, and an additional number of 44 sets of trains have already been ordered. By 2014 total capital expenditure will amount to 816 million EUR. Moreover, 15 further Talent trains, 19 Desiro trains and 45 double-deck carriages will be operating as from 2008. Thus it will be possible to take out of service 153 Schlieren wagons after EURO 2008™

Mag. Josef Halbmayr MBA
Member of the executive board of ÖBB-Personenverkehr AG since 1.12.2007

"Getting prepared for UEFA EURO 2008™ was one of the great challenges ÖBB-Personenverkehr faced in 2007. According to several forecasts, the large majority of the visitors of UEFA EURO 2008™ will use public means of transport as taking the private car to get to the football stadiums in Austria is possible only to a very limited extent. This is why ÖBB will considerably expand the connections and services offered between the host cities as well as in short-distance transport. ÖBB considers this event as a chance and challenge at the same time. Continuous customer information will be the key to success. We are already informing our regular customers about this event and convincing our new customers of the advantages of taking the train. Our employees, however, are equally important, since they represent our company in daily contact with our customers; round the clock, 365 days a year. They regard themselves as part of UEFA EURO 2008™ making a small but decisive contribution to its success."

ÖBB-Postbus GmbH is supposed to purchase about 230 new buses in 2008 so as to complete its investment offensive 2005–2008 regarding its vehicle fleet. In the years to come, capital expenditure will focus on telematics, and modern ticket printers, as well as on modernizing and refurbishing workshops and traffic stations in order to increase safety at work, and operating safety in general.

ÖBB-Traktion is to intensify talks with all neighboring countries to further strengthen its successful international orientation by increasing the possibilities of interoperable use of locomotives. Measures aiming at increasing energy efficiency will be intensified too.

Schedule of Participations

Subgroup ÖBB-Personenverkehr in million EUR	Total revenues	EBT	Employees[1]	Tangible and intangible assets	Equity	Balance sheet total
100% ÖBB-Personenverkehr Aktiengesellschaft	1,149.9	-34.1	3,492	1,363.0	1,056.9	2,834.5
100% Österreichische Postbus Aktiengesellschaft	11.8	-0.1		49.0	3.9	53.7
100% ÖBB-Postbus GmbH	359.3	9.9	3,852	142.7	103.9	310.4
100% "KÖB" Kraftwagenbetrieb der Österreichischen Bundesbahnen Gesellschaft m.b.H.	7.2	2.3		28.3	7.8	32.4
97.75% ČSAD AUTOBUSY České Budějovice a.s.	11.3	0.8	280	8.9	5.4	10.0
100% Rail Tours Touristik Gesellschaft m.b.H.	13.1	0.3	26	0.1	0.9	2.8
98.57% FZB Fahrzeugbetrieb GmbH	1.8	0.0		43.9	45.7	45.8
51% ÖBB-Traktion Gesellschaft mbH	840.6	-1.6	6,422	1,085.5	781.5	1,998.5
Total	**2,395.0**	**-22.5**		**2,721.4**	**2,006.0**	**5,288.1**
Consolidation	-398.8	0.8		-36.2	-654.5	-706.3
Subgroup ÖBB-Personenverkehr	**1,996.2**	**-21.7**	**14,072**	**2,685.2**	**1,351.5**	**4,581.8**

1 on annual average, number of employees

Subgroup Balance Sheet as of December 31, 2007

ÖBB-Personenverkehr

Assets in EUR	31.12.2007	31.12.2006	Change in %
Fixed assets			
Tangible assets	2,671,609,741.06	2,107,938,083.17	26.7
Intangible assets	13,541,850.87	10,459,330.81	29.5
Investment property	1,825,742.42	1,995,329.34	-8.5
Participations in associated companies	102,540,186.38	96,413,524.56	6.4
Financial assets	1,203,769,565.91	1,381,652,112.54	-12.9
Trade receivables	35,000.00	10,716,740.90	-99.7
Other receivables and assets	10,660,201.70	12,761,567.31	-16.5
	4,003,982,288.34	**3,621,936,688.63**	**10.5**
Non-current assets			
Inventories	10,152,810.37	10,095,874.04	0.6
Trade receivables	189,130,339.89	153,308,077.06	23.4
Other receivables and assets	86,170,324.04	61,341,697.21	40.5
Financial assets	142,056,737.74	143,697,849.37	-1.1
Liquid funds	150,348,238.06	280,904,620.17	-46.5
	577,858,450.10	**649,348,117.85**	**-11.0**
	4,581,840,738.44	**4,271,284,806.48**	**7.3**

Liabilities in EUR	31.12.2007	31.12.2006	Change in %
Equity			
Capital stock	400,070,000.00	400,070,000.00	-
Reserves	520,775,521.44	563,377,116.43	-7.6
Currency differences	658,437.78	491,341.86	34.0
Net income	64,003,203.87	35,277,744.57	81.4
Minority interests	365,958,833.08	365,753,037.63	0.1
	1,351,465,996.17	**1,364,969,240.49**	**-1.0**
Long-term outside capital			
Financial liabilities	2,428,411,158.63	2,230,024,948.88	8.9
Provisions	59,976,429.59	62,746,113.41	-4.4
Trade payables	5,083,112.86	12,831,251.75	-60.4
Other liabilities	133,620,708.57	138,330,319.14	-3.4
Deferred taxes	1,041,219.09	1,086,320.47	-4.2
	2,628,132,628.74	**2,445,018,953.65**	**7.5**
Short-term outside capital			
Financial liabilities	213,392,088.56	146,833,550.56	45.3
Provisions	42,614,863.37	44,688,950.30	-4.6
Trade payables	245,921,105.19	165,443,044.11	48.6
Other liabilities	100,314,056.41	104,331,067.37	-3.9
	602,242,113.53	**461,296,612.34**	**30.6**
	4,581,840,738.44	**4,271,284,806.48**	**7.3**

Subgroup Income Statement 2007

ÖBB-Personenverkehr

in EUR	2007	2006	Change in %
Sales	1,919,921,642.57	1,845,982,115.58	4.0
Other own work capitalized	117,574.20	104,573.74	12.4
Other operating income	76,123,346.13	66,448,298.98	14.6
Total revenues	**1,996,162,562.90**	**1,912,534,988.30**	**4.4**
Expenses for materials and services received	-926,245,203.36	-873,227,344.84	6.1
Personnel expenses	-720,959,813.13	-703,388,792.72	2.5
Depreciation	-102,759,962.84	-104,636,156.63	-1.8
Other operating expenses	-211,423,025.78	-201,826,669.16	4.8
Earnings before interest and taxes	**34,774,557.79**	**29,456,024.95**	**18.1**
Dividend income from associated companies	7,722,695.94	8,233,511.62	-6.2
Income from interest	96,351,675.26	85,823,291.81	12.3
Interest expenses	-105,938,271.14	-87,153,880.61	21.6
Other financial results	-54,571,691.84	3,887,764.35	-
Financial results	**-56,435,591.78**	**10,790,687.17**	**-623.0**
Earnings before taxes (EBT)	**-21,661,033.99**	**40,246,712.12**	**-153.8**
Taxes on income and earnings	528,792.80	3,693,531.23	-85.7
Profit for the year	**-21,132,241.19**	**43,940,243.35**	**-148.1**
Prorata profit for the year allocated			
to ÖBB-Holding AG	-21,589,040.25	37,252,185.95	-158.0
to other companies	456,799.06	6,688,057.40	-93.2

The intermodal traffic division, which combines different means of transport in an optimally co-ordinated manner, increased its transport volume by about 12% to about 26.5 million tons.

Also the company Speditions Holding of Rail Cargo Austria posted strong growth rates in all essential business segments.

In 2007, Rail Cargo Austria transported 265,000 tons of goods daily thus being by far the market leader in Austria and Southeast Europe.

BEX Logistics has been specializing in LCL transport and warehousing for 20 years. At present, we are operating 14 logistics centers; the last one was put into operation in Linz in March 2007.

Subgroup Rail Cargo Austria

Number of tons transported increased by about 5% to 97 million
– all business divisions posted considerable growth rates

Unbeatable combination: Piggyback services of ÖBB are fast and safe. Like on the Brenner route where a third connection was established between Trento and Regensburg in 2007.

Subgroup Rail Cargo Austria

In 2007 the number of tons of goods transported rose by about 5% to almost 97 million. Thus total revenues increased by about 8% to about 2.4 billion EUR.

Strengthening the Position as Complete Logistics Provider in Europe

Subgroup Rail Cargo Austria (RCA) is the leading complete logistics provider in Austria and the bordering countries of Southeast and Eastern Europe for freight transportation by rail or involving rail. The range of services offered encompasses the entire value added pattern and is subdivided into three business divisions which are Cargo & Logistics, BEX Logistics and Intermodal traffic.The Cargo & Logistics division operates ten distribution sites in Austria and one in Frankfurt/Main, Germany. BEX Logistics is the market leader in the LCL sector in Austria and disposes of 14 logistics centers. The business division of intermodal traffic combines the advantages of all kinds of transport operators. Rail Cargo Austria coordinates the transport services offered by rail, road, air, and ship in an optimal way according to its customers' needs. Eight terminals are available to our customers in Austria. The market of Rail Cargo Austria AG encompasses 24 countries in Europe through branch offices and shareholdings of Speditions Holding GmbH.

ÖBB-Technische Services GmbH, a joint venture of Rail Cargo Austria AG and ÖBB-Personenverkehr AG, disposes of 30 locations all over Austria and is responsible for the maintenance and overhaul of rail vehicles and their components.

Executive Bodies of Rail Cargo Austria AG

Executive Board

Ferdinand Schmidt (since 17.5.2004)
KR Friedrich Macher (since 1.2.2008)
Dr. Günther Riessland (since 1.1.2008)
KR Gustav Poschalko (until 31.1.2008)
Mag. Erich Söllinger (until 31.12.2007)

Supervisory Board

DI Horst Pöchhacker, chairman (since 29.5.2007)
KR Franz Rauch, deputy chairman (since 19.04.2006)
Mag. Herbert Kaufmann (since 29.5.2007)
Dr. Siegfried Meysel (since 29.5.2007)
Mag. Dr. Karl Sevelda (since 29.5.2007)
KR Gustav Poschalko (since 14.4.2008)
Mag. Erich Söllinger (since 14.4.2008)
Kurt Eder (since 14.4.2008)
Werner Harrer[1] (since 17.5.2004)
Bernhard Mühlbacher[1] (since 4.7.2005)
Norbert Rothbart[1] (since 23.9.2004)
Dr. Kari Kapsch, chairman (until 12.4.2007)
Dr. Veronika Kessler (until 29.5.2007)
Mag. Rüdiger Schender (until 30.4.2007)
Dr. Johannes Strohmayer (until 29.5.2007)

1 Staff representative

Business Development in 2007

In 2007, subgroup Rail Cargo Austria managed to once again increase its transport volume significantly. The volume of freight transport (including transport logistics and freight transport by road) rose by about 5% over the previous year and amounted to 97 million tons. Intermodal traffic posted the strongest growth rates rising by about 12% and thus clearly surpassing the budget target as a total volume of 26.5 million tons was handled. The Cargo & Logistics division achieved an increase of 2% to about 68.7 million tons despite a drop in demand in several sectors. The BEX Logistics division remained practically unchanged with about 1.7 million tons as in the previous year. All in all, subgroup Rail Cargo Austria generated total revenues to the amount of 2,416.9 million EUR in the reporting year, i.e. 8% more than in the previous year.

Average staff levels decreased by about 1% to 8,121 employees, so that total revenues per employee rose by about 10% to about 298,000 EUR. Capital expenditure was up by about 51% to about 87.1 million EUR primarily due to the continuation of the purchasing program aimed at increasing transport capacities.

Key Figures Subgroup Rail Cargo Austria	2006	2007	Change in %
Freight transport in tons (in 1,000)	90,914	95,212	5
Transport logistics in tons (in 1,000)	663	678	2
Freight transport by road on trucks in tons (in 1,000)	1,099	1,083	-1
Total transport volume in tons (in 1,000)	**92,676**	**96,973**	**5**
Total ton-kilometers (in million)	18,868	19,431	3
Number of freight cars	17,635	19,216	8
Financial key figures in million EUR			
Sales	2,189.3	2,372.6	8
Total revenues	2,238.2	2,416.9	8
EBIT	53.5	24.7	-54
Income from ordinary activities	61.6	13.4	-78
Balance sheet total	2,025.0	1,956.2	-3
Equity (including third party contributions and untaxed reserves)	893.0	880.1	-1
Financial liabilities	693.9	545.2	-21
Capital expenditure - tangible and intangible assets	57.7	87.1	51
Average number of employees	8,237	8,121	-1

A detailed description of overall external economic influences and the business development in 2007 is given in the Status Report from page 151 onwards.

Highlights in 2007

Milestone Marked in Internationalization

Takeover of the Hungarian MÁV Cargo subject to approval by cartel authorities

In 2007 Rail Cargo Austria AG and Györ-Sopron-Ebenfurti Vésut Zártkörüen Müködö Részvénytaraság (formerly Raab-Ödenburg-Ebenfurter Eisenbahn Aktiengesellschaft) formed a consortium to participate in the privatization of the freight transport company of the Hungarian railway company, MÁV Cargo Zrt. In November 2007 the consortium was determined as the best bidder, and on January 2, 2008, a stock purchase agreement was signed with the seller, MÁV. This stock purchase agreement is still subject to approval by the cartel authorities; approval is expected to be granted by summer 2008. By making this acquisition, subgroup Rail Cargo Austria marked a milestone on the way to achieving its strategic goal; that is to take a leading position in South and Southeast Europe. Together the companies would come third in Europe behind the logistics divisions of Deutsche Bahn and the French railway company SNCF. MÁV Cargo and its more than 3,000 employees perform about 9 billion ton-kilometers and handle a transport volume of almost 47 million tons each year. It also disposes of a considerable vehicle fleet made up of 13,000 freight cars. After a short integration process, a uniform service and price system will contribute to increasing productivity and reliability.

Ferdinand Schmid
Member of the executive board of Rail Cargo Austria AG

"Internationalization of traffic will continue to increase. Rail Cargo Austria is well prepared for such a development; on the contrary, we are perfectly capable of bearing comparison with the big railway companies in Europe. For many years, Rail Cargo Austria has been successfully pursuing an international growth strategy. The implementation of this strategy will lead to an increase in logistics services rendered abroad. We are focusing in particular on single wagon traffic in order to improve planning capacity and increase punctuality and reliability. In cooperation with six top railway companies (DB, SNCF, SNCB, SBB and Greencargo) Rail Cargo Austria is expected to set new standards so as to be in a position to offer its many customers significantly better conditions. European freight railway companies have to accept that quality and performance are becoming more and more important as prerequisites for being competitive. This and the equally important price-performance ratio are the challenges a logistics provider will have to be able to cope with if it is to operate successfully and sustainably on the market."

Cargo&Logistics Keeps Growing

Increase by about 2% to about 68.7 million tons

The Cargo&Logistics division managed to maintain its hold on the market in 2007 despite a massive fall in demand in several important industries thus increasing transport volume by about 2% to about 68.7 million tons. More than 188,000 tons of all kinds of goods are being carried daily. Transport of **building materials** posted strong growth rates due to a very positive development of the building industry in the first half-year and the favorable weather conditions. Special transport orders such as the transport of pre-fabricated ceilings for a Tyrolean customer in Switzerland highlight the competencies of the subgroup. The sector of **chemicals** developed in a positive way too, regarding transport volume as well as transport distance. In spite of temporary bottlenecks, the **paper** segment, where transport by rail accounts for about 50% of total transport volume, scored a new record. The development of the **timber** profit center was heavily affected by storm Kyrill causing between 40 and 50 million solid measures of damaged timber in January 2007. The installation of a system to control freight car supply allowed organizing the transport from the regions affected by windfall in Austria and Central Europe in an efficient manner despite of an environment that was particularly difficult for our customers. In the period under review, Rail Cargo Austria proved once again to be the leading timber transporting company in Central Europe.

The **steel** segment surpassed all volume targets set for 2007. Apart from the purchasing program aimed at increasing wagon capacities, the upward trend of the market is to be taken advantage of while customer portfolio is to be diversified. The **agricultural sector** marked by increasingly fierce competition successfully continued its consolidation; nevertheless, longer transport distances could not make up for reduced transport volumes. The sugar market regulation adopted by the European Union led to a considerable drop in sugar transport at international level while domestic sugar beet transports, which are the important market for Rail Cargo Austria in this segment, increased significantly.

Piggyback services of ÖBB to protect the environment

Wind fall requires flexible transport of timber

Significant Increase in Intermodal Traffic

Due to the increase in international exchange of goods between Europe and America and Europe and Asia respectively, the overall transport volume handled by the intermodal traffic division rose by about 12% to about 26.5 million tons in the reporting period. Unaccompanied combined rail-and-road traffic (Combi Cargo) posted the strongest growth rates. Complete trains running at regular intervals between two defined destinations were introduced to benefit from the traffic flows towards the harbors in Germany and the Netherlands. The "Flying Dutchman" launched only in 2006 runs almost every day between Wels and Rotterdam. New transit connections were established in South and Eastern Europe. Since the beginning of 2007, complete trains have been running to the Ruhr area in Germany five times a week by order of a customer located in Graz, which is a further proof of the competitiveness of intermodal traffic. A very special success was scored by the business division of **Mobiler-Logistics** when signing a ten-year contract regarding the transport of pebble stones with one of its customers. 225 complete trains will save about 6,000 truck loads annually. For the first time in 2007 Mobiler transport services were performed in Germany too.

Transport volume increased by about 12% to 26.5 million tons

KR Friedrich Macher
Member of the executive board of Rail Cargo Austria AG since 1.2.2008

"In 2007 Rail Cargo Austria further improved its position to be able to offer and carry out integrated complete solution services. To this end, processes aimed at meeting our customers' needs were developed in a systematic way. Surveys to assess customer satisfaction play a fundamental role in this respect. In 2008 the focus will be on optimizing the extensive network structures of the BEX division all over Austria, on taking advantage of the new opportunities in intermodal traffic, and on stimulating single wagon traffic in a market-oriented way. Adequate wagons and cars are the prerequisite in terms of capacity. The ongoing purchasing program, improvement of technical possibilities at internal level and cooperation with other European railway companies, as well as improvement of wagon circulation and frequency are to ensure that business opportunities are offered and implemented in a way that is in line with the needs and requirements of the forwarding business. Concerning distribution, cooperation and partnerships with strategic key accounts are to be expanded. Relation management is to be developed and systemized so as to get a long-term strategic dimension in agreement with the corresponding customer."

New logistics center in Linz


Interior design of the ***railjet***

Piggyback services offered on the Brenner route were expanded by a third connection in 2007 (Trento – Regensburg). Since the timetable change 2007/2008 16 pairs of trains have been operating on the route Wörgl – Brennersee. The connection to Romania was suspended in the period under review due to the country's accession to the EU. The connection Wels – Szeged was adjusted to the requirements of the market. In 2007 the first refurbished carriages transporting truck drivers in piggyback services were delivered thus further increasing the attractiveness of piggyback services and their acceptance by carriers.

BEX Logistics – Successful for 20 Years

14 logistics centers all over Austria

The BEX Logistics division has been specializing in LCL transport and warehousing for 20 years and is currently operating 14 logistics centers. The restructuring course taken was continued successfully in 2007 by improving productivity, utilization of storage capacity and customer orientation. In particular freight transport by road grew above average. Cooperation with Intercontainer Austria, an affiliated company of Rail Cargo Austria, was intensified and concentrated at a new location south of Graz. Thus, the number of containers transported by way of local trucking increased significantly in the period under review.

In March the **logistics center Linz** was put into full operation. After completing the enlargement and refurbishing of the center, 4,500 pallets are handled at this site every day, with 36,000 pallet storage spaces available on a total of seven storage levels. 120 wagons and 150 trucks are loaded and unloaded every day, which is a transshipping volume of about 800 tons daily.

Dr. Günther Riessland
Member of the executive board of Rail Cargo Austria AG since 1.1.2008

"Rail Cargo Austria disposes of excellent structures which are to be further developed. We must participate in the growth of international logistics markets, the way we successfully did over the past years. As business becomes more challenging and flows of goods are growing sustainably – so do our customers' needs. Sound relations with customers are one of the key factors for being a successful logistics provider. We have to further optimize bridgeheads for existing as well as new customers. This would be a way to have the decisive edge on our competitors. Taking care of our suppliers is of equal importance. Complex logistical processes encompass a series of factors that are to be coordinated to be able to offer customers appealing and reliable services. Therefore top priority is given and will always be given to creating surplus value by means of excellent logistics for and in cooperation with our customers."

Continuing Growth of Forwarding Business

The forwarding business of subgroup Rail Cargo Austria which is concentrated in Speditions Holding GmbH registered considerable growth in all relevant sectors in 2007. Despite fierce competition the most important customers in rail transport were maintained while the respective transport volumes increased. Truck traffic also developed favorably. Air and ocean freight transport posted high growth rates by canvassing new key accounts. The partner network established in the Far East as well as synergies with other group companies are beginning to take effect.

Purchasing Program for Freight Cars about to Begin

The purchasing program prepared last year provides for investments of up to 400 million EUR to buy about 5,000 freight cars until 2011. Thus, the freight vehicle fleet will be enlarged by about 20% to more than 19,000 wagons in order to benefit from the dynamic development of freight transport and to overcome existing shortages of rolling stock. When purchasing new vehicles, top priority is given to multifunctionality to ensure flexibility and to be able to quickly respond to changing market conditions. In the reporting period, 150 new timber wagons were delivered apart from constantly refurbishing and upgrading existing rolling stock.

400 million EUR to be spent by 2011 on purchasing about 5,000 freight cars

KR Gustav Poschalko
Member of the executive board of Rail Cargo Austria AG until 31.1.2008

"Rail Cargo Austria is doing excellently. Despite increasing competition we managed to score new records regarding sales and the number of tons transported. Instead of being afraid of liberalization, we took advantage of it. Rail Cargo Austria is a complete logistics provider of international quality, a fact which is emphasized by the big share of cross-border traffic. In 2007 we set the course for implementing our international expansion strategy. It will allow us to further strengthen our position on the logistics markets in Europe. Moreover, I would like to take the opportunity to thank our customers. Thanks for your long-term loyalty and thanks for the many new chances we got in 2007 and were able to take advantage of. In 2007 Rail Cargo Austria represented reliability, competence, and customer service. This year's UEFA EURO 2008™ is to be interpreted as a through ball for 2008 – only those who stand up to the customer's demands will be successful."

ÖBB-Technische Services GmbH

About 3,900 employees of ÖBB-Technische Services GmbH ensure professional maintenance, and repair of rail vehicles and their components. 1,400 locomotives, 400 sets of railcars, 2,500 passenger carriages and more than 20,000 freight cars are being repaired and overhauled every year. Capital expenditure amounting to about 160 million EUR is expected to extensively modernize the workshops until 2009. As from 2008, innovative maintenance concepts will be implemented such as block train maintenance facilitating the repair and overhaul of entire sets of wagons. Combined with modular maintenance services and coordinated working hours, this is to ensure maximum vehicle availability and efficiency. The targets set for the business year regarding production were reached too: By the end of 2007, 161 sets of Talent short-distance trains had been completed and put into operation; by the end of 2008, the entire fleet already will be operating. The plant Simmering has been adapted for the assembly of the ***railjet*** train,

160 million EUR to be spent on modernizing workshops by 2009

5,000 new freight cars by 2011

and manufacture will start at the beginning of March 2008. In accordance with the expansion of Rail Cargo Austria, ÖBB-Technische Services GmbH strives to extend its market share in Central and Eastern Europe, having completed important preparatory work in the reporting period.

Outlook

Maintaining market shares in Western Europe while expanding into CEE

In the years to come, subgroup Rail Cargo Austria will keep striving to maintain its share on the domestic market in Austria and in Western Europe and to further strengthen its position in Central and Eastern Europe. The acquisition of MÁV Cargo, which is still subject to approval by the cartel authorities, is expected to fully exploit the potential of the Hungarian market and all other existing markets. The distribution and production offensive will be continued and intensified. Possible acquisitions as well as any other growth potential by means of introducing new connections and services are being consistently checked. Establishing long connecting traffic axes in its own area of influence, which would be created by acquiring MÁV Cargo, is expected to have a positive impact on the further development of the subgroup. In order to strengthen our distribution and marketing competence, the programs aiming at a sustainable increase in productivity will have to be continued. At the same time, an extensive purchasing program is being implemented to enlarge the vehicle fleet, and constant investments are being made to upgrade the existing vehicle fleet. Value-added activities will be intensified along the entire logistics chain in accordance with the needs of individual industries so as to further strengthen the position of Rail Cargo Austria as a complete logistics provider.

For ÖBB-Technische Services GmbH, 2008 will be the year of consistent site development, internationalization and UEFA EURO 2008™. Production will focus on the assembly of the ***railjet*** trains; assembly of the third generation of TAURUS (1216) will be completed, and manufacture and commissioning of Talent and Desiro short-distance trains will be finished too.

Schedule of Participations

Subgroup Rail Cargo Austria in million EUR	Total revenues	EBT	Employees[1]	Tangible and intangible assets	Equity	Balance sheet total
100% Rail Cargo Austria Aktiengesellschaft	1,082.6	-13.6	2,742	89.1	841.7	1,224.6
100% Speditions Holding GmbH	10.9	10.5	79	0.5	21.1	46.2
100% Express-Interfracht Internationale Spedition GmbH	563.7	11.6	323	16.9	39.9	248.7
100% Dolphin Shipping Transportagentur GmbH	4.9	0.0	5	0.0	1.1	2.1
100% Express Italia s.r.l.	24.5	0.2	24	0.1	6.6	11.8
100% Express Polska sp. zo. o.	14.9	0.3	34	4.4	2.4	7.1
100% Express Scandinavia AB	8.8	-0.3	9	0.0	0.3	1.4
100% Express-Interfracht Deutschland GmbH	5.1	-0.4	59		-0.3	1.3
100% Express-Interfracht Hellas S.A.	7.5	0.4	11	6.5	3.9	10.5
100% BURGYSPED S.L.	10.9	0.9	10	0.1	1.7	5.3
100% Express-Interfracht Romania srl	87.1	-2.1	113	14.2	3.5	41.3
80% (100%) Express-Interfracht mezinárodní spedice CZ s.r.o.	35.9	0.9	28	0.5	3.0	12.9
75% AgroFreight Speditions GmbH	39.9	1.5	13	0.1	2.1	9.0
74.6% Express-Interfracht Internationale Spedition AG, Liechtenstein	13.3	0.2	7	0.1	0.3	3.4
60.0% Express-Interfracht Uluslararasi Tasimacilik Ticaret Limited Sirceti	5.7	-1.8	34	0.6	-1.6	1.1
51.0% Asotra – Internationale Speditions- und Transport-Gesellschaft mit beschränkter Haftung	16.2	0.4	22	1.1	0.6	5.7
100% EC LOGISTIK GmbH	13.3	-0.6	102	3.1	0.6	6.5
100% Papier & Recycling Logistik GmbH	15.9	0.4	21	5.5	1.9	9.9
100% Schwarzinger & Co. Speditions-, Transport- und Frachtberatungsgesellschaft m.b.H.	31.9	0.5	4		0.5	4.5
100% ProRail Internationale Speditionsgesellschaft m.b.H.	48.1	1.6	17	0.1	2.6	8.5
100% Schier, Otten & Co. Gesellschaft m.b.H.	38.6	0.1	185	1.3	2.6	12.0
62.8% TRANSPED-SOC spol.s.r.o.	10.2	0.5	60	0.2	0.6	3.0
51.0% 6. OKTOBAR d.o.o.	1.4	0.0	16	0.1	0.1	0.3
100% Entsorgungslogistik Austria GmbH	13.9	1.1	4	0.3	1.8	5.7
100% ÖKOMBI GmbH	87.7	1.6	32	0.5	2.6	14.7
100% ECS Eurocargo Spedycyjna Spolka z.o.o. Szczecin	4.4	0.0	12	0.0	0.0	2.1
100% Eurocargo Katowice Spolka z.o.o.	32.8	0.7	12	0.1	0.7	7.6
100% ECS Eurocargo Spedycyjna Spolka z.o.o. Gdánsk	2.1	0.0	7	0.0	0.0	0.5
100% ECS Eurocargo Spedycyjna Spolka z.o.o. Gdynia	2.2	0.0	6	0.0	0.1	0.2
75% RAABERSPED Speditionsgesellschaft m.b.H.	64.2	1.6	22	0.2	3.1	16.4
100% RAABERSPED d.o.o.	7.3	0.0	6	0.0	0.1	1.5
51% RAABERSPED Kft.	87.0	1.4	72	5.0	2.9	23.8
54% Intercontainer Austria GesmbH	109.0	-0.5	87	1.5	2.1	22.9
79.68% (98.25%) Česká a slovenská kombinovaná doprava – INTRANS a.s.	24.9	0.2	65	1.3	2.8	9.2
20% (100%) Express-Interfracht mezinárodní spedice CZ s.r.o.						
18.57% (98.25%) Česká a slovenská kombinovaná doprava – INTRANS a.s.						
100% Industriewaggon GmbH	42.0	10.1		305.3	40.5	324.1
100% ÖKOMBI Waggonbetriebsgesellschaft m.b.H.	13.5	2.3		0.0	-10.8	3.1
100% CRL Car Rail Logistics GmbH	5.7	0.9	3	21.2	5.8	25.8
100% RCA Terminal s.r.o.		-0.1		4.3	0.5	10.9
51% ÖBB-Technische Services Gesellschaft mbH	400.8	15.0	3,875	22.8	189.2	285.5
Total	**2,988.8**	**45.5**		**507.0**	**1,176.6**	**2,431.1**
Consolidation	-571.9	-32.1		-0.3	-296.5	-474.9
Subgroup Rail Cargo Austria	**2,416.9**	**13.4**	**8,121**	**506.7**	**880.1**	**1,956.2**

1 on annual average, number of employees

Subgroup Balance Sheet as of December 31, 2007

Rail Cargo Austria

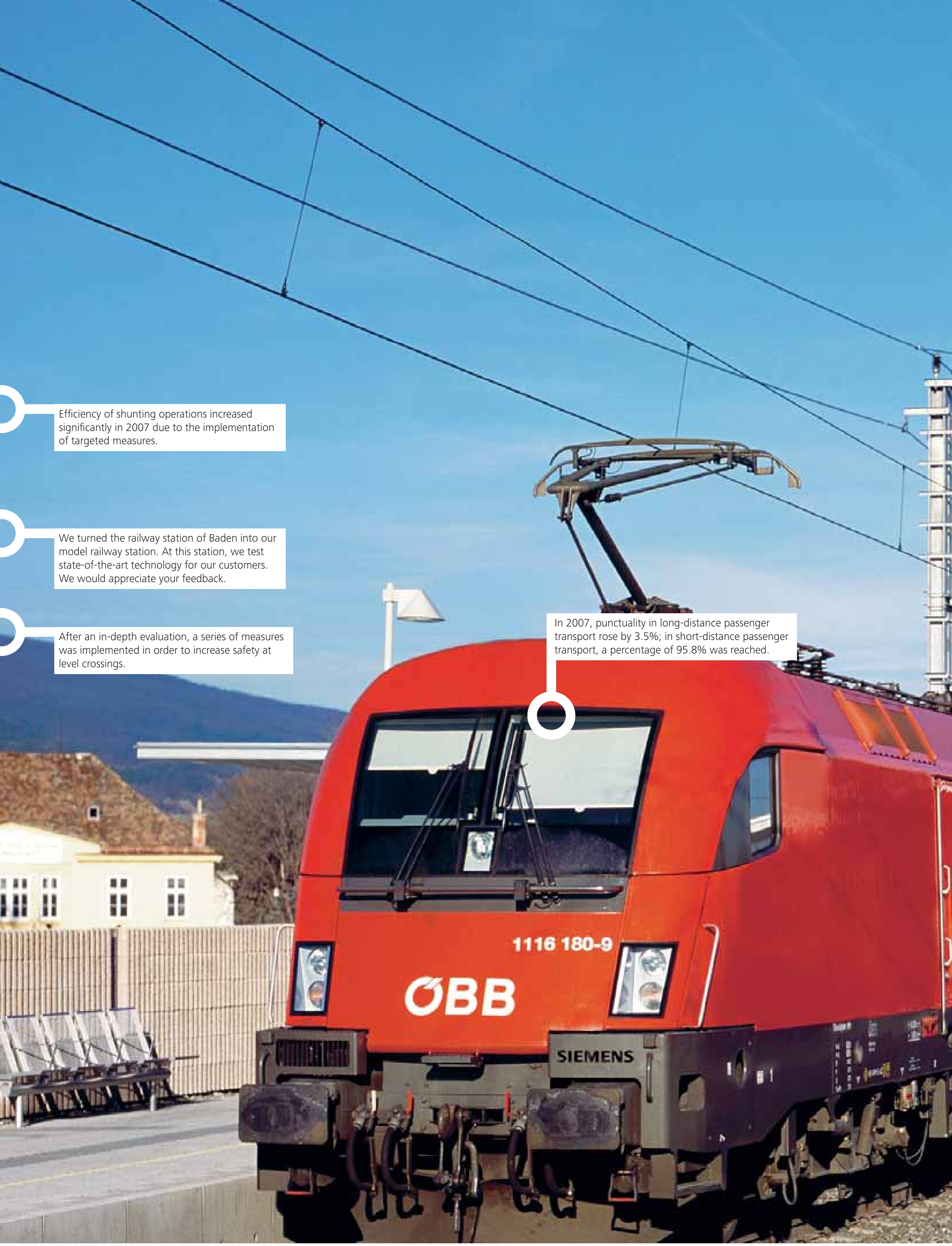
Assets in EUR	31.12.2007	31.12.2006	Change in %
Fixed assets			
Tangible assets	488,453,009.72	469,708,989.56	4.0
Intangible assets	18,219,817.70	30,068,851.07	-39.4
Participations in associated companies	372,679,750.34	373,935,855.51	-0.3
Financial assets	139,818,663.73	295,697,425.19	-52.7
Trade receivables	1,890,454.33	2,325,296.32	-18.7
Other receivables and assets	7,395,627.44	6,409,037.21	15.4
Deferred taxes	155,148.67	458,945.24	-66.2
	1,028,612,471.93	**1,178,604,400.10**	**-12.7**
Current assets			
Inventories	98,690,804.48	84,550,577.55	16.7
Trade receivables	376,269,247.74	343,744,512.20	9.5
Other receivables and assets	48,029,870.74	27,992,736.26	71.6
Financial assets	89,319,670.55	65,267,572.88	36.9
Liquid funds	315,264,610.80	324,863,522.87	-3.0
	927,574,204.31	**846,418,921.76**	**9.6**
	1,956,186,676.24	**2,025,023,321.86**	**-3.4**

Liabilities in EUR	31.12.2007	31.12.2006	Change in %
Equity			
Capital stock	190,070,000.00	190,070,000.00	-
Reserves	556,490,362.72	554,402,571.17	0.4
Currency differences	442,173.37	367,676.28	20.3
Net income	36,025,523.18	55,759,559.59	-35.4
Minority interests	97,086,096.03	92,365,065.07	5.1
	880,114,155.30	**892,964,872.11**	**-1.4**
Long-term outside capital			
Financial liabilities	368,530,858.74	383,092,366.20	-3.8
Provisions	34,681,187.75	40,783,671.16	-15.0
Trade payables	452,134.45	451,079.72	0.2
Other liabilities	11,422,822.96	9,953,470.00	14.8
Deferred taxes	43,207.03	3,251.14	-
	415,130,210.93	**434,283,838.22**	**-4.4**
Short-term outside capital			
Financial liabilities	176,676,469.26	310,783,180.00	-43.2
Provisions	56,682,505.59	38,699,188.11	46.5
Trade payables	359,143,243.27	310,020,925.76	15.8
Other liabilities	68,440,091.89	38,271,317.66	78.8
	660,942,310.01	**697,774,611.53**	**-5.3**
	1,956,186,676.24	**2,025,023,321.86**	**-3.4**

Subgroup Income Statement 2007

Rail Cargo Austria

in EUR	2007	2006	Change in %
Sales	2,372,614,498.61	2,189,273,146.58	8.4
Increase or decrease in work in progress	-229,179.97	-30,619.71	648.5
Other own work capitalized	2,407,601.26	2,788,346.14	-13.7
Other operating income	42,082,570.64	46,153,558.44	-8.8
Total revenues	**2,416,875,490.54**	**2,238,184,431.45**	**8.0**
Expenses for materials and services received	-1,781,515,210.25	-1,606,955,792.65	10.9
Personnel expenses	-377,940,735.71	-372,692,724.98	1.4
Depreciation	-59,792,238.33	-60,647,934.29	-1.4
Other operating expenses	-172,956,745.65	-144,413,217.07	19.8
Earnings before interest and taxes	**24,670,560.60**	**53,474,762.46**	**-53.9**
Dividend income from associated companies	4,278,616.16	8,336,809.64	-48.7
Income from interest	31,141,840.32	24,386,519.82	27.7
Interest expenses	-31,938,846.75	-24,338,258.58	31.2
Other financial results	-14,739,457.73	-240,470.05	-
Financial results	**-11,257,848.00**	**8,144,600.83**	**-238.2**
Earnings before taxes (EBT)	**13,412,712.60**	**61,619,363.29**	**-78.2**
Taxes on income and earnings	-2,804,259.23	-6,107,562.51	-54.1
Profit for the year	**10,608,453.37**	**55,511,800.78**	**-80.9**
Prorata profit for the year allocated			
to ÖBB-Holding AG	3,024,183.33	45,027,986.76	-93.3
to other companies	7,584,270.04	10,483,814.02	-27.7



Efficiency of shunting operations increased significantly in 2007 due to the implementation of targeted measures.

We turned the railway station of Baden into our model railway station. At this station, we test state-of-the-art technology for our customers. We would appreciate your feedback.

After an in-depth evaluation, a series of measures was implemented in order to increase safety at level crossings.

In 2007, punctuality in long-distance passenger transport rose by 3.5%; in short-distance passenger transport, a percentage of 95.8% was reached.

Subgroup ÖBB-Infrastruktur Betrieb

Productivity rose significantly in 2007 –
+2% in train-kilometers; +4% in gross ton-kilometers

In 2007, discrimination-free access to the ÖBB railway network was guaranteed for all railway companies without any kind of limitations pursuant to the statutory provisions.

Subgroup ÖBB-Infrastruktur Betrieb is responsible for 11,000 km of tracks, 1,355 railway stations and stops, 115 shunting locations, and about 6,000 level crossings. Everything has to go like clockwork when our trains rush through.

Priority is given to comfort and well-being and thus to safety and cleanliness at ÖBB railway stations and stops as well.

Subgroup ÖBB-Infrastruktur Betrieb

In 2007 productivity further increased: The number of train-kilometers rose by about 2% to about 150.2 million while gross ton-kilometers were up about 4% to about 76,200 million. Structural measures aiming at a clear alignment of both infrastructure companies were taken in the period under review by transferring the business divisions of Bahnbau and Netztechnik to ÖBB-Infrastruktur Bau.

Successful Provider of Railway Infrastructure in a Liberalized Environment

Subgroup ÖBB-Infrastruktur Betrieb operates a railway network of 5,700 km thus taking care of the foundations of modern and smooth passenger and freight transportation in Austria. Technical and operational management is focused on economic efficiency and absolute customer orientation while complying with high safety standards. Every day about 30,000 wagons are strung together to form more than 6,100 trains and then set in motion to transport 550,000 passengers and 265,000 tons of freight. These services are rendered for a total of 25 railway companies. Apart from Rail Cargo Austria AG and ÖBB-Personenverkehr AG as well as to internal railway companies, ÖBB-Infrastruktur Betrieb AG ensures the discrimination-free and safe access to the railway network for 21 external railway companies at national and international level.

Subgroup ÖBB-Infrastruktur Betrieb is also responsible for production planning and shunting operations and assists its customers with optimal traffic planning and in obtaining all permits required for railway operation. It is also in charge of organizing international timetable management for the main corridors. Furthermore, it carries out the maintenance, inspection and repair of the railway infrastructure. It is responsible for about 11,000 km of rail track (of which about 8,200 km are electrified), 1,355 railway stations and stops, 115 shunting locations, 800 signal boxes (of which 130 electronic signal boxes), 16,000 switches (of which 10,800 automatic switches), about 53,300 signals, and 6,000 level crossings.

Executive Bodies of ÖBB Infrastruktur Betrieb AG

Executive Board

Mag. Arnold Schiefer (since 1.7.2006)
Dipl.-Ing. Herwig Wiltberger (since 1.3.2008)
Dipl.-Ing. Peter Klugar (until 29.2.2008)

Supervisory Board

Mag. Martin Huber, chairman (until 22.4.2008)
Univ.-Doz. DI Dr. Hermann Egger, deputy chairman (since 17.5.2004)
Dr. Eduard Saxinger (since 29.5.2007)
DI Bernhard Engleder (since 29.5.2007)
DI Herbert Kasser (since 27.8.2005)
Mag. Christian Domany (since 29.5.2007)
DI Peter Klugar (since 14.4.2008)
Günther Havranek (since 14.4.2008)
Manfred Kempfer[1] (since 17.10.2007)
Günter Mayr[1] (since 11.7.2005)
Gottfried Winkler[1] (since 7.6.2004)
Franz Eder[1] (until 19.1.2007)
Alfred Leibfinger[1] (until 17.10.2007)
Dr. Dieter Böhmdorfer (until 25.5.2007)
Ing. Mag. Rudolf Fischer (until 25.5.2007)

State Commissioners

MR Dr. Gerhard Gürtlich, state commissioner
DI Georg Parrer, deputy state commissioner

1 Staff representative

Business Development in 2007

Due to the transfer of the business divisions Bahnbau and Netztechnik to ÖBB-Infrastruktur Bau AG, total revenues of ÖBB-Infrastruktur Betrieb AG decreased by about 22% to about 1,544.8 million EUR. Government compensations for operation, maintenance, inspection, and repair of the railway infrastructure were exactly the same as the previous year, namely 1,006.0 million EUR. Their share in overall sales of the subgroup rose to about 66% compared to 52% in the previous year. Infrastructure charges accounted for 417.8 million EUR that is 4% more than in the previous year. Average staff level in the reporting period dropped by 4,708 employees or 27% to 12,681 employees which is primarily due to the transfer of the business divisions Bahnbau and Netztechnik to ÖBB-Infrastruktur Bau AG. Total revenues per employee amounted to about 122,000 EUR. The share of personnel expenses of about 41% in total revenues remained unchanged over the previous year.

Government compensations to the same amount as in the previous year

Key Figures Subgroup ÖBB-Infrastruktur Betrieb	2006	2007	Change in %
Train-kilometers in million			
Passenger transport in million	90.4	92.6	2
thereof ÖBB Group	89.2	91.5	3
Freight transport	48.8	50.1	3
thereof ÖBB Group	45.4	46.4	2
Internal service traffic	7.8	7.5	-4
thereof ÖBB Group	7.8	7.0	-10
Total	**147.0**	**150.2**	**2**
Gross ton-kilometers in million			
Passenger transport	26,482.9	26,744.0	1
thereof ÖBB Group	26,229.2	26,515.7	1
Freight transport	46,119.1	48,616.7	5
thereof ÖBB Group	42,565.5	44,328.0	4
Internal service traffic	846.0	839.3	-1
thereof ÖBB Group	846.0	772.6	-9
Total	**73,448.0**	**76,200.0**	**4**
Length of lines operated in km	**5,702.0**	**5,702.0**	**0**
thereof electrified	3,523.0	3,519.0	0
Financial key figures in million EUR			
Sales	1,951.2	1,518.0	-22
Total revenues	1,992.4	1,544.8	-22
EBIT	-28.5	10.4	136
Income from ordinary activities	-16.7	26.2	257
Balance sheet total	766.2	570.6	-26
Equity	237.0	273.3	15
Financial liabilities	136.2	75.5	-45
Capital expenditure tangible and intangible assets	66.8	56.7	-15
Average number of employees	17,389	12,681	-27

Mag. Arnold Schiefer
Member of the executive board of ÖBB-Infrastruktur Betrieb AG

"We consider internationalization and liberalization of the railway market as a chance for ÖBB-Infrastruktur Betrieb AG. Our clear and fair rules guarantee discrimination-free access to the railway network of ÖBB: Both transport industry and passengers call for punctuality. This is why top priority is given to the quality of the railway network by heavily investing in infrastructure. I expect targeted investments in the existing railway network to considerably cut down the number of reduced-speed sections while increasing reliability and availability of our train paths. We have to continue modernizing our production if rail traffic is to stand up to the competition of road traffic in the future. By taking advantage of synergies in the production processes of shunting operations, traction, and car and carriage inspection, I hope we will be able to increase competitiveness for the benefit of ÖBB customers."

Guaranteeing discrimination-free access to ÖBB railway network

Liberalization and Discrimination-Free Access

The market environment of subgroup ÖBB-Infrastruktur Betrieb is characterized by the liberalization of the railway market. The resulting consequences and requirements became increasingly apparent in the period under review. In order to implement the legal requirements, clear and discrimination-free rules for access, use, and production were drawn up for all activities and infrastructure facilities affected. In connection therewith, infrastructure facilities were presented to the public. Pursuant to the railway act on the conditions applying to the use of railway networks, the corresponding rules were published on the internet. For authorized railway companies the operating regulations to be complied with and supporting documents were also made available on the internet. In 2007, discrimination-free access to the ÖBB railway network was guaranteed without any limitations pursuant to the statutory provisions.

Increase in Traffic Volume and Competition

In 2007 route competition was on the rise while traffic volume continued growing. The share of traffic volume operated by railway companies not belonging to ÖBB Group regarding freight transport amounted to about 10% after about 8% in the previous year based on total gross ton-kilometers. In 2007 transport services were rendered by 21 external railway companies (2006: 20).

Organizational Adjustment in Cooperation with ÖBB-Infrastruktur Bau AG

As of January 1, 2007, the business divisions Bahnbau and Netztechnik (excluding the divisions Netzstrategie and Netzentwicklung) were transferred to ÖBB-Infrastruktur Bau AG by means of a selling agreement leading to the transfer of 3,893 employees. In addition to that, Netz- und Streckenentwicklung GmbH was set up in which ÖBB-Infrastruktur Betrieb AG and ÖBB-Infrastruktur Bau AG are holding a 50% share each.

Highlights in 2007

Focusing on Enhancing Quality at Railway Stations – Customer Orientation

The program called "Qualitätsfokus Bahnhof" (focusing on enhancing quality at railway stations) initiated in 2005 and aiming at continuously improving the equipment of railway stations and stops was continued by ÖBB-Infrastruktur Betrieb AG with absolute customer orientation being given top priority. As in the previous year, about 10 million EUR were invested in modernization and refurbishment in 2007. The focus is still on information and guiding systems, safety and accessibility for customers.

Guiding system for the blind

Comfortable traveling starts at the railway station

Model traffic station Baden

Model traffic station in Baden presents technical possibilities

After extensive preparatory work carried out in the period under review, the city of Baden was presented to the public as the ÖBB city of innovation in January 2008. Due to high passenger frequency, the park & ride facilities available and the linkage with other public transport operators, the traffic station of Baden was chosen as it was deemed representative for all of Austria. At this model traffic station, the most recent innovations of ÖBB (structural optimization and technological developments) are being presented and tested regarding customer friendliness and acceptance among customers. The opening event focused on the issue of "extensive customer information along the entire mobility chain". For the first time a monitor layout was presented showing intermediate stops. A continuous color code provides additional information also in case of timetable deviations. Customers may find information on connecting means of transport at so-called time boards mounted outside the traffic station (e.g. at the site of the local government and the regional medical center). These boards display not only the services offered by ÖBB, but also the times of arrival and departure of buses, trams and other means of transport. Further topics presented were the development of the guiding system and the video monitoring system, accessibility of connecting means of transport and the installation of lockers to increase the feeling of comfort. In close cooperation with the city and the transport operators, the model traffic station is being turned into a mobility hub optimally linking the different means of transport such as railway and bus.

Since 2004 select traffic stations have been equipped with **video monitoring systems.** In the beginning, these systems were designed only as emergency installations. However, since May 2007, pursuant to an administrative decision rendered by the data protection commission,

DI Herwig Wiltberger
Member of the executive board of ÖBB-Infrastruktur Betrieb AG since 01.03.2008

"Passengers have to feel comfortable at our traffic stations. Security, cleanliness and information at the railway station play an important role. In 2007 we invested about 10 million EUR in specific programs and projects aiming at improving the equipment of railway stations and stops. Improved information and guiding systems as well as targeted measures to implement accessibility are to fulfill the need of all passengers to feel oriented. At a model traffic station we are testing all innovations in relation therewith as to customer friendliness and acceptance before introducing them throughout Austria. Moreover, I consider the implementation of the operational management strategy to be essential. By means of innovative operational management systems, we will be in a position to gradually offer our customers not only more efficiency, but also more security and quality."

ÖBB-Infrastruktur Betrieb AG is authorized to record video data and store it for a period of 48 hours. These data may only be evalutated and transferred upon request of the police and by order of the state prosecuter's office. In order to avoid any kind of abuse, ÖBB-Infrastruktur Betrieb AG provided for the corresponding control mechanisms.

All wishes and complaints submitted by our customers have been collected in a new **customer service data base** since 2007. Apart from facilitating a comprehensive and clear summary of the related correspondence with customers, the data base allows us to prepare statistics to be used for evaluating developments. Necessary measures arising out of these data are being successfully implemented within the framework of the project "Immer KUNDEN orientiert" (always customer oriented). Moreover, permanent training of employees and extensive information material are to ensure consistent improvement of customer service.

Customer Satisfaction on the Rise

Surveys confirm leading position at European level

The outcome of satisfaction surveys which had been carried out among passengers and railway companies at regular intervals was very favorable for ÖBB-Infrastruktur Betrieb AG. ÖBB-Infrastruktur Betrieb AG was given an average grade of 1.9 (2006: 2.1) regarding information, cleanliness, security and safety, and equipment of traffic stations. Evaluation of ÖBB-Infrastruktur Betrieb by railway companies was especially favorable. The results confirm that our strengths are flexibility, speediness, and problem-solving. Those railway companies which cooperate with foreign infrastructure operators too, consider ÖBB-Infrastruktur Betrieb AG as the leading provider in Europe.

Operating Safety

Furthermore, the operative business divisions consistently developed and continued their safety activities in 2007. The different employees' programs such as "accident-free shunting operations", "SICHER = SICHER, Zug um Zug", the amendment to instruction V3 (amendment 26 emergency management, investigation of incidents) and instruction V3 itself contributed to a considerable extent to stabilizing the safety level. Setting up a management system for dangers caused by nature is to prevent damage and accidents in case of natural disasters such as storms or flooding by means of an early warning. Furthermore, an ÖBB traffic safety program was developed in cooperation with the Kuratorium für Verkehrssicherheit (traffic safety committee). Due to these safety measures, ÖBB managed to maintain the number of accident-free train-kilometers (measured as kilometers operated from train accident to train accident) steady at 7.2 million train-kilometers (2006: 7.4; 2002: 2.5).

Safety Measures Focusing on Level Crossings

Extensive set of measures implemented

In 2007, greater consequences for road users involved in accidents at level crossings were recorded; in almost all cases the accident had been due to inappropriate behavior by the driver. In order to reverse this trend, several measures were drawn up aiming at preventing accidents at level crossings. In cooperation with automobile associations, the police, the professional association of driving schools and the Kuratorium für Verkehrssicherheit a campaign was launched as an immediate measure to raise awareness among drivers by means of brochures like “Level crossings” or “How to act at level crossings”. In addition to that, upon request of an official examination of level crossings, a list of accident-prone level crossings was prepared where accidents had occurred frequently over the last five years. Based on these data, signaling was intensified at 50 level crossings to raise awareness among drivers by improving the visibility of the diagonal crosses against a white background, by means of better road marking and flashing roadway illumination. Moreover, ÖBB is pushing a program aimed at eliminating level crossings and at optimizing technical safety devices at level crossings.

Improved safety devices at level crossings

Safety Management System (SMS)

An important control system was created by implementing the safety management system (SMS) so as to maintain and improve the safety performance of ÖBB-Infrastruktur Betrieb AG. SMS focuses primarily on complying with international and national safety requirements, on controlling and proactively minimizing the risks arising out of or in connection with railway operations, and on maintaining to the extent necessary the overall system of “railway operations” during normal operation and in case of emergencies. SMS became ready for certification in the period under review. The certificate was awarded in February 2008.

Long-distance passenger transport 79.4%
Short-distance passenger transport 95.8%

Punctuality Improved Considerably

Punctuality in long-distance passenger transport was 79.4% and thus increased by 3.5% over the previous year. The main reasons for delays are neighboring railways (26%), other railway companies (22%), building activities (11%), reduced-speed sections (9%), and failure of railway facilities (8%). In short-distance passenger transport punctuality was about 95.8%. At the beginning of 2007, a standardized critical value for punctuality of 5 minutes was set for the entire passenger transport. Compared to last year's critical value of 3 minutes this is an increase from 89.7 to 91%.

Five operational management centers by 2012

Operational Management Strategy

In August 2007 a program aimed at implementing the operational management strategy was launched which is led by the business division Netzbetrieb. All operational management competencies, which are presently divided between more than 500 decentralized operating control points, are to be concentrated in a traffic control center (VLZ) in charge of coordinating railway traffic in the entire network, and in five operational management centers (BFZ) in charge of controlling and directing railway operations. By 2012 all five operational management centers are expected to have been put into operation; the first one is to start operating in Innsbruck in October 2008. Besides a considerable increase in productivity, customers will benefit from improved safety and quality due to a high level of automation, from the use of automated passenger information systems, and a quality offensive aiming at improving the equipment of traffic stations.

By consistently further developing operational management, we managed to open the fifth regional traffic control center in Salzburg in January 2007, which was an important milestone towards implementing the operational management strategy.

Efficient and safe shunting operations

Shunting Operations 07

The project "shunting operations 07" launched in the reporting year 2007 contributed to further increasing efficiency and thus reducing costs in overall shunting operations. The main focus was on optimizing work flow by means of technical support, regarding wide areas as well as shunting hubs. The project was successfully completed in September 2007 and the catalogues of necessary measures resulting there from were handed over to the respective companies.

DI Peter Klugar
Member of the executive board of ÖBB-Infrastruktur Betrieb AG until 29.02.2008

"There is a direct correlation between passengers and freight arriving in a reliable, safe and punctual manner and the degree of satisfaction of our customers with transport services. An infrastructure operator will always give top priority to ensuring this. When extensive investments are made in railway infrastructure, customers expect the quality of the existing network to be improved as well. This is why we will increasingly focus on modernizing the existing network in the future. Quality also depends on maintaining and providing technical railway infrastructure in an economical and demand-oriented way."

Outlook

Further increase in productivity to ensure competitiveness

Current medium-term planning 2008–2013 provides for an increase in infrastructure charges from about 443 million EUR to about 554 million for ÖBB-Infrastruktur Betrieb AG. These estimates are based on further growing traffic volumes and annual price adjustments of 2.5%. Infrastructure rentals to be paid to ÖBB-Infrastruktur Bau AG for the use of railway infrastructure (train paths, facilities etc.) are expected to amount to about 483 million EUR in 2008 and to rise to about 565 million EUR by 2013. The working group on the "system of making-up trains" is in charge of further developing the system of shunting operations by structural changes. The goal is to strengthen the competitiveness of rail transport by further increasing productivity through multifunctional employees and a leading position in the entire process of making-up trains. Maintenance and repair focus on ensuring availability of railway facilities in the existing network so as to offer our customers the highest quality level possible. Implementation of the operational management strategy as scheduled is to increase safety, quality and productivity. The operational management center in Innsbruck is to be put into operation in October 2008, and by 2012 five such centers are planned to be operational all over Austria.

Schedule of Participations

Subgroup ÖBB-Infrastruktur Betrieb in million EUR	Total revenues	EBT	Employees[1]	Tangible and intangible assets	Equity	Balance sheet total
100% ÖBB-Infrastruktur Betrieb Aktiengesellschaft	1,502.7	22.9	12,215	43.5	267.2	482.0
100% Austrian Rail Construction & Consulting GmbH	0.0	0.0			0.1	0.2
100% Austrian Rail Construction & Consulting GmbH & Co KG	0.7	0.0	7	0.0	0.2	0.4
100% Rail Equipment GmbH	28.6	0.1	17	11.9	16.1	30.4
100% Rail Equipment GmbH & Co KG	44.6	4.9	1	93.7	34.8	106.1
100% Mungos Sicher & Sauber GmbH	0.0	0.0			0.0	0.0
100% Mungos Sicher & Sauber GmbH & Co KEG	31.6	0.9	441	0.9	2.0	9.3
Total	**1,608.2**	**28.8**		**150.0**	**320.4**	**628.4**
Consolidation	-63.3	-2.5		0.0	-47.1	-57.9
Subgroup ÖBB-Infrastruktur Betrieb	**1,544.9**	**26.3**	**12,681**	**150.0**	**273.3**	**570.5**

1 on annual average, number of employees

Subgroup Balance Sheet as of December 31, 2007

ÖBB-Infrastruktur Betrieb

Assets in EUR	31.12.2007	31.12.2006	Change in %
Fixed assets			
Tangible assets	133,862,987.51	257,187,664.32	-48.0
Intangible assets	16,125,094.21	18,032,147.50	-10.6
Investment property	2,992,425.40	2,650,947.13	12.9
Financial assets	225,268,748.07	151,220,874.99	49.0
Other receivables and assets	1,910.16	0.00	-
	378,251,165.35	**429,091,633.94**	**-11.8**
Current assets			
Inventories	5,918,051.27	13,424,642.16	-55.9
Trade receivables	84,847,955.23	243,775,199.40	-65.2
Other receivables and assets	39,288,523.88	45,613,151.91	-13.9
Financial assets	46,008,851.28	21,014,935.94	118.9
Liquid funds	16,233,992.57	13,252,299.73	22.5
	192,297,374.23	**337,080,229.14**	**-43.0**
	570,548,539.58	**766,171,863.08**	**-25.5**

Liabilities in EUR	31.12.2007	31.12.2006	Change in %
Equity			
Capital stock	100,070,000.00	100,070,000.00	-
Reserves	162,437,346.02	151,488,356.81	7.2
Net income	10,785,739.21	-14,572,259.25	-174.0
	273,293,085.23	**236,986,097.56**	**15.3**
Long-term outside capital			
Financial liabilities	48,209,450.00	57,851,340.00	-16.7
Provisions	58,119,020.47	77,640,062.51	-25.1
Trade payables	239,936.74	866,065.85	-72.3
	106,568,407.21	**136,357,468.36**	**-21.8**
Short-term outside capital			
Financial liabilities	27,318,127.88	78,266,541.16	-65.1
Provisions	9,617,024.34	21,732,044.71	-55.7
Trade payables	88,559,916.46	210,057,810.44	-57.8
Other liabilities	65,191,978.46	82,771,900.85	-21.2
	190,687,047.14	**392,828,297.16**	**-51.5**
	570,548,539.58	**766,171,863.08**	**-25.5**

Subgroup Income Statement 2007

ÖBB-Infrastruktur Betrieb

in EUR	2007	2006	Change in %
Sales	1,518,007,508.42	1,951,173,567.16	-22.2
Increase or decrease in work in progress	-889,958.34	1,433,477.98	-162.1
Other own work capitalized	2,613,302.26	9,177,826.53	-71.5
Other operating income	25,119,926.00	30,576,349.57	-17.8
Total revenues	**1,544,850,778.34**	**1,992,361,221.24**	**-22.5**
Expenses for materials and services received	-667,226,570.13	-900,701,997.93	-25.9
Personnel expenses	-626,678,687.84	-821,351,126.41	-23.7
Depreciation	-34,787,820.31	-48,912,997.04	-28.9
Other operating expenses	-205,679,446.79	-249,913,797.71	-17.7
Earnings before interest and taxes	**10,478,253.27**	**-28,518,697.85**	**-136.7**
Dividend income from associated companies	641,478.27	469,315.38	36.7
Income from interest	23,155,403.80	14,568,362.15	58.9
Interest expenses	-8,605,546.28	-3,549,061.19	142.5
Other financial results	604,637.19	335,304.95	80.3
Financial results	**15,795,972.98**	**11,823,921.29**	**33.6**
Earnings before taxes (EBT)	**26,274,226.25**	**-16,694,776.56**	**-257.4**
Taxes on income and earnings	-56,227.79	-39,601.80	42.0
Profit for the year	**26,217,998.46**	**-16,734,378.36**	**-256.7**
Prorata profit for the year allocated			
to ÖBB-Holding AG	26,217,998.46	-16,734,378.36	-256.7
to other companies	0.00	0.00	-

Who is flying high must not let go to waste existing facilities. In 2007, we invested about 400 million EUR in the modernization and improvement of the existing railway network and the railway stations.

We build not only tunnels but also bypasses like the one in Enns which was opened to traffic after five years of construction.

In order to increase potential synergies, the divisions of Bahnbau and Netztechnik and their 3,893 employees were transferred from ÖBB-Infrastruktur AG to ÖBB-Infrastruktur Bau AG in 2007.

Subgroup ÖBB-Infrastruktur Bau

Capital expenditure rose by about 18% to about 1.9 billion EUR.

Our ecological responsibility does not begin when erecting or operating routes. The municipalities affected are involved in selecting the train paths having minimal environmental impact.

Subgroup ÖBB-Infrastruktur Bau is also in charge of ten water power plants owned by ÖBB. Their capacities are to be increased by 25% over the next years.

In the years to come, we will continue to invest in erecting and refurbishing railway stations with Vienna main railway station and Westbahnhof, and the railway stations in St.Pölten and Salzburg being the most important projects.

Subgroup ÖBB-Infrastruktur Bau

In 2007 capital expenditure amounted to about 1,879 million EUR thus increasing by about 18% over the previous year. Apart from new building projects, the focus was on basic investments of 400 million EUR to ensure the quality of existing infrastructure.

Excellent Planning and Realization Competence

Subgroup ÖBB-Infrastruktur Bau unites the planning, building, and project management competencies of ÖBB Group, expertise and know-how in financing matters and the asset management of the entire ÖBB infrastructure. It is responsible for the areas of power generation and power trade and is the telecommunications provider for the entire ÖBB Group. ÖBB-Infrastruktur Bau AG is the owner of the domestic railway infrastructure including facilities and equipment with tangible fixed assets to the amount of about 10.1 billion EUR (2006: about 8.7 billion EUR). Fixed assets of ÖBB-Infrastruktur Bau AG include about 6,138 buildings (including 1,000 station and stop buildings) with a useable floor space of about 2.8 million m^2, 11,000 km of rail track, 16,000 switches, 6,586 bridges, 277 tunnels, and plots of land of more than 209 million m^2. In the reporting period about 1,650 planning and building projects were under way, with three thirds of them having a term of more than one year.

Exploitation of real estate owned by ÖBB which is not necessary for normal operation is incumbent on **ÖBB-Immobilienmanagement GmbH**, a 100% subsidiary of ÖBB-Infrastruktur Bau AG. As a real estate provider operating all over Austria, it ensures professional use and development of all properties owned by ÖBB. Due to the considerable amount of unused space, project development plays an important role as illustrated by large-scale development projects such as BahnhofCity Wien West, BahnhofCity near Vienna main railway station or the freight railway station Graz.

The **asset management** division acts as a competence center assisting the executive bodies of ÖBB-Infrastruktur Bau AG when exercising its rights and obligations as the owner of ÖBB facilities. By coordinating asset disposal not incumbent on ÖBB-Immobilienmanagement GmbH and pushing ahead the discontinuation of lines, this business division is also the point of contact for the Federal Government, the provinces and municipalities, and for interested private individuals.

Executive Bodies of ÖBB-Infrastruktur Bau AG

Executive Board

Mag. Gilbert Trattner (since 1.1.2005)
DI Dr. Georg-Michael Vavrovsky (since 1.1.2005)

Supervisory Board

Mag. Martin Huber, chairman (until 22.4.2005)
Dr. Eduard Saxinger, deputy chairman (since 29.5.2007)
DI Herbert Kasser, deputy chairman (since 16.3.2005)
Ing. Mag. Rudolf Fischer, deputy chairman (until 25.5.2007)
Dr. Dieter Böhmdorfer (until 29.5.2007)
Univ.-Doz. DI Dr. Hermann Egger (since 16.3.2005)
Herbert Fleckinger[1] (since 19.7.2006)
DI Brigitte Jilka MBA (since 29.5.2007)
Wilhelm Haberzettl[1] (since 16.3.2005)
Dr. Peter Quantschnigg (since 29.5.2007)
DI Peter Klugar (since 14.4.2008)
Dkfm. Dr. Dieter Nefischer (since 14.4.2008)
Ing. Gerhard Zauner[1] (since 16.3.2005)
Ing. Reinhold Hödl[1] (until 4.6.2007)
DI Prof. Günter Gfatter (until 19.6.2007)
Mag. Dr. Karl Sevelda (until 29.5.2007)

State commissioners

DI Georg Parrer, state commissioner
MR Dr. Gerhard Gürtlich, deputy state commissioner

1 Staff representative

The **power plant division** of ÖBB-Infrastrukur Bau AG is the energy supplier of the entire ÖBB Group as well as of numerous external customers. It is responsible for power generation in the ten water power plants of ÖBB, for purchasing, trading and selling traction power and three-phase current, and for purchasing and selling natural gas and district heat. ÖBB's own production capacities cover about one third of the required traction power. Capacities are expected to increase by 25% over the next years by means of expansion and refurbishing measures.

Ten ÖBB water power plants

Business Development in 2007

In 2007, subgroup ÖBB-Infrastruktur Bau reported an increase in sales of about 20% to about 1,260 million EUR. Services rendered for other ÖBB companies account for a large part of these sales. ÖBB-Infrastruktur Betrieb AG was billed infrastructure rentals amounting to 463 million EUR for the infrastructure facilities made available. Sales from energy supply account for about 432 million EUR with ÖBB-Traktion GmbH being charged with the payment of 194.5 million EUR. Earnings from letting and leasing increased by 2% to about 161.8 million EUR in the reporting period. As of January 1, 2007, the business divisions Netztechnik and Bahnbau were taken over from ÖBB-Infrastruktur Betrieb AG in the course of reorganization measures thus increasing average staff levels from 3,893 to 6,709 employees. Total revenues per employee amounted to about 250,000 EUR.

Sales increased by about 20% to 1,260 million EUR, EBIT rose by about 37% to 436.8 million EUR

Key Figures Subgroup ÖBB-Infrastruktur Bau	2006	2007	Change in %
Traction power in GWh			
Self-generated traction power	646	612	-5
Purchased traction power	1,407	1,392	-1
Total consumption traction power	**2,053**	**2,004**	**-2**
Fixed Assets (extract)			
Number of buildings	6,783	6,138	-10
Number of tunnels	280	277	-1
Number of bridges	6,495	6,586	1
Number of park & ride facilities	234	235	0
Rail track (in km)	11,000	11,000	0
Useable floor space of land (in million m^2)	207	209	1
Useable floor space in buildings (in million m^2)	2.8	2.8	0
Useable floor space of real estate in thou. m^2			
External use	727.4	823.2	13
Use by other ÖBB companies	1,093.2	694.6	-36
Vacancy and public space	892.2	1,064.9	19
Internal use by subgroup	141.4	300.2	112
Total useable floor space	**2,854.2**	**2,882.8**	**1**

Mag. Gilbert Trattner
Member of the executive board of ÖBB-Infrastruktur Bau AG

"Infrastructure facilities of ÖBB Group are the essence of railway infrastructure. They are the basis for the environmentally friendly mobility of rail transport. As the owner, ÖBB-Infrastruktur Bau AG strives to sustainably increase the value of these facilities, encompassing rail tracks, our ten water power stations and the group-wide telecommunications network. Our facility management is guided by our customers' needs. Our passengers want to travel quickly and comfortably, they expect modern, accessible railway stations, and they want climate-friendly mobility. The employees of ÖBB-Infrastruktur Bau AG did an excellent job last year so as to fulfil these expectations: Up-to-date facility management, ongoing modernization and improvement of the existing railway network and railway stations, and continued expansion of the supply with self-generated traction power are leading the way into the future."

Financial key figures in million EUR	2006	2007	Change in %
Sales	1,051.0	1,260.0	20
Total revenues	1,185.6	1,679.6	42
EBIT	319.5	436.8	37
Income from ordinary activities	49.5	63.5	29
Balance sheet total	10,759.1	11,946.1	11
Equity	806.4	915.2	13
Financial liabilities	9,184.6	10,011.0	9
Capital expenditure - tangible and intangible assets	1,590.7	1,879	18
Average number of employees	2813	6,709	138

Investment ratio amounting to about 112% of total revenues

All in all, subgroup ÖBB-Infrastruktur Bau invested about 1,879 million EUR in the reporting period resulting in an investment-income ratio of 112% (prior year: 134%) of total revenues. The investment program focused on completing the bypass of Enns as part of the four-tracked expansion of the Westbahn route to be transformed into a high-speed route, on closing the gap by connecting Westbahn, Südbahn and Donauländebahn, and the gradual expansion of the Southern Corridor and the Unterinntal route. Further investments were made in improved tunnel safety, noise control, park & ride facilities, a series of short-distance transport projects, and in the expansion of power plants. The focus of operative activities of subgroup ÖBB-Infrastruktur Bau is to be in line with the master plan which is prepared for periods of six years each while being updated every year and which is to be approved by the supervisory bodies and the federal ministries in charge. Financing requirements for master plan investments initiated as of 31.12.2007 taking into consideration the impact of the approved master plan 2008–2013 amount to about 10,026 million EUR applying an indexation factor of 2.5%.

Detailed information on investments and financing policy are given in the chapter on Investment Offensive from page 38 onwards.

Successful Bond Program for Refinancing Purposes

Bond amounting to 1.3 billion EUR issued in 2007

ÖBB-Infrastruktur Bau AG concluded a Euro Medium Term Note Program in 2005 to finance infrastructure projects with an overall volume of 10 billion EUR. After successfully issuing several bonds in the previous year, a straight bond amounting to about 1.3 billion EUR with a period of 15 years was placed in June 2007. In 2005, ÖBB-Infrastruktur Bau AG underwent an external rating procedure and was assigned an AAA/Aaa rating by the renowned rating agencies Moody's/Standard & Poor's. On the basis of this excellent rating which is due to the ownership structure resulting from the liability assumed by the Republic of Austria, the company is in a position to obtain favorable financing conditions on the capital markets.

Highlights in 2007

In addition to the details given in the chapter "Investment Offensive of ÖBB Group", important projects and developments implemented in 2007 are presented below.

Railway Station Renovation Program – Diverse Ways of Use

Modernization of highly frequented railway stations until 2015

The railway station renovation program provides not only for the gradual refurbishment and modernization of the most frequented railway stations in the period from 2000 to 2015, but also looks for additional ways of using railway stations going far beyond traditional railway operations. In stage 1 of the program, the railway stations in Feldkirch, Innsbruck, Graz, Baden, Krems, Linz, Wiener Neustadt, Leoben, Wels, and Klagenfurt were refurbished by investing about 200 million EUR.

The **railway station Wien Praterstern** was the first railway station in Vienna to be completely transformed and modernized in the course of stage 2 of this offensive. Based on an exhaustive utilization concept, commercially useable floor space of about 6,500 m^2 was completely rented out in the period under review. As from spring 2008, numerous retail stores ensuring local supply with convenience goods and restaurants will be available.

Even more diverse and far-reaching are the possibilities offered by and at the location of **Westbahnhof Wien**. Preparatory work for its refurbishing has been under way since spring 2007. Two new buildings to be erected on the left and the right side of the concourse, which is classified as a historical monument, are to form the new "BahnhofCity Wien West". On three floors, they will house the actual concourse with all related service facilities and a shopping mile comprising about 80 retail stores and a variety of restaurants and cafés. By the middle of 2008, the ÖBB travel center and the majority of retail stores and restaurants will have moved to a provisional traffic center of about 3,000 m^2. The concourse is supposed to be closed for three years; completion is scheduled for 2011.

Giant Project Vienna Main Railway Station

Completion scheduled for 2013

Extensive planning work for the construction of the new Vienna main railway station is running at full stretch. The first preliminary project, which has been carried out since summer 2007, is the transformation of the traffic station Südtiroler Platz. Assessment of environmental impact as prescribed by law started in fall 2007; licensing procedures are expected to be completed by the middle of 2009 at the latest. Vienna main railway station is to be finished by 2013 and will be the most striking ÖBB building erected in recent history. Trains arriving from the north, south, west and east will be linked for the first time at one railway station.

Right around the future Vienna main railway station the **BahnhofCity am Hauptbahnhof** will be erected as a new city quarter including a modern financial and service center. In close cooperation with the City of Vienna, ÖBB-Immobilienmanagement GmbH prepared a master plan for developing this area providing for the construction of about 5,000 apartments and 13,000 office workplaces. In December 2007 the building project was filed for being assessed as to its environmental impact. Regarding the partial utilization of this area, an exploitation agreement with a real estate leasing company, which is to erect office buildings with an overall usable floor space of about 200,000 m^2 as from 2010, was signed in 2007.

DI Dr. Georg-Michael Vavrovsky
Member of the executive board of ÖBB-Infrastruktur Bau AG

"We at ÖBB-Infrastruktur Bau AG are fully aware of our responsibility for developing Austria as a business location. By investing about 1.5 billion EUR annually in the Austrian railway infrastructure, we are building the mobility of the future while creating values for generations to come. It is our task to erect a modern and efficient railway network and to use the financial resources put at our disposal by the owner on the basis of the master plan in an economical and cost-effective manner. Furthermore, we are responsible for ensuring the demand-oriented condition of existing facilities and to sustainably increase their value. The employees of ÖBB Bau AG combine enormous expertise regarding planning, construction, and project management competencies as well as financing issues and facility management required to achieve these goals. Together we are creating the optimal preconditions for a railway network in Austria which is future-oriented, environmentally compatible and efficient while meeting the requirements of the mobility market."

Development Concept for the Freight Railway Station in Graz

In 2007 the planning departments of the City of Graz and ÖBB-Immobilienmanagement GmbH worked together on drawing up a concept for the development of the **freight railway station in Graz** which had been left unexploited so far. By involving private investors, an area of 9,250 m^2 is to be transformed into offices and industrial park so as to considerably increase its value.

Greater Vienna

Lainzer Tunnel

The 12.8 km long Lainzer Tunnel connecting Westbahn, Südbahn and Donauländebahn in Greater Vienna is a key section of the Danube axis at national and European level having very positive effects on the traffic situation in Vienna. With long-distance freight and passenger trains running through the Lainzer Tunnel, there will be not only quick and efficient rail transports but also capacities becoming available on the surface to be used for intensifying short-distance passenger transport. At the same time, exposure to noise in the neighborhood will be reduced significantly. Driving of the connecting tunnel has been under way since August 2007; overall completion is scheduled for the end of 2012.

Overall completion scheduled for the end of 2012

Start of Construction of Container Terminal Freudenau

At the beginning of 2007 expansion of the freight terminal Freudenau commenced pursuing two objectives: The existing terminal Freudenau is to be refurbished and a new container terminal is to be erected. Furthermore, the connection between Donauländebahn and Donauuferbahn, which has been interrupted since 1945, will be closed by re-constructing the Winterhafenbrücke (a railway bridge), thus establishing a continuous route between the central shunting station in Kledering and the Viennese harbor. The entire project requiring capital expenditure of about 95 million EUR is scheduled to be completed by the end of 2009 transforming the terminal Freudenau into a central logistics hub in Central Europe.

Closure of gap and capacity increase

Investing in the Suburban Railway of Vienna

In October 2007 refurbishing of the suburban railway stop Traisengasse started which constitutes an important step regarding the modernization of the suburban railway trunk route between Wien-Meidling and Wien-Floridsdorf. By November 2008, it will have been turned into an accessible and customer-friendly traffic station frequented by 12,000 passengers daily. The suburban railway route between the railway station Wien Praterstern and the stop Traisengasse is also being modernized. Furthermore, the railway stations Meidling, Wien Mitte and the stop Südtiroler Platz, situated along the suburban railway trunk route, are being renovated too. Work at the stops Matzleinsdorfer Platz, Rennweg, Handelskai and Wien Praterstern is already completed.

Massive enhancement through modernization

Through-cut of Stierschweiffeld tunnel

Tullnerfeld section of Westbahn route – Hakenfeld tunnel

Danube Axis

Expansion of Westbahn Progressing Quickly

Investments of 1.5 billion EUR to be made until 2012

The Westbahn route between Vienna and Salzburg is one of Austria's main traffic axes while forming part of the principal European railway network (TEN project number 17 having priority). About 1.5 billion EUR will be invested in the four-tracked expansion of this traffic axis until its completion scheduled for 2012 to increase performance and capacities. Traveling times between Vienna and Salzburg will be reduced to 2.5 hours and between Vienna and St. Pölten to 25 minutes. In addition to that, the Tullnerfeld region will be integrated into the principal railway network by erecting the new regional railway station Tullnerfeld to be used for overtaking slower trains.

In the reporting period, important milestones were marked on the 44-km long **new route Vienna – St. Pölten** subdivided into the sections of Wienerwald, Tullnerfeld, and Western section. Driving of the two tunnels for the 13.3-km long Wienerwaldtunnel was finished in fall 2007. In the Tullnerfeld region, carcassing of the three tunnels being erected using the cut-and-cover tunneling method was completed. In the Western section, the central part of which is the tunnel chain Perschling consisting of three tunnels, through-cut of the Stierschweiffeldtunnel took place in spring; driving of the Reisenbergtunnel was started during summer and completed in February 2008.

After almost five years of construction, the 10.8-km long route section of the **bypass Enns** was completed in April 2007.

Salzburg Main Railway Station

In 2007 the procedure regarding the protection of historical monuments and the licensing procedure pursuant to the railway act were completed concerning construction and refurbishing work at Salzburg main railway station. Construction work is scheduled to begin at the end of 2008.

Pontebbanaachse – Gradual Expansion of the Southern Corridor

New Semmering Base Tunnel

For the project of the new Semmering base tunnel, an extensive train path selection procedure had been carried out involving representatives of the project area and in cooperation with the provinces affected, namely Lower Austria and Styria. The outcome will be presented in spring 2008.

Koralmbahn, Graz – Klagenfurt

Important milestones were marked regarding the construction of the Koralmbahn and the expansion of the Südbahn route in 2007. After two and a half year of construction the **short-distance traffic hub Don Bosco** was inaugurated at the beginning of September. This short-distance traffic hub is the first link between Südbahn, Koralmbahn and Steirische Ostbahn. Moreover, it is a central part of the suburban railway system of Graz making it possible to directly change between railway, tram, and regional as well as inner-city buses. The short-distance traffic hub is a project erected in cooperation with ÖBB, the province of Styria and the City of Graz.

Linking Südbahn with Koralmbahn and Steirische Ostbahn

Regarding the terminal Werndorf and the railway station Werndorf, double-tracked expansion including the refurbishment of the railway station Werndorf was completed. Single-tracked operation of the new route between Klagenfurt and Grafenstein commenced in fall 2007; construction of the section Weitendorf – Wettmannstätten continued at full stretch.

Exploration work for the Koralmtunnel in Styria was finished in spring 2007. In Carinthia, the exploration tunnel Mitterpichling was finished in May 2007 and work on the exploration tunnel Paierdorf continued as scheduled. The building permit pursuant to the railway act regarding the section Wettmannstätten – St. Andrä, part of which is the Koralmtunnel, was granted in December 2007. Overall capital expenditure for the Koralmbahn Graz – Klagenfurt will amount to about 5 billion EUR.

Inauguration of Five Traffic Stations in Rheintal, Vorarlberg

Just in time for the world gymnaestrada, five traffic stations were refurbished in a modern, customer-friendly and accessible way and inaugurated in June 2007 after four years of construction work. The railway stations Dornbirn and Feldkirch as well as the stops Bregenz-Riedenburg, Dornbirn-Schoren and Dornbirn-Hatlerdorf are frequented by about 20,000 passengers daily. These projects were sponsored by the province of Vorarlberg and the corresponding cities. The railway stations Hohenems, Götzis, Rankweil and Lauterbach will be modernized by 2010 to make them more appealing. Overall capital expenditure for the entire Rheintal project amounts to about 194 million EUR.

Overall investments of 194 million EUR until 2010


Massive investments in noise control


New railway station Feldkirch

Erection of the New Unterinntalbahn

In 2007 the implementation of this project progressed considerably due to the efforts made by Brenner Eisenbahn GmbH (BEG), a 100% subsidiary of ÖBB-Infrastruktur Bau AG. In July and September respectively, two heading and cutting machines for tunnels equipped with cutting

Investment volume: 2 billion EUR


Expansion of Unterinntal – Terfens gallery

heads having diameters of 13m each started driving the tunnels with an overall length of 9.3km in the project area Unterinntal. Construction of the 670m long Tiergartentunnel was commenced, too, which will be worked systematically in solid rock. Through-cut of the roof section in the 8.4km long tunnel between Vomp and Telfs was carried out in December. All in all, about 2 billion EUR will be invested in the four-tracked expansion of the Unterinntal route.

400 million EUR for Basic Investments

About 1,500 individual projects to improve the quality of the existing network

The Basic Investments division is responsible for realizing all reinvestments serving the purpose of modernizing and improving the existing railway network and railway stations. In 2007, 400 million EUR were invested in about 1,500 individual projects. These investments are to further increase the quality of the existing network. Moreover, the business division draws up studies and plans referring to level crossings, tunnel safety, connecting railway lines, and park & ride facilities within the framework of program management. Technical facility management was integrated as an independent business segment responsible for the maintenance, inspection, and repair and trouble-shooting of about 12,500 mechanical installations and 6,138 buildings.

Uniform GSM-R System to Be Implemented at European Level

The tendering procedure for the GSM-R system to be installed finished at the beginning of 2007. In the second quarter of 2007 implementation started on the test route Wels – Passau; trial operation will commence in the first quarter of 2008. At the same time, implementation of the system will begin on that part of the railway system which is to be equipped with GSM-R having an overall length of about 3,500km. On November 22, 2007, the first GSM-R telephone call was made using the telephone network of ÖBB.

Organizational Adjustments

Clear interfaces in infrastructure

As of January 1, 2007, the business divisions **Bahnbau and Netztechnik** were transferred by ÖBB-Infrastruktur Betrieb AG to ÖBB-Infrastruktur Bau AG by means of a selling agreement. As a result thereof, the areas of planning, construction, financing, and facility management of the entire infrastructure of ÖBB are all concentrated in one subgroup. In the course of these restructuring measures, 3,893 employees were transferred to subgroup ÖBB-Infrastruktur Bau. In addition to that, Netz- und Streckenentwicklung GmbH was established as joint subsidiary of ÖBB-Infrastruktur Betrieb AG and ÖBB-Infrastruktur Bau AG, each of them holding a 50% share in the subsidiary.

As of 01.07.2007, the new segment **"Unterinntal"** was set up within the project management division to ensure that the investment projects in Unterinntal will be continued without interruption by ÖBB-Infrastruktur Bau AG. Upon signing an operational management agreement on 01.01.008, Brenner Eisenbahn GmbH (BEG) commissioned ÖBB-Infrastruktur Bau AG with the operational management of its business activities. All business activities are carried out by ÖBB-Infrastruktur Bau AG by order and on account of BEG.

Outlook

The Federal Ministry for Transport, Innovation and Technology presented the master plan 2008–2013 to the public. The new master plan encompasses the reconstruction and expansion work as previously specified as well as the maintenance and improvement of existing lines providing for an overall investment volume of about 10,700 million EUR to be made by subgroup ÖBB-Infrastruktur Bau in the period until 2013.

About 10.7 billion EUR to be invested by 2013 according to the master plan

Some examples for the investment focus in 2008 are the continuation of the expansion of the Westbahn route, including the new route Vienna – St. Pölten, and the four-tracked expansion Ybbs – Amstetten, and the expansion of the Südbahn route, the infrastructure project in Unterinntal, and important railway station projects such as the new Salzburg main railway station the preparatory work for which is scheduled to be completed in 2008 so that construction work can start in December 2008.

A detailed description of all investment projects can be found from page 44 onwards and in the "Investment Atlas" enclosed in this Annual Report.

Schedule of Participations

Subgroup ÖBB-Infrastruktur Bau in million EUR	Total revenues	EBT	Employees[1]	Tangible and intangible assets	Equity	Balance sheet total
100% ÖBB-Infrastruktur Bau Aktiengesellschaft	1,648.1	65.1	6,092	10,110.7	915.3	11,763.3
100% ÖBB-Immobilienmanagement Gesellschaft mbH	44.2	0.4	511	1.5	5.4	16.5
100% Brenner Eisenbahn GmbH	14.0	-0.1	98	149.3	0.4	178.5
100% ÖBB Telekom Service GmbH	4.5	0.1	8	1.4	1.7	5.3
Total	**1,710.7**	**65.5**		**10,262.9**	**922.8**	**11,963.6**
Consolidation	-31.2	-2.0		-1.8	-7.6	-17.5
Subgroup ÖBB-Infrastruktur Bau	**1,679.6**	**63.5**	**6,709**	**10,261.1**	**915.2**	**11,946.1**

1 on annual average, number of employees

Subgroup Balance Sheet as of December 31, 2007

ÖBB-Infrastruktur Bau

Assets in EUR	31.12.2007	31.12.2006	Change in %
Fixed assets			
Tangible assets	10,095,801,860.49	8,727,077,712.04	15.7
Intangible assets	165,344,258.61	134,170,873.79	23.2
Investment property	39,908,940.57	40,141,041.91	-0.6
Participations in associated companies	40,852.19	7,285.14	460.8
Financial assets	1,073,004,144.13	1,402,438,892.85	-23.5
Trade receivables	330,721.00	329,598.25	0.3
Other receivables and assets	4,429,858.58	4,918,963.08	-9.9
	11,378,860,635.57	**10,309,084,367.06**	**10.4**
Current assets			
Inventories	14,715,589.38	112,700.25	-
Trade receivables	279,352,333.08	194,721,660.51	43.5
Other receivables and assets	119,065,952.54	96,708,116.71	23.1
Financial assets	128,415,032.09	131,981,477.25	-2.7
Financial assets available for sale	13,184,408.91	20,662,893.25	-36.2
Liquid funds	12,477,805.35	5,803,000.37	115.0
	567,211,121.35	**449,989,848.34**	**26.0**
	11,946,071,756.92	**10,759,074,215.40**	**11.0**

Liabilities in EUR	31.12.2007	31.12.2006	Change in %
Equity			
Capital stock	500,000,000.00	500,000,000.00	-
Reserves	268,644,469.14	222,230,689.40	20.9
Net income	146,589,001.02	84,180,913.28	74.1
	915,233,470.16	**806,411,602.68**	**13.5**
Long-term outside capital			
Financial liabilities	9,433,485,171.00	8,042,285,594.20	17.3
Provisions	101,435,517.14	96,505,042.78	5.1
Trade payables	18,548,221.40	19,750,294.39	-6.1
Other liabilities	55,204,186.62	60,818,053.98	-9.2
	9,608,673,096.16	**8,219,358,985.35**	**16.9**
Short-term outside capital			
Financial liabilities	577,530,812.66	1,142,263,022.32	-49.4
Provisions	62,918,595.73	38,411,479.41	63.8
Trade payables	733,633,980.78	509,127,596.80	44.1
Other liabilities	48,081,801.43	43,501,528.84	10.5
	1,422,165,190.60	**1,733,303,627.37**	**-18.0**
	11,946,071,756.92	**10,759,074,215.40**	**11.0**

Subgroup Income Statement 2007

ÖBB-Infrastruktur Bau

in EUR	2007	2006	Change in %
Sales	1,260,035,720.52	1,050,986,539.76	19.9
Increase or decrease in work in progress	1,061,035.64	-180.00	-
Other own work capitalized	240,713,120.67	75,203,588.01	220.1
Other operating income	177,735,790.53	59,380,344.74	199.3
Total revenues	**1,679,545,667.36**	**1,185,570,292.51**	**41.7**
Expenses for materials and services received	-417,708,090.27	-276,690,540.86	51.0
Personnel expenses	-333,175,309.91	-167,167,306.75	99.3
Depreciation	-297,490,608.37	-262,474,726.68	13.3
Other operating expenses	-194,420,131.05	-159,710,735.40	21.7
Earnings before interest and taxes	**436,751,527.76**	**319,526,982.82**	**36.7**
Dividend income from associated companies	33,567.05	0.00	-
Income from interest	152,492,566.64	152,366,530.81	0.1
Interest expenses	-490,248,704.08	-438,698,032.15	11.8
Other financial results	-35,504,034.82	16,278,335.24	-318.1
Financial results	**-373,226,605.21**	**-270,053,166.10**	**38.2**
Earnings before taxes (EBT)	**63,524,922.55**	**49,473,816.72**	**28.4**
Taxes on income and earnings	-75,568.49	-199,800.05	-62.2
Profit for the year	**63,449,354.06**	**49,274,016.67**	**28.8**
Prorata profit for the year allocated			
to ÖBB-Holding AG	63,449,354.06	49,274,016.67	28.8
to other companies	0.00	0.00	-

Corporate Governance

In order to strengthen the trust and confidence of all stakeholders and to increase the transparency of public announcements. ÖBB Group has been adhering to the rules of the Austrian Corporate Governance Code since September 2006.

Corporate Governance Report

Transparent, quick, and detailed information policy

ÖBB Group strives to strengthen the trust and confidence of its customers and employees as well as of the general public by means of a transparent, quick and detailed information policy. As a capital market-oriented company and because of the public's interest, ÖBB Group organizes its management in accordance with international standards and best practice methods, in particular in accordance with the Austrian Code of Corporate Governance.

The executive board of ÖBB-Holding AG pursues a corporate strategy which is to benefit the company while taking into consideration the interests of its owner, the Republic of Austria, and its employees. At regular intervals, it reports to the supervisory board on the business development and submits for approval certain business transactions of ÖBB-Holding AG or its group companies pursuant to the articles of incorporation and as prescribed by law. The strategic alignment of ÖBB Group is defined in close cooperation with the supervisory board.

Declaration of Commitment to the Austrian Code of Corporate Governance

Commitment to Code of Corporate Governance since 2006

The Austrian Code of Corporate Governance addresses primarily Austrian stock corporations listed on a stock exchange. Although neither ÖBB Group nor one of its four subgroups or any shareholdings thereof are listed on a stock exchange, ÖBB complies with the recommendation of the Austrian Working Group for Corporate Governance that companies not listed on stock exchanges follow this Code to the extent that the rules are applicable. In September 2006 the supervisory board and the executive board of ÖBB-Holding AG passed a resolution on the compliance with the Austrian Code of Corporate Governance. This declaration of commitment, the Code as applicable to all group companies as well as the reasons for any deviations therefrom are available on the website of ÖBB Group at: http://www.oebb.at/vip8/oebb/de/Konzern/OeCGK_im_OeBB-_Konzern/.

Summary of Deviations Including the Reasons Therefore

The Code includes three categories of rules: The legal requirements (L) refer to mandatory Austrian legal provisions and have to be complied with. However, L rules are to be interpreted as C rules for companies not listed on the stock exchange. Deviations from so-called "comply-or-explain" rules (C rules) are to be explained and the reasons stated. Recommendations (R rules) are only a reference; non-compliance with these rules requires neither disclosure nor explanation. Together with the declaration of commitment to the Austrian Code of Corporate Governance the following deviations by the ÖBB group companies were published and explained as follows:

Deviations due to Ownership Structure and Non-Quotation

The following rules do not apply or do not have to be complied with due to the special direct or indirect ownership structure of ÖBB Group and its subgroups with the Republic of Austria as the sole shareholder and due to the fact that it is not listed on the stock exchange: L rules: 1, 3, 8, 19, 29 (first sentence), 61, 63 (in part), 68; C rules: 28, 54, 66, 69, 70, 71; R rules: 72.

Republic of Austria is the sole owner

Sole Shareholder and Publications (Protection of Shareholders)

Since the Republic of Austria is the sole shareholder of the company, the invitation to the general meeting, announcements regarding the agenda, the motions and documents to be presented to the shareholders as well as the voting results of the general meeting will not be made available on the company's website. Because of this particular ownership structure there is no need for any protection of shareholders going beyond the mandatory statutory provisions. Therefore the following rules do not apply: C rules 4, 5, 6; R rules 7.

Age Limits

Neither the articles of incorporation nor the internal rules of the supervisory board and the executive board of the ÖBB group companies define any age limits for the members of the supervisory and executive boards. The members of the supervisory board consider the introduction of age limits as not being sensible and focus on the professional qualification of candidates when appointing the members of the executive board. Therefore the following rules are not complied with: C rules: 38 (last sentence), 57 (last sentence).

No age limits defined for members of executive bodies

Nomination Committee

Because of the statutory provisions applying to ÖBB Group (public job advertisement pursuant to the appointment act) it seems to be appropriate to maintain the existing scope of competence and responsibilities determining that the presidium of the supervisory board (chairman and deputy chairman) has to deal with all relations between the company and the members of the executive board. Therefore C rule 41 does not apply.

Presidium of supervisory boards deals with relations between company and executive board

Compensation Committee

As the presidium of the supervisory board has to deal with the issue of compensation of the members of the executive board too, there is no need for changing the existing scope of competence and responsibility of the supervisory board. Therefore C rule 43 does not apply.

Compensation of Members of the Executive Board

Disclosure of the compensation is within the discretion of each member of the executive board; therefore compensations are not disclosed in the annual report. The recommendation of rule 31 (R rule) is not complied with.

Publications

Evaluation of compliance with the rules of the Code of Corporate Governance and the correctness of public announcements was done for the first time in 2008 for the period under review, that is 2007. Pursuant to the articles of incorporation, the supervisory board of ÖBB-Holding AG

External evaluation

drew up internal rules of procedure containing rules regarding competencies and responsibilities. The criteria used for determining the independence of the members of the supervisory board are those defined in the Austrian Code of Corporate Governance (Annex 1).

Shareholder Structure

Involvement of the four subgroups

The Republic of Austria is the sole shareholder of ÖBB-Holding AG which on its part holds all shareholdings in ÖBB-Infrastruktur Bau AG, ÖBB-Infrastruktur Betrieb AG, ÖBB-Personenverkehr AG and Rail Cargo Austria AG. Also the four subgroups are involved in the implementation of the Austrian Code of Corporate Governance.

Compensation of the Executive Board

Principles of Profit Participation

The principles of profit participation of top executives of ÖBB Group (members of the executive board of ÖBB-Holding AG, members of the executive board of the parent companies of subgroups and general managers of comparable companies) are as follows:

Performance-linked component for top executives

The employment contracts of top executives include a performance-linked component (MbO – Management by Objectives) so that the remuneration reflects the success of the company to a considerable extent. In general, 2/3 of the remuneration paid to top executives is a fixed base salary and 1/3 a variable performance-linked component. At the beginning of the business year, a score card is determined for each company in order to agree upon clearly defined quantitative and qualitative target figures which are normally even more challenging than the budget targets to be achieved in the respective business year. Due to the ambitious budget targets demanded by several members of the supervisory board, a special bonus was promised for 2007 which might amount to another 1/3 in case these targets are achieved. The target figures are in line with the group's overall results, its strategy and the focus of its activities.

Top executives of ÖBB Group participate in an external pension fund, which is a defined contribution plan. The company assumes no pension commitments of whatsoever kind. When withdrawing from office or terminating the employment, the relevant provisions of the appointment act apply to the vested rights to future pension payments of the members of the executive board of ÖBB-Holding AG. Any other claims of whatsoever kind are excluded.

Risk Management

Modifications implemented in the reporting period

In 2007 the different risks ÖBB Group is exposed to were identified, analyzed, assessed and reported at group level in a completely new way. The Corporate Risk Management of ÖBB-Holding AG was in charge of coordinating and carrying out this central and group-wide risk management process. Persons responsible for implementing this risk management process in a decentralized manner were appointed in the subgroups and all relevant companies. Furthermore, a risk reporting system was established in order to summarize regular reports to be submitted by the group companies in an extensive risk report of ÖBB Group dealing with all key risks. These key risks will be evaluated and weighted according to the priority given to them and analyzed together with the executive board of ÖBB-Holding AG. Moreover, ongoing observation of the defined key risks is to ensure that the executive board be informed immediately about any changes thereof.

This risk management system is to ensure that ÖBB Group is in a position to systematically, constantly and extensively monitor any risks, and to actively manage the same. In 2008 the existing risk management system is to be further expanded in order to guarantee a sound and early risk detection and control within ÖBB Group based on planning, controlling and strategic processes, with the support of internal guidelines and reports by the persons responsible.

Evaluation of the risk management system

According to the rules of the Austrian Code of Corporate Governance, external auditors are to assess the functionality of the risk management system in the course of the annual statutory balance sheet audit. This was done for the first time as of 31.12.2007 for ÖBB Group. Evaluation of the risk management system did not result in any objections of whatsoever kind.

Corporate Auditing Department

All companies in which ÖBB holds more than 50% of shares subject to auditing

Primarily, the corporate auditing department is to support the members of the executive and supervisory boards of ÖBB-Holding AG when exercising their respective functions and responsibilities. It is also in charge of carrying out the internal audit of the individual group companies. Therefore and pursuant to the group guidelines, the corporate auditing department is responsible for auditing and assessing risk management processes and systems, internal control mechanisms and all issues relating to Corporate Governance. The corporate auditing department of ÖBB reports to the executive board of ÖBB-Holding AG who is to inform the supervisory board accordingly. The head of the corporate auditing department is to inform the respective client (executive board of ÖBB-Holding AG or executive board or management of a group company) at regular intervals of the audit status. In addition to that, a written report is to be drawn up on all audits ordered which is to be adopted by the respective client including any possible recommendations made by the corporate auditing department. All group companies in which ÖBB-Holding AG holds, directly or indirectly, more than 50% of the shares as well as their units of organization, business divisions and projects, are subject to auditing by the corporate auditing department. The corporate auditing department draws up an auditing plan which follows a risk-oriented strategic approach while taking into account issues and topics suggested by relevant group companies. An auditing manual contains detailed instructions for the corporate auditing department on how to exercise its function.

Auditors

Year-end audit according to international standards of audit

The three auditing companies appointed and the supervisory board are constantly in contact to be able to cooperate. Pursuant to C rule 74 the year-end audit was conducted according to international standards of audit (ISA) (e.g. ISA 240 "Fraud and Error", ISA 320 "Materiality", ISA 400 "Risk Assessment and Internal Control" and ISA 700 "Auditor's Report on Financial Statements"). Auditing costs for the 2007 business year amount to about 2.3 million EUR.

Evaluation of Compliance with the Code

First-time evaluation of compliance with Code of Corporate Governance

In accordance with and applying the rules of the "International Federation of Accounts" (IFAC) for Review Engagements ("Engagements to Review Financial Statements" - ISRE 2400) Confida Wirtschaftstreuhand GmbH and the law office Lansky, Ganzger & Partner Rechtsanwälte GmbH evaluated the implementation and correctness of our public announcements taking into consideration the Code of Corporate Governance and prepared the corresponding reports which are to be found at our website. The law office Lansky, Ganzger & Partner Rechtsanwälte GmbH examined all issues relating to the auditor contained in the Code of Corporate Governance and drew up a report raising no objections of whatsoever kind.

Members of the Executive Board

Mag. Martin Huber

Since 01.11.2004 member of the executive board of ÖBB-Holding AG,
since 01.1.2005 spokesman of the executive board,
since 16.11.2007 chairman of the executive e board and CEO;
until 22.4.2008

He was born in Wels in 1960 and studied Management and Social Sciences at the Wirtschaftsuniversität Wien (Vienna University of Economics). From 1985 to 1986 he worked as an auditing assistant with Österreichische Wirtschaftsberatung GmbH, from 1986 to 1989 he worked in the project development of Immorent AG. In 1989 he joined Allgemeine Baugesellschaft – A. PORR AG where he started in project development and subsequently held the following positions until resigning in 2004: Member of the executive board of UBM Realitätenentwicklung AG (acquisition, development of special projects, facility management, legal affairs and insurance); member of the executive board of PORR Projekt und Hochbau AG (acquisition, project development, investment models, PORR Immoprojekt GmbH, Projektierungsbüro für Industrie-, Hoch- und Tiefbauten AG, Czech Republic, Slovakia, information technology); since 2003 member of the executive board of A. PORR AG (acquisition, building construction, project development for the group, project financing, PORR Projekt und Hochbau AG, purchasing).

Scope of competencies and functions within ÖBB Group:

- Strategy, organization, human resources, group communications, corporate auditing, equity interests and erection of infrastructure
- Chairman of the supervisory board of ÖBB-Infrastruktur Betrieb AG, independent; until 22.4.2008
  First elected on 28.10.2004
- Chairman of the supervisory board of ÖBB-Infrastruktur Bau AG; until 22.4.2008
  First elected on 16.3.2005
- Deputy chairman of the supervisory board of ÖBB-Dienstleistungs GmbH; until 22.4.2008
  First elected on 14.10.2004
- Chairman of the supervisory board of ÖBB-Immobilienmanagement GmbH since 11.9.2007 (first elected on 13.10.2004 and re-elected on 21.8.2007); until 22.4.2008
- Chairman of the supervisory board of Brenner Eisenbahn GmbH since 9.10.2007
  First elected on 11.9.2007; until 22.04.2008

Functions outside the group:

- Deputy chairman of the supervisory board of Österreichische Verkehrskreditbank AG

KR Gustav Poschalko

Since 1.12.2007 member of the executive board of ÖBB-Holding AG and appointed until 31.12.2010. Member of the executive board of Rail Cargo Austria AG from 1.10.2004 until 31.01.2008

He was born in Vienna in 1940. After graduating from high school in Vienna he trained as a forwarder's agent with Gebrüder Weiss Gesellschaft mbH Internationale Spedition from 1955 to 1957 and then worked in the freight tariffs department of this company dealing with claims, air cargo and bulk cargo until 1960. From 1960 to 1962 he worked with Österreich-Alpine Montangesellschaft and was in charge of transport and customs-related issues. As from September 1962 he worked with Interfracht Internationale Frachtdienste Gesellschaft mbH and Express Internationale Speditions Gesellschaft mbH. As from July 1982 he was general manager of Interfracht and as from May 1983 general manager of Epress; after this company was transformed into a stock corporation, he was appointed single member of the executive board. When the company was taken over by ÖBB as of 1.1.1999 and Speditions Holding AG was set up, he was appointed member of the executive board of this newly formed company.

Scope of competencies and functions within ÖBB Group:

- Freight transport and logistics, passenger transport, traction, technical services and purchasing
- Member of the executive board of Rail Cargo Austria AG until 31.01.2008
- Member of the supervisory board of ÖBB-Personenverkehr AG. First elected on 14.4.2008 and appointed until the general meeting in 2010
- Member of the supervisory board of Rail Cargo Austria AG. First elected on 14.4.2008 and appointed until the general meeting in 2010
- Chairman of the supervisory board of ÖBB-Postbus GmbH. First elected on 25.3.2008 and appointed until resolution to be adopted by shareholders in 2010
- Chairman of the supervisory board of ÖBB-Traktion GmbH. First elected on 25.10.2004 and appointed until resolution to be adopted by shareholders in 2010
- Member of the supervisory board of ÖBB-Technische Services GmbH. First elected on 25.10.2004 and appointed until resolution to be adopted by shareholders in 2010
- Chairman of the supervisory board of RAABERSPED Kft., CSKD Intrans a.s.,
- General manager of Speditions Holding GmbH, Express-Interfracht Internationale Spedition GmbH, Trans Cargo Logistic GmbH, Papier & Recycling Logistik GmbH, Schwarzinger & Co. Speditions-, Transport- und Frachtberatungsgesellschaft m.b.H., ProRail Internationale Speditionsgesellschaft m.b.H., Express-Interfracht Deutschland GmbH, ÖKOMBI GmbH
- Chairman of the board of administration of Express Interfracht Scandinavia AB, Balcon Rail Logistics S.A., Express Italia s.r.l., Alfa Trans s.r.l.
- Member of the board of administration: Express-Interfracht Internationale Spedition AG
- Administrator of Express-Interfracht Romania s.r.l.

Functions outside the group:

- Chairman of the supervisory board of ETRANSA Speditions AG, Express Slovakia „Medzinárodná preprava, a.s.“, Hungaria Intermodal Kft.
- Member of the supervisory board of Györ-Sopron-Ebenfurti Vasút Zártkörüen Müködö Részvénytársaság (renamed in 2006, formerly called Raab-Oedenburg-Ebenfurter Eisenbahn Aktiengesellschaft)
- Vice Chairman of the Coordinating Council of Transsibirian Transportation (CCTST)
- General manager of ChemFreight Transport, Logistik & Waggonvermietung GmbH, Kadmos s.r.o.
- Member of the board of administration: Magazzini del Veneto Orientale s.r.l., TMF Transports Terrestres Maritimes et Fluviaux SA

DI Peter Klugar

Since 1.12.2007 member of the executive board of ÖBB-Holding AG, spokesman of the executive board since 26.05.2008 and appointed until 31.12.2010. Member of the supervisory board of ÖBB-Infrastruktur Betrieb AG, from 27.8.2004 until 29.2.2008

He was born in Graz in 1949 and studied engineering at the Universität Graz (University of Graz). From 1978 to 1984, he worked for the divisions of structural traffic planning and planning of railway stations of ÖBB; from 1985 to 1987 he held several functions in corporate planning. From 1988 to 1991 he worked for the Federal Ministry of Transportation. In 1991 he joined the strategic planning division of ÖBB and from 1991 to 1992 he managed the road transport division (bus and trucks). As from 1995 until 2004 he headed the business division of railway networks and in 1999 he was appointed officer holding a general commercial power of attorney. From 1999 to 2002 he was general manager of Schieneninfrastruktur-Dienstleistungsgesellschaft mbH (SCHIG). From 2003 to 2006 he worked at international level as vice president of Rail Net Europe. In 2004 he was appointed chairman of the executive board of ÖBB-Infrastruktur Betrieb AG and as from 1.12.2007 he was appointed chairman of the executive board of ÖBB-Holding AG.

Scope of competencies and functions within ÖBB Group:
- Infrastructure operation and development, train control / wheel-rail, research & development, quality assurance, environment, and information technology
- Member of the executive board of ÖBB-Infrastruktur Betrieb AG until 29.2.2008
- Member of the supervisory board of ÖBB-Infrastruktur Betrieb AG
  First elected on 14.4.2008 and appointed until the general meeting in 2010
- Member of the supervisory board of ÖBB-Infrastruktur Bau AG
  First elected on 14.4.2008 and appointed until the general meeting in 2011

Functions outside the group:
- Member of the supervisory board of the Institut für Gesundheitsförderung und Prävention GmbH (institute for health care and prevention)
- Member of the executive board of Forschungsgemeinschaft Straße und Verkehr (research association on road and traffic)
- Member of the Austrian Advisory Council on Traffic Safety

Mag. Erich Söllinger

Since 20.4.2004 member of the executive board of ÖBB-Holding AG and appointed until 31.10.2008
From 10.2.2006 to 30.11.2007 member of the executive board of ÖBB-Personenverkehr AG; and from 19.04.2006 to 31.12.2007 member of the executive board of Rail Cargo Austria

He was born in Pichl near Wels in 1963 and studied business administration at the Wirtschaftsuniversität Wien (Vienna University of Economics). He completed the advanced management training ABB Finance and Business Control at the International Business School in Lausanne, Switzerland, and worked with Alkier Consult in Vienna from 1987 to 1989. In 1989 he joined ABB in Vienna as a controller. From 1991 to 1992 he worked for ABB Great Britain in London in the business controlling division. In 1993 he joined ABB Verkehrstechnik Österreich where he headed the controlling and accounting department until 1995. In 1996 he was appointed head of controlling for the entire ABB Group in Austria. From 1998 to 2003 he was Group Vice President and Business Area Controller with ABB Ltd. Zurich. As of 1.5.2004 he was appointed member of the executive board of Österreichische Bundesbahnen, and due to the legal restructuring of the company he was appointed member of the executive board of ÖBB-Holding AG in April 2004.

Scope of competencies and functions within ÖBB Group:

- Accounting, group controlling, corporate treasury, legal affairs, mergers & acquisitions, internal services
- Member of the executive board of ÖBB-Personenverkehr AG until 30.11.2007 and of Rail Cargo Austria AG until 31.12.2007
- Chairman of the supervisory board of ÖBB-Dienstleistungs GmbH
  First elected on 7.3.2005 and appointed until resolution to be adopted by shareholders in 2010
- Deputy chairman of the supervisory board of ÖBB-Postbus GmbH
  First elected on 1.10.2004 and appointed until resolution to be adopted by shareholders in 2010
- Chairman of the supervisory board of ÖBB-Postbus AG
  First elected on 15.9.2003 and appointed until the general meeting in 2011
- Member of the supervisory board of ÖBB-Personenverkehr AG
  Re-elected on 14.4.2008 and appointed until the general meeting in 2010
- Member of the supervisory board of Rail Cargo Austria AG
  Re-elected on 14.4.2008 and appointed until the general meeting in 2010
- Member of the supervisory board of ÖBB-Traktion GmbH until 18.3.2008
  First elected on 2.8.2007
- Member of the supervisory board of ÖBB-Technische Services GmbH
  First elected on 7.8.2007 and appointed until resolution to be adopted by shareholders in 2010

Functions outside the group:

- Member of the board of administration of EUROFIMA European Company for the Financing of Railroad Rolling Stock AG

Supervisory Board

The supervisory board operates primarily on the basis of the Stock Corporation Act, the articles of incorporation of ÖBB-Holding AG, the internal rules of procedure of the supervisory board and the Code of Corporate Governance of ÖBB-Holding AG. The members of the supervisory board shall be deemed as independent pursuant to general provision of rule 53 if they fulfill the criteria for independence as defined in the Austrian Code of Corporate Governance (Annex 1).

Basis and independence

Members and Committees of the Supervisory Board of ÖBB-Holding AG and Other Assignments within the Group

As of 31.12.2007 the supervisory board has 12 members; eight members were elected by the general meeting representing the shareholders' side and four members were appointed by the works council as staff representatives. In principle, the supervisory board acts as a whole. Only an audit committee as prescribed by law was set up which is responsible for auditing the financial statements and the consolidated accounting on behalf of the entire supervisory board in preparation of the approval thereof. The presidium of the supervisory board is in charge of the relations between the company and the members of the executive board. The following table informs about the members of the supervisory board of ÖBB-Holding AG, their respective terms of office, and other assignments:

8 members representing the shareholders' side, 4 staff representatives

DI Horst Pöchhacker, chairman, independent

First elected on 29.5.2007 and appointed until the general meeting in 2010

Other assignments within the ÖBB Group:

- Chairman of the supervisory board of ÖBB-Personenverkehr AG
  First elected on 29.5.2007 and appointed until the general meeting in 2010
- Chairman of the supervisory board of Rail Cargo Austria AG
  First elected on 29.5.2007 and appointed until the general meeting in 2010

Assignments outside ÖBB Group:

- Deputy chairman of the supervisory board of Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft, Bundesimmobiliengesellschaft m.b.H., UBM Realitätenentwicklung Aktiengesellschaft, Brenner Basistunnel BBT SE
- Member of the supervisory board of Wiener Städtische Wechselseitige Versicherungs-anstalt-Vermögensverwaltung, CA Immobilien Anlagen Aktiengesellschaft

Dr. Eduard Saxinger, 1. deputy chairman, independent

First elected on 29.5.2007 and appointed until the general meeting in 2010

Other assignments within ÖBB Group:

- Deputy chairman of the supervisory board of ÖBB-Infrastruktur Bau AG
  First elected on 29.5.2007 and appointed until the general meeting in 2011
- Member of the supervisory board of ÖBB-Infrastruktur Betrieb AG
  First elected on 29.5.2007 and appointed until the general meeting in 2010

Assignments outside ÖBB Group:

- Chariman of the supervisory board of Autobahnen–und Schnellstraßen-Finanzierungs-Aktiengesellschaft
- General manager of Saxinger, Chalupsky und Partner Rechtsanwälte GmbH

Franz Rauch, 2. deputy chairman, independent

First elected on 31.3.2004 and appointed until the general meeting in 2010

Other assignments within ÖBB Group:

- 2. Deputy chairman of the supervisory board of ÖBB-Personenverkehr AG
  First elected on 14.4.2008 and appointed until the general meeting in 2010
- Deputy chairman of the supervisory board, chairman of the supervisory board from 9.5.2007 to 26.6.2007 of Rail Cargo Austria AG
  First elected on 23.9.2004 and appointed until the general meeting in 2010
- Member of the audit committee of ÖBB-Holding AG from 13.4.2007 to 26.6.2007

Assignments outside ÖBB Group:

- Managing partner of Rauch Fruchtsäfte Gesellschaft mbH
- Member of the supervisory board of Bank Austria Creditanstalt AG, Fohrenburg Beteiligungs-AG, Generali Holding Vienna AG, Hirschmann Automotive GmbH, OTAG Oberflächentechnologie AG Hohenems, Vorarlberger Kraftwerke AG, Vorarlberger Illwerke AG, Wienerberger AG

DI Herbert Kasser, 3. deputy chairman, independent

First elected on 27.4.2007 and appointed until the general meeting in 2010

Other assignments within ÖBB Group:

- Member of the supervisory board of ÖBB-Infrastruktur Betrieb AG
  First elected on 27.8.2004 and appointed until the general meeting in 2010
- Deputy chairman of the supervisory board of ÖBB-Infrastruktur Bau AG
  First elected on 16.3.2005 and appointed until the general meeting in 2011

Assignments outside ÖBB Group:

- Member of the supervisory board of Bundesimmobiliengesellschaft m.b.H., BIG Finanzdienstleistungen GmbH, BIG Entwicklungs- und Verwertungs GmbH, Autobahnen- und Schnellstraßen-Finanzierungs AG, Österreichische Bundesforste AG, Galleria di Base del Brennero – Brenner Basistunnel BBT SE, Österreichische Forschungsförderungsgesellschaft mbH, Schieneninfrastruktur-Dienstleistungsgesellschaft mbH

Wilhelm Haberzettl (staff representative) 4. deputy chairman, independent

First elected on 31.3.2004
Wilhelm Haberzettl had been appointed to the supervisory board of Österreichische Bundesbahnen as of 1.11.1996.

Other assignments within ÖBB Group:

- Member of the supervisory board of ÖBB-Infrastruktur Bau AG. First elected on 16.3.2005

Univ.-Doz. DI Dr. Hermann Egger, independent

First elected on 31.3.2004 and appointed until the general meeting in 2010
Dr. Hermann Egger had already been a member of the supervisory board of Österreichische Bundesbahnen as from 1.12.2002.

Other assignments within ÖBB Group:

- Deputy chairman of the supervisory board of ÖBB-Infrastruktur Betrieb AG
  First elected on 17.5.2004 and appointed until the general meeting in 2010
- Member of the supervisory board of ÖBB-Infrastruktur Bau AG
  First elected on 16.3.2005 and appointed until the general meeting in 2011

Assignments outside ÖBB Group:
- Member of the executive board of Kelag-Kärntner Elektrizitäts-Aktiengesellschaft
- Member of the supervisory boards of AGCS Gas Clearing and Settlement AG, CISMO Clearing Integrated Services and Market Operations GmbH, EXAA Abwicklungsstelle für Energieprodukte AG, Stadtwerke Kapfenberg GmbH, Verbund Austrian Thermal Power GmbH, Verbund Austrian Hydro Power AG

Mag. Maria Kubitschek, independent

First elected on 27.4.2007 and appointed until the general meeting in 2010

Other assignments within ÖBB Group:
- Member of the supervisory board of ÖBB-Personenverkehr AG
  First elected on 29.5.2007 and appointed until the general meeting in 2010

Assignments outside ÖBB Group:
- Member of the supervisory board of Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft, Austrian Research Centers GmbH, Aufsichtsrat der Forschungs-Förderungs-Gesellschaft

Mag. Dr. Karl Sevelda, independent

First elected on 23.9.2004 and appointed until the general meeting in 2010

Other assignments within ÖBB Group:
- Member of the supervisory board of Rail Cargo Austria AG
  First elected on 29.5.2007 and appointed until the general meeting in 2010
- Member of the supervisory board of ÖBB-Infrastruktur Bau AG until 29.5.2007
  First elected on 16.3.2005

Assignments outside ÖBB Group:
- Member of the executive board Raiffeisen Zentralbank Österreich AG
- Member of the supervisory board of BENE AG, HFA Zwei Mittelstandsfinanzierungs AG, Raiffeisen Factor Bank AG, Raiffeisen Centrobank AG, Raiffeisen International Bank-Holding AG, Raiffeisen Investment AG, RZB Private Equity Holding AG

Dr. Leopold Specht, independent

First elected on 27.4.2007 and appointed until the general meeting in 2010

Assignments outside ÖBB Group:
- Managing partner of Specht Rechtsanwalt GmbH und Dr. Leopold Specht Beteiligungs- und Vermögensverwaltung GmbH
- General manager of Specht Asset Management Services GmbH
- Member of the supervisory board of Austro Control GmbH

Werner Harrer (staff representative), independent

First elected on 31.4.2004; Werner Harrer had been appointed to the supervisory board of Österreichische Bundesbahnen as of 1.8.2002.

Other assignments within ÖBB Group:
- Member of the supervisory board of Rail Cargo Austria AG. First elected on 17.5.2004

Assignments outside ÖBB Group:
- Member of the supervisory board of Verlag des Österreichischen Gewerkschaftsbundes GmbH
- Member of the executive board of BWS (Bau-Wohn-Siedlungsgesellschaft)

Gottfried Winkler (staff representative), independent

First elected on 31.3.2004; Gottfried Winkler had been appointed to the supervisory board of Österreichische Bundesbahnen as of 11.11.1999.

Other assignments within ÖBB Group:
- Member of the supervisory board of ÖBB-Infrastruktur Betrieb AG. First elected on 7.6.2004
- Member of the audit committee of ÖBB-Holding AG until 26.6.2007

Mag. Andreas Martinsich (staff representative), independent

First elected on 25.4.2006

Retired Members of the Supervisory Board

Dr. Wolfgang Reithofer, chairman, independent, until 29.5.2007

First elected on 31.3.2004; Wolfgang. Reithofer had already been a member of the supervisory board of Österreichische Bundesbahnen as from 8.3.2001.

Other assignments within ÖBB Group:
- Chairman of the supervisory board of ÖBB-Immobilienmanagement GmbH until 29.5.2007 First elected on 16.3.2005

Assignments outside ÖBB Group:
- Chairman of the executive board of Wienerberger AG
- Member of the supervisory board of Wiener Börse AG, IMMOEAST AG

Dr. Siegfried Dillersberger 2. deputy chairman, independent, until 11.5.2007

First elected on 31.3.2004

Other assignments within ÖBB Group:
- Deputy chairman of the supervisory board of ÖBB-Immobilienmanagement GmbH; until 11.5.2007. First elected on 13.10.2004
- Chairman of the audit committee until 13.4. 2007

Assignments outside ÖBB Group:
- Partner of Vermar Martktstudien Gesellschaft m.b.H, Ges.n.b.R. Rechtsanwaltskanzlei Dillersberger & Atzl
- General manager of Paul Sappl Verwaltung GmbH
- Member of the supervisory board of HYPO Tirol Bank AG

Dr. Johannes Strohmayer 3. deputy chairman, independent, until 29.5.2007

First elected on 22.8.2005

Other assignments within ÖBB Group:
- Member of the supervisory board of ÖBB-Personenverkehr AG until 9.5.2007; deputy chairman of the supervisory board from 09.05.2007 until 29.5.2007 First elected on 25.8.2005
- Member of the supervisory board of Rail Cargo Austria AG until 29.5.2007 First elected on 24.8.2005
- Chairman of the audit committee of ÖBB-Holding AG from 13.04.2007 until 29.5.2007

Assignments outside ÖBB Group:
- General manager of E.C.P capital partners Investberatung GmbH, OeSD Leasing GmbH
- Partner of WWST Bedarfsfluggesellschaft mbH
- Member of the supervisory board of RTR GmbH, Austrian Research Centers GmbH

Norbert Bacher-Lagler (staff representative), independent, until 29.5.2007

First elected on 31.3.2004
Norbert Bacher-Lagler had been appointed to the supervisory board of Österreichische Bundesbahnen as of 29.2.2000.

Assignments outside ÖBB Group:

- Member of the supervisory board of SPARDA Bank Aktiengesellschaft

Dr. Dieter Böhmdorfer, independent, until 14.5.2007

First elected on 22.8.2005

Other assignments within ÖBB Group:

- Member of the supervisory board of ÖBB-Infrastruktur Betrieb AG until 29.5.2007 First elected on 25.8.2005
- Member of the supervisory board of ÖBB-Infrastruktur Bau AG until 29.5.2007 First elected on 25.8.2005
- Member of the supervisory board of ÖBB-Immobilienmanagement GmbH until 29.5.2007. First elected on 13.10.2005

Assignments outside ÖBB Group:

- Managing partner of Dr. Dieter Böhmdorfer Rechtsanwälte GmbH

Ing. Mag. Rudolf Fischer, independent, until 14.5.2007

First elected on 31.3.2004

Other assignments within ÖBB Group:

- Deputy chairman of the supervisory board of ÖBB-Infrastruktur Bau AG until 25.5.2007 First elected on 16.3.2005
- Member of the supervisory board of ÖBB-Infrastruktur Betrieb AG until 25.5.2007 First elected on 17.5.2004
- Member of the supervisory board of ÖBB-Dienstleistungs GmbH until 14.5.2007 First elected on 14.10.2004

Assignments outside ÖBB Group:

- Member of the executive board of Telekom Austria AG, Telekom Austria FixNet AG
- General manager of Telekom Projektentwicklungs GmbH, Telekom Finanzmanagement GmbH
- Chairman of the supervisory board of Mobilkom Austria AG, Telekom Austria Personalmanagement GmbH
- Member of the supervisory board of Omnimedia Werbegesellschaft m.b.H

Dr. Kari Kapsch, independent, until 13.4.2007

First elected on 31.3.2004

Other assignments within ÖBB Group:

- Chairman of the supervisory board of Rail Cargo Austria AG until 12.4.2007 First elected on 17.5.2004

Assignments outside ÖBB Group:

- Member of the executive board of Kapsch AG, Kapsch BusinessCom AG
- General Manager of Kapsch Group Beteiligungs GmbH, KEGK Holdinggesellschaft m.b.H., Kapsch Immobilien GmbH
- Managing partner of ADONARD Beteiligungs GmbH
- Chairman of the supervisory board of Kapsch CarrierCom AG, Member of the supervisory board of Kapsch TrafficCom AG

Prof. Dr. Fredmund Malik independent, until 3.4.2007

First elected on 31.3.2004

Other assignments within ÖBB Group:

- Chairman of the supervisory board of ÖBB-Personenverkehr AG until 3.4.2007
  First elected on 27.8.2004

Assignments outside ÖBB Group:

- Chairman of the board of administration of MZ Holding AG, Malik Management Zentrum St. Gallen AG and Team Syntegrity International AG
- Owner of Malik Management Zentrum St. Gallen GmbH, of Malik Management Zentrum St. Gallen Seminare AG, of MZSG Immobilien- und Verwaltungs AG, of M.o.M Malik on Management AG, and of PIMS Ass. Ltd., of Malik Management Institute and partner of Team Syntegrity Europe AG
- Member of the supervisory board of Doppelmayr Seilbahnen GmbH and Doppelmayr Holding AG

Other Supervisory Board Assignments in Domestic Companies of ÖBB Group

Below you will find further supervisory board assignments in companies not contained in the list given above. In addition to that, there are companies where advisory boards were set up which are not given in detail in this context.

ÖBB-Personenverkehr AG

Univ.Prof. DI Dr. Friedrich Zibuschka,
1. deputy chairman since 5.12.2007, independent

First elected on 29.5.2007 and appointed until the general meeting in 2010

Dr. Gabriele Payr, independent

First elected on 29.5.2007 and appointed until the general meeting in 2010

Assignments outside ÖBB Group:

- Member of the executive board of WIENER STADTWERKE Holding AG,
- Member of the supervisory board of Wiener Linien GmbH, Bestattung Wien GmbH, Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Wiener Stadtwerke Gesellschaft m.b.H., Wien Holding GmbH, Wiener Rotes Kreuz – Rettungs-, Krankentransport-, Pflege- und Betreuungsgesellschaft mbH, Wiener Lokalbahnen AG

Dr. Johannes Seiringer, independent

First elected on 14.04.2005 and appointed until the general meeting in 2010

Kurt Eder, independent

First elected on 14.4.2008 and appointed until the general meeting in 2010

Other assignments within ÖBB Group:

- Member of the supervisory board of Rail Cargo Austria AG
  First elected on 14.4.2008 and appointed until the general meeting in 2010

Franz Altengruber (staff representative), independent

First elected on 17.5.2004

Ernst Friedl (staff representative), independent

First elected on 17.5.2004

Helmut Radlingmayr (staff representative), independent

First elected on 17.5.2004

Retired Members of the Supervisory Board

Dr. Brigitte Eggler-Bargehr, deputy chairman of the supervisory board until 9.5.2007; chairman of the supervisory board from 9.5.2007 until 29.5.2007, independent

First elected on 27.8.2004
Ms. Brigitte Eggler-Bargehr had already been a member of the supervisory board of Österreichische Bundesbahnen as from 8.3.2001.

DI Otfried Knoll, independent, until 29.5.2007

First elected on 27.8.2004

Assignments outside ÖBB Group:

- General manager of Niederösterreichische Verkehrsorganisationsgesellschaft mbH (NÖVOG), deputy chairman of the shareholders' committee of Niederösterreichische Schneebergbahn GmbH (NÖSBB)

Mag. Rüdiger Schender, independent, until 30.4.2007

First elected on 25.8.2005

Other assignments within ÖBB Group:

- Member of the supervisory board of Rail Cargo Austria AG until 30.4.2007
  First elected on 24.8.2005
- Member of the supervisory board of ÖBB-Dienstleistungs GmbH until 30.4.2007
  First elected on 7.3.2005

Assignments outside ÖBB Group:

- Member of the supervisory board of Györ-Sopron-Ebenfurti Vasút Zártkörüen Müködö Részvénytársaság (renamed in 2006, formerly called Raab-Oedenburg-Ebenfurter Eisenbahn Aktiengesellschaft), Galleria di Base del Brennero – Brenner Basistunnel BBT SE

Mag. Josef Halbmayr MBA, deputy chairman, independent, until 30.11.2007

First elected on 29.5.2007

Other assignments within ÖBB Group:

- Member of the executive board of ÖBB-Personenverkehr AG
- Member of the supervisory board of Österreichischen Postbus GmbH. First elected on 25.3.2008 and appointed until resolution to be adopted by shareholders in 2010.
- Member of the supervisory board of Österreichischen Postbus AG
  First elected on 26.3.2008 and appointed until the general meeting in 2011
- Member of the supervisory board of ÖBB-Traktion GmbH. First elected on 1.4.2008 and appointed until resolution to be adopted by shareholders in 2010

Rail Cargo Austria AG

Mag. Herbert Kaufmann, independent

First elected on 29.05.2007 and appointed until the general meeting in 2010

Assignments outside ÖBB Group:

- Member of the executive board of Flughafen Wien AG
- Member of the supervisory board of AMZ Arbeits- und Sozialmedizinisches Zentrum Mödling GmbH, Austro Control Österreichische Gesellschaft für Zivilluftfahrt mbH

Dr. Siegfried Meysel, independent

First elected on 29.5.2007 and appointed until the general meeting in 2010

Assignments outside ÖBB Group:

- Chairman of the supervisory board of EuroBioFuels AG

Bernhard Mühlbacher (staff representative), independent

First elected on 4.7.2005

Norbert Rothbart (staff representative), independent

First elected on 23.9.2004

Retired Members of the Supervisory Board

Dr. Veronika Kessler, deputy chairwoman from 9.5.2007 until 29.5.2007, independent, until 29.5.2007

First elected on 23.9.2004

Assignments outside ÖBB Group:

- Member of the supervisory board of via donau – Österreichische Wasserstraßen-Gesellschaft m.b.H

ÖBB-Infrastruktur Betrieb AG

Dipl.-Ing. Bernhard Engleder independent

First elected on 29.5.2007 and appointed until the general meeting in 2010

Mag. Christian Domany, independent

First elected on 29.5.2007 and appointed until the general meeting in 2010

Assignments outside ÖBB Group:

- Member of the executive board of Flughafen Wien AG
- Member of the supervisory board of Competence Investment AG, ORF Österreichischer Rundfunk

Günther Havranek, independent

First elected on 14.4.2008 and appointed until the general meeting in 2010

Manfred Kempfer (staff representative), independent

First elected on 17.10.2007

Günter Mayr (staff representative), independent

First elected on 11.7.2005

Retired Members of the Supervisory Board

Franz Eder (staff representative), independent, until 19.1.2007

First elected on 7.6.2004

Alfred Leiblfinger (staff representative), independent, until 17.10.2007

First elected on 19.1.2007

ÖBB-Infrastruktur Bau AG

DI Brigitte Jilka MBA, independent

First elected on 29.5.2007 and appointed until the general meeting in 2011

Assignments outside ÖBB Group:

- General manager of Wien Holding GmbH
- Member of the supervisory board of WSE Wiener Stadtentwicklungs GmbH., GESIBA Gemeinnützige Siedlungs- und Bauaktiengesellschaft, Gemeinnützige Wohnungsaktiengesellschaft Wohnpark Alt-Erlaa, Schloß Laxenburg BetriebsgmbH., Wiener Container Terminal GmbH and Wiener Stadtwerke Holding AG

Dkfm. Dr. Dieter Nefischer, independent

First elected on 14.4.2008 and appointed until the general meeting in 2011

Dr. Peter Quantschnigg, independent

First elected on 29.5.2007 and appointed until the general meeting in 2011

Herbert Fleckinger (staff representative), independent

First elected on 19.7.2006

Ing. Gerhard Zauner (staff representative), independent

First elected on 16.3.2005

Retired Members of the Supervisory Board

KR DI Prof. Günter Gfatter, independent, until 19.6.2007

First elected on 16.3.2005

Assignments outside ÖBB Group:

- Member of the supervisory board of Knorr-Bremse GmbH, Knorr-Bremse Polen Sp.z.o.o

Ing. Reinhold Hödl (staff representative), independent, until 4.6.2007

First elected on 16.3.2005

ÖBB-Dienstleistungs GmbH

Dr. Karl-Johann Hartig, independent

First elected on 31.7.2007 and appointed until resolution to be adopted by shareholders in 2010

Assignments outside ÖBB Group:

- Vice-chairman of the supervisory board of Raab-Ödenburg-Ebenfurter Eisenbahn AG, Neusiedlerseebahn AG

MMag. Johannes Kasal, independent

First elected on 31.7.2007 and appointed until resolution to be adopted by shareholders in 2010

Franz Schultes (staff representative), independent

First elected on 7.9.2004

Elisabeth Vondrasek (staff representative), independent

First elected on 7.9.2004

ÖBB-Traktion GmbH

Ferdinand Schmidt, deputy chairman, independent

First elected on 25.10.2004 and appointed until resolution to be adopted by shareholders in 2010

Other assignments within ÖBB Group:

- Member of the executive board of Rail Cargo Austria AG
- Chairman of the supervisory board of ÖBB-Technische Services GmbH. First elected on 25.10.2004 and appointed until resolution to be adopted by shareholders in 2010
- Member of the supervisory board of ÖBB-Postbus GmbH until 31.7.2007
  First elected on 1.10.2004

Mag. Gabriele Lutter, independent

First elected on 31.3.2008 and appointed until resolution to be adopted by shareholders in 2010

Other assignments within ÖBB Group:

- Member of the executive board of ÖBB Personenverkehr AG
- Member of the supervisory board of ÖBB-Technische Services GmbH. First elected on 27.03.2008 and appointed until resolution to be adopted by shareholders in 2010
- Member of the supervisory board of ÖBB-Postbus GmbH. First elected on 25.03.2008 and appointed until resolution to be adopted by shareholders in 2010

Roman Hebenstreit (staff representative), independent

First elected on 8.9.2005

Assignments outside ÖBB group:

- Member of the supervisory board of Österreichische Beamtenversicherung

Gerhard Tauchner (staff representative), independent

First elected on 8.9.2005

Retired Members of the Supervisory Board

DI Dr. Stefan Wehinger, chairman, independent, until 31.3.2008

First elected on 25.10.2004

Other assignments within ÖBB Group:

- Member of the executive board of ÖBB-Personenverkehr AG until 31.3.2008
- Deputy chairman of the supervisory board of ÖBB-Technische Services GmbH; until 18.2.2008. First elected on 25.10.2004
- Chairman of the supervisory board of ÖBB-Postbus GmbH from 7.9.2006 until 24.3.2008. First elected on 1.10.2004
- Member of the supervisory board of Österreichischen Postbus AG until 26.3.2008 First elected on 29.8.2007

Dkfm. Wilhelmine Goldmann, chairwoman, until 25.6.2007

First elected on 16.3.2005

Other assignments within ÖBB Group:

- Member of the executive board of ÖBB-Personenverkehr AG until 25.6.2007
- Member of the supervisory board of ÖBB-Technische Services GmbH until 25.6.2007 First elected on 12.7.2005

ÖBB-Technische Services GmbH

Alois Fritzenwallner (staff representative), independent

First elected on 27.4.2006

Joachim Werdenich (staff representative), independent

First elected on 27.4.2006

ÖBB-Immobilienmanagement GmbH

Mag. Gilbert Trattner, deputy chairman, independent

First elected on 13.10.2004, re-elected on 2.5.2007 and appointed until resolution to be adopted by shareholders in 2010

Other assignments within ÖBB Group:

- Member of the executive board of ÖBB-Infrastruktur Bau AG
- Deputy chairman of the supervisory board of Brenner Eisenbahn GmbH First elected on 26.3.2002, re-elected on 11.9.2007 and appointed until resolution to be adopted by shareholders in 2010

DI Dr. Georg-Michael Vavrovsky, independent

First elected on 2.5.2007 and appointed until resolution to be adopted by shareholders in 2010

Other assignments within ÖBB Group:

- Member of the executive board of ÖBB-Infrastruktur Bau AG
- Member of the supervisory board of Brenner Eisenbahn GmbH. First elected on 24.5.2005, re-elected on 11.9.2007 and appointed until resolution to be adopted by shareholders in 2010

Mag. (FH) Andreas Matthä, independent

First elected on 21.8.2007 and appointed until resolution to be adopted by shareholders in 2010

Other assignments within ÖBB Group:

- Member of the supervisory board of Brenner Eisenbahn GmbH. First elected on 11.9.2007 and appointed until resolution to be adopted by shareholders in 2010

Andreas Köck (staff representative), independent

First elected on 25.10.2004

Christian Sigl (staff representative), independent

First elected on 17.11.2004

Retired Members of the Supervisory Board

DI Dr. Alfred Zimmermann, independent, until 15.1.2007

First elected on 1.7.2006

ÖBB-Postbus GmbH

Franz Poimer (staff representative), independent

First elected on 1.10.2004

Other assignments within ÖBB Group:

- Member of the supervisory board of Österreichische Postbus AG. First elected on 15.9.2003

Robert Wurm (staff representative), independent

First elected on 1.10.2004

Other assignments within ÖBB Group:

- Member of the supervisory board of Österreichische Postbus AG. First elected on 15.9.2003

Retired Members of the Supervisory Board

Mag. Roland Dietrich, independent, until 15.5.2007

First elected on 20.04.2005

Assignments outside ÖBB Group:

- Member of the supervisory board of Schieneninfrastruktur Dienstleistungsgesellschaft mbH (until 09.01.2007)
- General manager of AustriaTech – Gesellschaft des Bundes für technologiepolitische Maßnahmen GmbH

DI Mag. Gerhard Gamperl, independent, until 24.3.2008

First elected on 1.8.2007

Kurt Röck, independent, bis 24.3.2008

First elected on 1.8.2007

Österreichische Postbus AG

Mag. Michaela Steinacker, deputy chairwoman, independent

First elected on 20.4.2005 and appointed until the general meeting in 2011

Other assignments within ÖBB Group:

- General manager of ÖBB-Immobilienmanagement GmbH, ÖBB-Werbecenter GmbH, ÖBB-Projektentwicklung GmbH, HBF Eins Holding GmbH, Hauptbahnhof Zwei Holding GmbH, HBF Eins Alpha Projektentwicklungs GmbH, HBF Zwei Beta Projektentwicklungs GmbH, HBF Drei Gamma Projektentwicklungs GmbH, HBF Vier Delta Projektentwicklungs GmbH, HBF Fünf Epsilon Projektentwicklungs GmbH, HBF Sechs Gamma Projektentwicklungs GmbH

Assignments outside ÖBB Group:

- Member of the supervisory board of EVN AG

Mag. Günter Hek, independent

First elected on 20.4.2005 and appointed until the general meeting in 2011

Brenner Eisenbahn GmbH

Retired Members of the Supervisory Board

DI Herbert Biasi, deputy chairman, independent, until 31.7.2007

First elected on 5.5.2004

Peter Brandstätter, independent, until 9.3.2007

First elected on 29.7.2004

Dr. Arthur Pohl, independent, until 9.3.2007

First elected on 29.7.2004

Ing. Manfred Rieder (staff representative), independent, until 20.3.2007

First elected on 21.1.2004

DI Dr. Arnold Fink (staff representative), independent, until 31.12.2007

First elected on 21.1.2004

Mag. Martin Pellizzari (staff representative), independent, until 31.12.2007

First elected on 21.1.2004

Information on the Supervisory Board of ÖBB-Holding AG

Members of the Presidium

DI Horst Pöchhacker, chairman

Franz Rauch

Dr. Eduard Saxinger

Wilhelm Haberzettl (staff representative)

Members of the Audit Committee

Dipl.-Ing. Herbert Kasser, as from 26.6.2007

Mag. Maria Kubitschek, as from 26.6.2007

Mag. Dr. Karl Sevelda, as from 13.4.2007

(deputy chairman from 13.4.2007 until 26.6.2007)

Werner Harrer, as from 26.6.2007

Meetings held by the Supervisory Board of ÖBB-Holding AG in 2007

– Four ordinary meetings
– Five extraordinary meetings
– Three meetings of the audit committee
– Four meetings of the presidium

Report on Contracts Made and Entered Into with Members of the Supervisory Board

In 2007 contracts were signed with companies in which members of the supervisory board have a considerable economic interest and on the basis of which services were performed. Taking into account the terms of office served by the members of the supervisory board, the following business transactions were carried out.

Contracting party	Subject matter of the transaction	Value (in EUR)
Wienerberger-Konzern (Dr. Wolfgang Reithofer)	Services rendered to ÖBB Group, in particular erection of connecting railway line by order of BMVIT	2,440.00
Saxinger, Chalupsky & Partner Rechtsanwälte GmbH (Dr. Eduard Saxinger)	Services rendered to ÖBB Group, in particular legal counseling	10,818.75
Rauch Fruchtsäfte GmbH (KR Franz Rauch)	Services rendered to ÖBB Group, in particular supply of beverages	67,993.83
	Services rendered by ÖBB Group, in particular transport services	2,048,360.08
Dr. Dieter Böhmdorfer Rechtsanwälte GmbH (Dr. Dieter Böhmdorfer)	Services rendered to ÖBB Group, in particular legal counseling	8,913.30
Flughafen Wien AG (Mag. Christian Domany, Mag. Herbert Kaufmann)	Services rendered to ÖBB Group, in particular making available infrastructure (rentals, leases, and running expenses for storage space)	686,292.48
	Services rendered by ÖBB Group, in particular contributions to airport railway, bus and transport services	7,122,591.53
KELAG-Kärntner Elektrizitäts AG (Dr. Hermann Egger)	Services rendered to ÖBB Group, in particular supply of power and gas and power trade	10,402,255.86
	Services rendered by ÖBB Group, in particular power trade	6,302,003.09
Telekom Austria AG (Ing. Mag. Rudolf Fischer)	Services rendered to ÖBB Group, in particular telephone services and data transmission	1,761,956.15
	Services rendered by ÖBB Group, in particular transport services and expansion of telecommunication systems	575,791.77
Kapsch Konzern (Dr. Kari Kapsch)	Services rendered to ÖBB Group, in particular information and telecommunication technology	266,972.47
	Services rendered by the ÖBB Group, in particular building activities as supplier	24,016.57
Niederösterreichische Verkehrsorganisations-gesellschaft mbH, NÖVOG (DI Otfried Knoll)	Services rendered to ÖBB Group, in this case offsetting of proceeds	1,986.39
	Services rendered by ÖBB Group, in particular public transport services ordered from ÖBB-Postbus GmbH	429,829.35

Contracting party	Subject matter of the transaction	Value (in EUR)
Malik Management Zentrum (Dr. Fredmund Malik)	Services rendered to ÖBB Group, in this case literature	206.93
Wiener Stadtwerke Konzern (Dr. Gabriele Payr)	Services rendered to ÖBB Group, in particular VOR sales and power supplies	7,150,720.66
	Services rendered by the ÖBB Group, in particular building activities at the traffic station Südtirolerplatz	647,050.49
Raiffeisen Zentralbank AG, Raiffeisen Centrobank AG, Raiffeisen Capital Management GmbH (Dr. Karl Sevelda, member of the supervisory board since 23.9.2004)	Liabilities to RZB/RCB, as of 31.12.2007	94,096,677.26
	thereof concluded before 23.09.2004	23,081,767.00
	Average amount of liabilities in 2007 (rounded off)	116,700,000.00
	Liabilities to RZB arising out of cross-border leasing transactions (CBL) as of 31.12.2007	39,525,856.86
	thereof concluded before 23.09.2004	39,525,856.86
	Average amount of CBL liabilities in 2007 (rounded off)	41,600,000.00
	Money market investments + securities accounts with RZB/RCM, as of 31.12.2007	15,071,128.44
	thereof concluded before 23.09.2004	562,221.24
	Average amount of money market investments in 2007 (rounded off)	20,400,000.00
	Other financial transactions with RZB (e.g. derivatives), as of 31.12.2007	266,734,349.64
	thereof concluded before 23.09.2004	58,545,397.08
	Average amount of other financial transactions in 2007 (rounded off)	213,300,000.00
	Issue of a bond for ÖBB-Infrastruktur Bau AG as co-lead manager. Volume underwritten by RZB	20,000,000.00

Remuneration of Members of the Supervisory Board

Base compensation of 9,000 EUR annually

The members of the supervisory boards of ÖBB group companies are to be reimbursed the expenses incurred in connection with the pursuance of their functions against rendering of accounts. The base compensation for a supervisory board seat amounts to 9,000 € annually. The chairman of a supervisory board receives the double amount of the base compensation, a deputy chairman one and a half times the amount of the base compensation. If the member also holds a seat in the supervisory board of another group company, it will receive a further 50% of the abovementioned amounts. The maximum amount of 22,500 € may not be exceeded in case of holding several supervisory board seats. Members of the supervisory board who are employees of the ÖBB Group do not receive any compensation.

State Commissioners

MR Dr. Karl-Johann Hartig	state commissioner with ÖBB-Holding AG until 31.08.2007
MR Dr. Gerhard Gürtlich	state commissioner with ÖBB-Holding AG, deputy state commissioner with ÖBB-Infrastruktur Bau AG and state commissioner with ÖBB-Infrastruktur Betrieb AG
Dipl.-Ing. Georg Parrer	deputy state commissioner with ÖBB-Holding AG and
	state commissioner with ÖBB-Infrastruktur Bau AG and deputy state commissioner with ÖBB-Infrastruktur Betrieb AG

Further information on the supervisory boards of ÖBB group companies is given at www.oebb.at.

Report by the Chairman of the Supervisory Board

DI Horst Pöchhacker

Chairman of the supervisory board of ÖBB-Holding AG

Traffic lights are phased in favor of ÖBB. The traffic market develops in a positive way for both rail and bus - and not only because of the climate change. Our competitors, road and air traffic, are coming up against factors limiting their growth while at the same time the mobility of people in Austria and Europe keeps on the rise thus increasing the volume of traffic. In the future, railways will account for a considerably bigger share in the volume of traffic. Therefore, railways will benefit from this growing volume of traffic without taking away market shares of other means of transport.

European transport policy aims at guaranteeing unrestricted competition between the different means of transport and between public and private transport operators. Encouraging the best possible distribution of traffic flows by investing in infrastructure in a sensible way does not stand in contradiction to this policy. Bulk goods are to be transported by rail or by ship, and local passenger transport should be done by bus. The railway might prove to be the most important link in this logistics chain in the future. The importance of transshipment and distribution centers is on the rise too. Against this backdrop and after a period of structural and personnel adjustments, ÖBB increasingly turned to the market in 2007. Group interests were focused on the transport operations companies. While a strong holding company was required for implementing the restructuring over the past years, strengthening of the subsidiaries in accordance with the relevant statutory provisions and the strategic alignment of the holding company will further improve our market position. Organizational finishing is under way by means of eliminating interface problems between subsidiaries and between the holding company and the subsidiaries. Part thereof is the sharing out of the services so far rendered by ÖBB-Dienstleistungs GmbH between the holding company and the subsidiaries and the definition of so-called “shared services”.

Improving customer orientation and heavy investments

This development was started in 2007 by hiring market-oriented managers in the transport operations companies. Competitiveness of the entire group is being constantly increased by investing in rolling stock. In passenger transport, further replacement of carriages, wagons and rolling stock contributed to even further increased customer orientation. In 2008 the most modern long-distance train called ***railjet*** will be put into operation in Europe. ÖBB is giving a clear signal of its developing into one of Europe’s top railways by investing as much 816 million EUR. In short-distance transport, the last sets of double-deck carriages, the Desiro and the modern Talent, will be delivered. This will conclude the short-distance traffic investment program on a temporary basis. Freight transport is one of ÖBB’s most important business divisions. A considerable increase in freight transport is of fundamental economic importance for ÖBB and of fundamental ecological importance for the future of our country. By increasing the number of tons of freight carried from 93 million tons in 2006 to 97 million tons in 2007, ÖBB registered considerable growth in the reporting year. However, takeover of the Hungarian MAV Cargo by Rail Cargo Austria at the end of 2007 was the decisive move to ensure future success. This transaction which is still subject to be approved by the cartel authorities could open the door to the East for ÖBB even wider. In future freight transport could be operated right through from the Black Sea to the North Sea harbor of Rotterdam. Moreover, additional freight cars and the wagon plant in Mischkolz (Eastern

Adaption of financing policy in agreement with Federal Government

Hungary) would increase theindependence and autonomy of ÖBB. This would be an important strategic advantage in the future. Capital expenditure is being significantly increased in the area of infrastructure. By continuing the master plan 2008 – 2013 and by, in addition to that, taking over about 70% of the investment volume, the owner has once again expressed its commitment to a strong ÖBB Group. Over the next years, more than 1.6 billion EUR will be invested annually in the expansion of infrastructure on the basis of the master plan. This equals an overall volume of about 24.5 billion EUR until 2020. These investments are to carry out the four-tracked expansion of Westbahn including the Wienerwaldtunnel and the Lainzer Tunnel, Vienna main railway station, and the projects focusing on the Südbahn, including the Semmering base tunnel and Koralm tunnel.

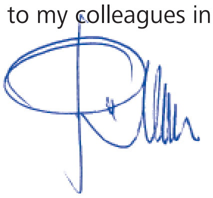
Earnings before interest and taxes improved significantly

In 2007 earnings before interest and taxes improved over the previous year in particular due to an increase in sales achieved by services rendered for own account. Nevertheless, speculative financial transactions concluded in 2005, so-called CDOs, required additional reserves to be built up causing a weakening of the consolidated earnings compared to 2006. As these derivatives have a term to maturity until 2015, it remains to be seen if and to which extent these transactions will cause definite losses affecting the balance sheet.

Approval of annual financial statements

Last year the supervisory board and the executive board of ÖB-Holding AG held four ordinary and five extraordinary meetings as well as four meetings of the presidium. The audit committee held three meetings. Apart from these regular meetings, the supervisory board kept itself informed by the executive board regarding business development and all relevant issues of the company and the whole group. Finally, the executive board of ÖBB-Holding AG submitted to the supervisory board the audited financial statements 2007 (individual accounts) and the status report as well as the consolidated financial statements 2007 provided with an audit certificate, and the group status report of ÖBB-Holding AG. The annual financial statements, the notes to the financial statements and the status report were audited by Grant Thornton Wirtschaftsprüfungs- und Steuerberatungs-GmbH; the consolidated financial statements, the notes to the consolidated financial statements and the group status report were audited by CONFIDA Wirtschaftstreuhand-gesellschaft m.b.H. The audits carried out on the basis of the books and records of the company and the information and evidence provided by the managing board revealed that accountancy and financial statements as well as consolidated financial statements comply with the relevant statutory provisions and that there is no reason to raise any objection of whatsoever kind. The status report and the group status report are in accordance with the annual financial statements and the consolidated financial statements respectively. The supervisory board approved the financial statements and the status report pursuant to § 125 (2) AktG which are thus deemed adopted, and approved the consolidated financial statements and the group status report for the 2007 business year after a thorough audit by the audit committee.

The supervisory board expresses its thanks and recognition to the executive board and all employees of ÖBB Group for the work carried out in the reporting year. I also express my thanks to my colleagues in the supervisory board for their commitment and cooperation.



Group Status Report

This group status report is part of the consolidated financial statements of Österreichische Bundesbahnen-Holding Aktiengesellschaft, Vienna, (hereinafter referred to as “ÖBB Group”) which have to be drawn up pursuant to § 244 UGB and will be filed with the Commercial Court of Vienna and entered on the commercial register under FN 247642 f. The consolidated financial statements as of 31.12.2007 (including previous year’s figures as of 31.12.2006) were drawn up for the first time, pursuant to § 245a (2) UGB in accordance with the International Financial Reporting Standards (“IFRS/IAS”), issued by the International Accounting Standards Board (“IABS”), as well as according to the interpretations of the International Financial Interpretation Committee (“IFRIC”), and the Interpretations of the Standards Interpretation Committee (“SIC”) as applicable as of 31.12.2007 within the European Union. Two subsidiaries of Österreichische Bundesbahnen-Holding Aktiengesellschaft (hereinafter referred to as “ÖBB-Holding AG“), ÖBB-Infrastruktur Bau Aktiengesellschaft and ÖBB-Personenverkehr Aktiengesellschaft, are obliged pursuant to § 245 (5) UGB to draw up partially consolidated financial statements as bonds issued by these companies are admitted to dealings at an organized stock market. The partially consolidated financial statements of ÖBB-Infrastruktur Bau Aktiengesellschaft and ÖBB-Personenverkehr Aktiengesellschaft will be both filed with the Commercial Court of Vienna and entered on the commercial register under FN 71396 w and FN 247842 y respectively.

A. Structure, Participations, and Branch Offices of ÖBB Group

Group Structure

Restructuring of Österreichische Bundesbahnen aimed at creating a holding company structure and at establishing ÖBB-Holding AG as the parent company and came into force as of 01.01.2005. The following business divisions were contributed to its subsidiaries, which are operating as independent stock companies or GmbH-companies (limited companies), by spinning them off for the purpose of merger:

– Passenger and freight transport
– Traction
– Technical services
– Services
– Railway infrastructure operation
– Real estate
– Profit center *Bahnbus*

The remaining assets of Österreichische Bundesbahnen which were reorganized into ÖBB-Infrastruktur Bau AG and then merged with Eisenbahn-Hochleistungsstrecken-AG and Schieneninfrastrukturfinanzierungs-Gesellschaft mbH were also established as a subsidiary of ÖBB-Holding AG.

This restructuring is based on the third part of the Federal Act, “Restructuring of Österreichische Bundesbahnen”, aiming at reorganizing the legal conditions of Östereichische Bundesbahnen as amended by BGBl I No. 142/2004.

The former business divisions were integrated into the five directly held 100% subsidiaries as follows:
– Business division of passenger transport – ÖBB-Personenverkehr AG
– Business division of freight transport – Rail Cargo Austria AG
– Business division of traction – ÖBB-Traktion GmbH set up as joint subsidiary of ÖBB-Personenverkehr AG and Rail Cargo Austria AG
– Business division of technical services – ÖBB-Technische Services GmbH set up as joint subsidiary of ÖBB-Personenverkehr AG and Rail Cargo Austria AG
– Business division of railway infrastructure operation – ÖBB-Infrastruktur Betrieb AG
– The business division of services was split off in 2004 and integrated into ÖBB-Dienstleistungs GmbH.
– The remaining assets were contributed to ÖBB-Infrastruktur Bau AG by means of a modifying conversion.

ÖBB-Holding AG was set up as the strategic holding company holding all shares in the four stock companies (subgroups) which are ÖBB-Personenverkehr Aktiengesellschaft, Rail Cargo Austria Aktiengesellschaft, ÖBB-Infrastruktur Betrieb Aktiengesellschaft and ÖBB-Infrastruktur Bau Aktiengesellschaft, and in ÖBB-Dienstleistungs GmbH. Hereinafter the subgroups will be referred to as subgroup ÖBB-Personenverkehr, subgroup Rail Cargo Austria, subgroup ÖBB-Infrastruktur Betrieb and subgroup ÖBB-Infrastruktur Bau.

The subgroups ÖBB-Personenverkehr and Rail Cargo Austria are responsible for customer-friendly and earnings-oriented passenger and freight transport. Their joint subsidiaries ÖBB-Traktion GmbH and ÖBB-Technische Services Gesellschaft mbH are responsible for the areas of traction and workshops.

It is the task of ÖBB-Infrastruktur Betrieb to ensure the use of the Austrian railway infrastructure in a reliable, safe and cost-effective manner for all railway companies and without discriminating against any of them. It is the task of ÖBB-Infrastruktur Bau to erect the Austrian railway structure by order and for the benefit of its owner, the Republic of Austria. From now on, financing of investments in the expansion of railway infrastructure will be guaranteed by self-generated cash flow, outside capital and guaranty commitments by the Federal Government on the basis of multi-year master plans. Management, development and exploitation of real estate belonging to the ÖBB Group are incumbent on ÖBB-Immobilienmanagement GmbH, a subsidiary of ÖBB-Infrastruktur Bau AG.

In order to provide more detailed information, some sections of the status report will deal separately with the development and selected aspects of the subgroups.

Participations

All participations of ÖBB Group are listed in the **Schedule of Participations in the Notes to the Consolidated Financial Statements**; a summary of the participations according to subgroups and countries is given below.

	Subgroup (no double counting)					
	ÖBB-Personenverkehr	Rail Cargo Austria	ÖBB-Infrastruktur Betrieb	ÖBB-Infrastruktur Bau	Other	Total
Affiliated subsidiaries	10	59	8	9	10	96
thereof abroad	1	37	0	0	0	38
Associated subsidiaries	3	23	1	0	1	28
thereof abroad	1	18	0	0	0	19
Other subsidiaries	2	11	0	2	1	16
thereof abroad	2	11	0	1	1	15
Total	**15**	**93**	**9**	**11**	**12**	**140**
thereof abroad	4	66	0	1	1	72

Outside Austria, the group holds participations in 72 companies having their registered office in the following countries: Hungary (9), Poland (8), Slovakia (7), Czech Republic (8), Romania (4), Italy (4), Slovenia (4), Belgium (4), Serbia (4), Germany (3), Switzerland (3), two investments in Bulgaria, two in Croatia, and one investment in Spain, Russia, Bosnia-Herzegovina, France, Sweden, Greece, Liechtenstein, Turkey, Ukraine, Netherlands, and Luxemburg respectively.

The Four Subgroups and Their Branch Offices

Subgroup ÖBB-Personenverkehr

In the area of rail passenger transport, this subgroup uses 1,277 of a total of 1,324 railway stations and stops in the whole of Austria. At 194 of these stations, tickets are sold at ticket windows while 524 of them are equipped with ÖBB ticket machines. The buses operated by ÖBB-Postbus GmbH serve about 70,000 individual stops which are grouped into 22,000 bus stop areas. 700 of these stops are located right next to railway stations or stops. ÖBB-Postbus GmbH serves almost each of the 2,360 municipalities in Austria; in 871 of them it is the only public transport provider. ÖBB-Postbus GmbH disposes of 7 regional management centers including a total of 19 traffic control centers and three stand-alone workshops. The traffic control centers encompass 58 traffic stations with or without workshop, where buses and bus drivers are allocated and buses may be maintained.

Subgroup Rail Cargo Austria

Subgroup Rail Cargo Austria operates 9 distribution sites for Cargo and Logistics in Austria and one in Frankfurt (Germany). The business unit BEX disposes of 14 logistics centers, 3 field warehouses, and 7 operational sites for road freight transport distributed all over Austria. Intermodal traffic disposes of eight terminals. In addition to that, subgroup Rail Cargo Austria has further branch offices and associated companies in 24 countries in Europe. ÖBB-Technische Services GmbH offers professional servicing and maintenance of rail vehicles and the components thereof at 30 sites located all over Austria.

Subgroup ÖBB-Infrastruktur Betrieb

The subgroup ÖBB-Infrastruktur Betrieb operates 1,355 railway stations[1] and the pertaining railway infrastructure in Austria, which are used by ÖBB-Personenverkehr AG, Rail Cargo Austria AG, and external railway companies.

Subgroup ÖBB-Infrastruktur Bau

Subgroup ÖBB-Infrastruktur Bau manages about 1,600 planning and building projects all over Austria, 1,200 of which having a term of more than one year. Financing requirements for the master plan investments initiated as of 31.12.2007 amount to about 10,026 million EUR taking into consideration the impact of the approved master plan 2008–2013.

1 Including freight terminals

B. Business and Forecast Report

B.1. Overall Economic Environment and Trends

Strong Economic Growth in Austria

The Austrian economy continued the upturn trend initiated last year posting an increase in GDP of 3.4% for 2007. The boost in exportation continued as well thus promoting the willingness of domestic enterprises to invest. However, business activity is expected to slightly weaken in 2008 due to the slowdown in the US economy, the strong Euro in relation to the US dollar, and the crisis that has been affecting international financial markets since 2007. Moreover, stagnating real net income will not lead to an increase in private consumption in 2008 either.

Unemployment seems to have hit a temporary low at 4.3% in 2007. The upturn in prices for energy and food contributed substantially to a rate of inflation amounting to 1.9%. The favorable economic environment in 2007 has a very positive effect on tax revenues; the provisional overall public sector deficit amounts to 0.5% of GDP in the fiscal year 2007.[1]

Mixed Development of the World Economy

While most Asian countries continued their dynamic economic growth in 2007, the United States registered a slight decline in business activities compared to the previous years. Although assessing the impact the subprime crisis that began in August might have on the overall US economy seems still impossible, some sectors have already been heavily affected. The Federal Reserve tried to counteract short-term liquidity squeezes on the capital market by cutting the discount rate. As downside risks to growth had increased significantly, it was also necessary to cut interest rates and to lower the discount rate once again.

Development of the economies in the Euro zone varied in 2007. Germany was not able to achieve the growth rates posted in the previous year, and Italy, too, showed a slight decline in business activity. In contrast to the US, the European Central Bank (ECB) did not change its interest rate policy in order to contain the rising inflation in the Euro zone hitting a long-time high at 3.6%. Again, the twelve new EU member states posted growth rates exceeding the European average, especially the Czech Republic and Poland. However, Hungary registered a slight downturn in business activity in 2007.[2]

Turbulences Affecting International Financial Markets[3]

The US subprime mortgage crisis which began in the summer of 2007 triggered massive turbulences in the global financial system. As investors are losing confidence, there is a shortage of liquidity which can be counteracted only in part by central banks. The US Federal Reserve cut interest rates three times by a total of 100 basis points to 4.25%. The ECB pursued a different interest rate policy by raising interest rates in the Euro zone two times from 3.5% to 4% by the end of 2007. The interest rate of the interbank market in the Euro zone was 4.8% thus being 0.75 percent above the reference rate applied by the ECB.

1 Source: WIFO Monthly Report 10/2007
2 Source: Quarterly Report on Money and Economic Politics, OENB Q3/2007
3 Source: WIFO Monthly Report 12/2007

The impact on foreign exchange markets was even more serious. While at the beginning of 2007 the EUR/USD exchange rate was at 1.320, it reached 1.459 at the end of the year which is an increase of 10.5%. The yearly high was hit at the end of November with an exchange rate of 1.487 USD for one Euro thus exceeding substantially the former high registered in 2005.

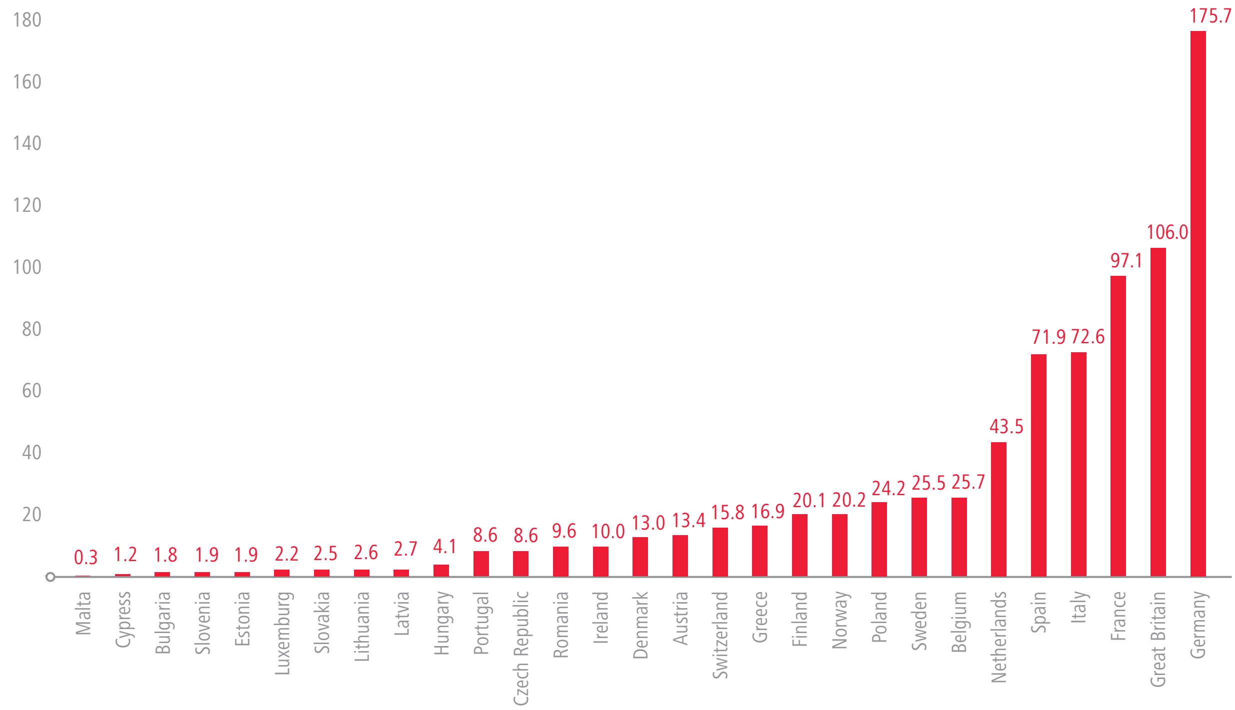
Development of Passenger and Freight Transport

The continuing progress of economic globalization as well as the liberalization of transport markets has led to significant growth rates in freight transport over the past years. Rail freight transport has been benefiting from this development due to its capacities and the eco-friendliness of rail transport compared to road transport with intermodal solutions being of particular importance. The only factor limiting the growth potential is the shortage of modern freight cars and railcars. The use of different technical systems regarding power supply or safety installations is an obstacle to further international integration of rail freight transport. Multisystem locomotives are a way to overcome this obstacle; nevertheless, a uniform traction system at European level to be used without any restriction is still far away.

Taking sales as a benchmark, the transport and logistics sector comes third in Western Europe behind the construction and food industry.[1] The following chart illustrates the big differences to be found when comparing European transport and logistics markets:

Volume of the European transport and logistics market in 2005

Distribution of Sales in billion EUR



1 Sources: Fraunhofer Institut, DVZ (Deutsche Verkehrs-Zeitung), Droege & Comp./study on railway traffic 2007, DB logistics/Railion

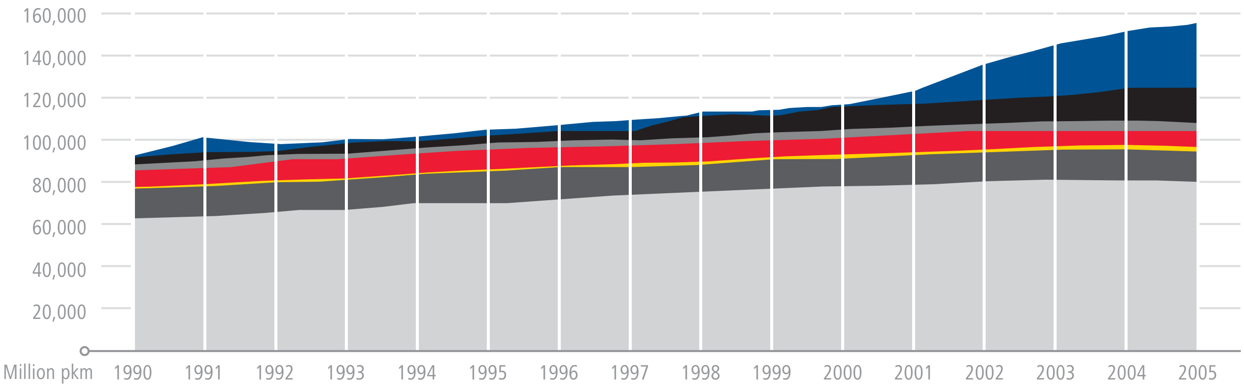
Public passenger transport posted a constant development from 2000 to 2005 regarding the number of passenger-kilometers rendered. In 2006, an increase of 2% considerably accelerated this trend. This upward trend continued in 2007 although a shortage of vehicles resulting from a multi-year lack of investments made it impossible to fully benefit from this potential. Overall passenger transport has been constantly on the rise over several years with traffic volumes increasing by about 21% from 1990 to 2005. Private traffic posted a significantly strong growth; however, air traffic has registered the strongest growth rates since 1990 in comparison to the overall traffic volume.[1]

In the years to come, a further increase in passenger transport is to be expected but in particular with respect to private cars. Nevertheless, 2006 and 2007 are proof of the growth potential for public transport in general and railway transport in particular. EU-wide liberalization of international passenger transport to be implemented as from 2010 will further intensify competition within this sector.

Traffic volume in passenger transport in passenger-kilometers (pkm) 1990-2005

Private cars | Buses | Motorbikes and small mopeds | Railway | ÖPNV-el | Planes | Abroad

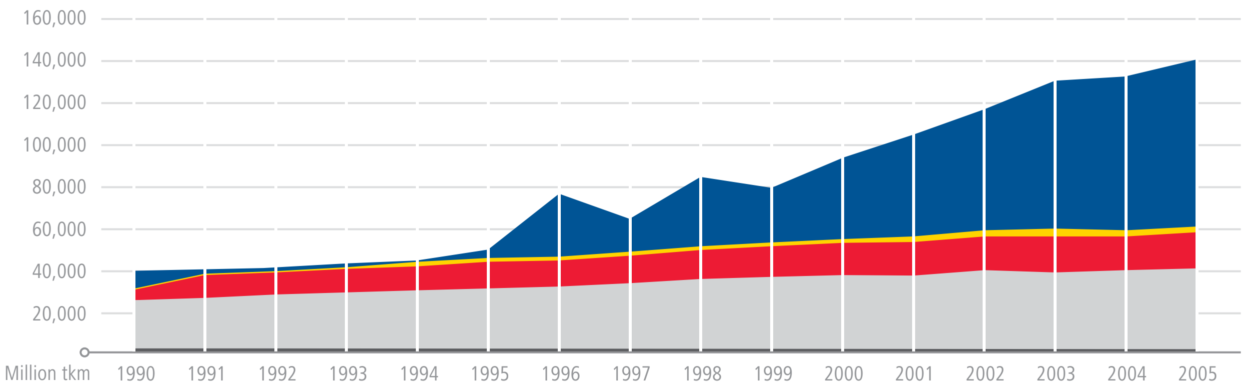
Source: Umweltbundesamt; evaluation based on OLI
Data: as of December 2006



Transport volume in freight transport in ton-kilometers (tkm) 1990-2005

Trucks | Semitrailers and truck-trailers | Railway | Danube | Abroad

Source: Umweltbundesamt; evaluation based on OLI
Data: as of December 2006



1 Source: Umweltbundesamt 2007 – Environmental Situation in Austria. 8th Environmental Report, Umweltbundesamt, Vienna

B.2. Regulations and Trends

Regulations and Decisions

In 2007 the European Union passed several resolutions which are of fundamental importance for railway traffic. The directive on public passenger transport services was adopted after several years of deliberations. It will come into force as of 03.12.2009; however, the provisions regarding the awarding of public transport orders by rail and road will have to be applied to full extent only as of 03.12.2019. This directive stipulates the awarding and content of public service orders and the conditions for any compensations in relation therewith to be paid to the public service provider.

The so-called third railway package completes the legal framework prepared by the European Union concerning railway traffic. The directive on passengers' rights and obligations is to standardize railway passengers' rights at European level. In particular, it refers to the availability of tickets, liability issues, information and transport rights of mobility-restricted passengers, and claims for compensation in case of delays. In principle, the directive will apply to domestic and cross-border transport services with exceptions being admissible at national level.

The directive on the certification of engine drivers was the first step towards the harmonization and mutual recognition of training standards by the EU member states. It will contribute to considerably simplify the cross-border use of engine drivers in a liberalized railway market.

After completely liberalizing European railway networks for freight transport, international passenger transport by rail will follow as of 01.01.2010. The corresponding directive already adopted provides for the right to have access to railway infrastructure for rendering cross-border passenger transport services including cabotage.

The issue of "rolling stock cross acceptance" (mutual recognition of safety installations) was extensively discussed at European level in 2007. In December 2006, the European Commission submitted several proposals aimed at revising the safety and interoperability directives, and a proposal regarding the setting up of a European Railway Agency. One of the goals is to harmonize the admission requirements for rail vehicles within the EU. The European Parliament and the Council of the European Union reached an agreement on the modification of the interoperability directives; all other issues will be subject to further deliberations in 2008.

Environmental Measures Targeted by EUR Transport Policy

Responding to the ongoing discussion on climate change, the European Commission adopted several measures and resolutions involving the issues of transport and the emissions caused by traffic affecting climate and environment.

The measures taken are to limit nitrogen oxides (NOx) and particulates emissions of diesel and gasoline powered vehicles. The so-called Euro 5 standard will enter into force in the middle of 2009, and the even more restrictive Euro 6 standard in the middle of 2014. The requirements to be imposed on vehicle manufacturers for reducing CO_2 emissions are still being discussed.

The directive on the promotion of the use of biofuels is being reviewed in order to achieve the goal of increasing the share of renewable fuels for transport to 10% by 2010.

Moreover, the European Commission suggested integrating air transport into the existing emission trading system. This proposal would apply to all inner-Community flights as of 2011 and to international flights as of 2012.

In 2006 the so-called "Eurovignette" directive came into force. It defines common rules to be followed when levying road user charges for heavy commercial vehicles. At present, tolls imposed on trucks are to be calculated on the basis of the construction and maintenance costs of the principal road network attributable to truck traffic. In the future, the toll will include also part of the costs generated by truck traffic through noise, emissions, accidents and obstructions to traffic. By order of the European Commission, a procedure will be prepared in 2008 on how to determine in detail these "external costs" caused by truck traffic. The outcome will be decisive for the future competitiveness of rail freight transport vis-à-vis truck transport.

Market Environment – Subgroup ÖBB-Personenverkehr

In 2007, the number of passengers in rail passenger transport increased by 2%. All in all, about 447 million passengers made use of the services offered by subgroup ÖBB-Personenverkehr.

Short-Distance and Regional Passenger Transport

Short-distance and regional passenger transport developed very favorably in 2007. Taking commuter traffic as the benchmark, subgroup ÖBB-Personenverkehr is the largest provider of short-distance transport services in the Eastern part of Austria. In 2007 a total of 170 million passengers were carried. Public-benefit services were up significantly due to additional or extended orders placed by the provinces. Ticket price revenues in short-distance transport improved primarily due to an increase in frequency. In short-distance traffic, heavy use was made of the suburban railway connections offered in Vorarlberg and Salzburg posting an increase in the number of passengers carried of up to 17%. EURegio tickets offered in the Eastern neighboring countries were also in great demand with sales up by about 23%. Short-distance transport taking people into the urban centers also increased above average; this positive development was mainly due to the use of the new generation of air-conditioned low-platform vehicles and rising fuel prices.

Long-Distance Passenger Transport

Long-distance passenger transport posted strong growth rates on the domestic and international markets over the past years while being marked by fierce competition from air traffic due to the successful positioning of low-cost airlines. However, the development in the period under review was affected by several months of strike waged at Deutsche Bahn during summer and fall. Uncertainty caused among customers and cancelled connections had a negative impact on earnings. It may not be assumed that the number of passengers achieved before this occurrence will be recovered quickly due to the passengers' loss of confidence. This is why in 2008 and 2009 the number of passengers carried to and from Germany will be below mid-term planning figures assumed so far. Nevertheless, as Germany accounts for about two thirds of international traffic, it will remain the most important foreign market in long-distance passenger transport. In domestic long-distance traffic, we expect positive and sustainable momentum from the successful development of the *VORTEILScard* and from the upturn in prices for fuels.

Bus Transport

In 2007, ÖBB-Postbus GmbH carried about 238 million passengers. It accounts for about 65% of passengers in regional bus transport (regular services) and about 15% of passengers in overall public transport in Austria. This means that 70% of proceeds in regional bus transport and 20% of proceeds in overall public transport in Austria are generated by ÖBB-Postbus. With a vehicle fleet of about 2,100 buses (22% of all buses registered in Austria) and 871 lines (29,000 services), ÖBB-Postbus GmbH covers about 139 million km every year (that is eight times around the world daily). Its subsidiary CSAD also maintains a very good market position in the region of Budweis transporting about 9 million passengers annually.

Traction

Liberalization of railway networks in Central Europe is of utmost importance for ÖBB-Traktion GmbH. The use of multisystem locomotives was started upon obtaining the certification of the Taurus locomotive series 1216 for Slovenia and upon signing an agreement with the Slovenian railway company regarding cross-border use of locomotives: Since the beginning of 2007, the *Taurus* locomotive series 1216 has been operating in the direct-current network to Zalog near Ljubljana and Dobava located at the border to Croatia. ÖBB-Traktion GmbH marked another milestone obtaining the certification of this high-performance locomotive in Italy. Since April 2007, the first trains have been operating in freight transport to Cervignano via Tarvis.

Moreover, the *Taurus* locomotive series 1216 has been used for corridor traffic from Innsbruck to Lienz since the beginning of June 2007 thus improving considerably punctuality and reliability.

ÖBB-Traktion GmbH is the biggest traction provider in Austria performing about 97 million kilometers in traction services (prior year: about 101 million km). The sales volume of traction services in shunting operations decreased to 686,000 shunting hours (2006: 771,000 shunting hours) while increasing in traction services regarding the operation of railcars to 815,000 hours (2006: 684,000 railcar-operating hours). As of 31.12.2007, ÖBB-Traktion GmbH owned 1,212 locomotives.

Market Environment – Subgroup Rail Cargo Austria

The following trends will have a decisive influence on the future development of the transport and logistics industry:

- Globalization of production and trade relationships
- Acceleration of economic activities (e.g. shorter product life cycles)
- Post-industrial period in Western Europe: Production of goods is growing only very slowly while individual product design is heavily influencing logistics
- Growing sensitivity for environmental protection

Subgroup Rail Cargo Austria benefits from these developments although lack of resources, in particular lack of wagons, is a factor which limits growth. However, the purchasing programs are taking effect as the supply of container cars and timber wagons is already under way.

In spite of the favorable economic environment, the transport sector is facing fierce competition and pricing pressure is intensified by rising fuel costs. In the medium term, shortage of cargo space will lead to price increases, especially in road freight transport.

Rail freight transport in Europe is benefiting from the economic upturn too, even if the growth rates do not match those posted by road freight transport. Moreover, there is rising competition between railway companies with competitors focusing on complete train transport which is especially attractive. Nevertheless, subgroup Rail Cargo Austria managed to become one of Europe's top transport providers in such a challenging environment.

Tons of freight transported in million	Tons transported 2006	Target 2007	Tons transported 2007	Change in %
Cargo & Logistics	67.3	68.6	68.7	2.1
Intermodal	23.6	23.7	26.5	12.1
BEX Logistics	1.8	2.0	1.7	-1.1
Total	**92.7**	**94.3**	**96.9**	**4.5**

Both conventional wagon load traffic (Cargo & Logistics) as well as combined road-and-rail traffic (intermodal) reached the goals set for the previous year as well as the targets for 2007. Reorganization of the LCL sector (BEX Logistics) has not been completed yet and has not achieved all of the goals set for 2007, in particular regarding transport volume.

Cargo & Logistics

Transport of **agricultural products** suffered from unfavorable market conditions and rising competition in 2007. Longer transport distances could not make up for lower transport volumes. At international level, the EU sugar market regulations considerably reduced sugar transports, and the lack of support purchases of grain led to further decreasing transport volumes in international traffic. On the other hand, domestic sugar beet transport, which is the important market for Rail Cargo Austria AG, increased significantly. Nevertheless, this fact and transit traffic (grain from Hungary), which developed quite positively despite fierce competition from other railway companies, could not make up for the overall trend. The industrial processing of agricultural products (e.g. starch) might be the basis for further consolidation in this market segment as the overall market development can hardly be predicted and competition is on the rise.

The profit center of **chemicals** managed to exceed prior year's level despite increasing competition. Apart from increasing the volume of chemicals transported (soda lye, nitric acid) and from winning new orders for the transport of fertilizers, products requiring longer transport distances had a decisive influence too. Thus, total revenues from the transport of mineral oil increased in spite of a reduction in the volume transported due to poor weather conditions.

Transport of **building materials** benefited from mild weather conditions during winter time although this positive trend slightly weakened in the second half of the year. Ballast transports temporarily suffered from a reduced number of large building sites. Despite fierce competition from private railway companies and truck transport, customers were won back in the cement industry.

The cancellation of military field exercises in Austria and border controls led to a reduction of **troop transports** which were made up for only in part by an international field exercise in fall.

High demand from the **paper industry** caused temporary shortages of wagons in the first half of 2007; nevertheless, demand leveled off in the second half of the year resulting in a slight overall increase for the period under review. In order to maintain or even further increase the high share of rail transport in the Austrian paper industry accounting for about 50% of overall transport volume, it is absolutely essential to increase wagon capacities. Measures aimed at optimizing empty stock are being consistently implemented. This is done by pushing the use of rolling stock which may be used for the transport of waste paper and wood pulp as well as for the transport of the finished articles.

The loss of transit volume from Italy led to a drop in volumes transported in the **waste disposal sector**. Existing garbage incineration plants in Austria have reached capacity limits as they are operating at maximum load; therefore new plants as well as the expansion of existing plants are planned to be realized in the years to come.

After posting growth rates above average in 2006, storm Kyrill was the biggest challenge the domestic **timber industry** had to face in 2007. The storm caused about 40 to 50 million solid measures of damaged timber in Europe. Due to an initiative taken by the forestry industry, domestic transport of timber rose significantly. Together with business partners and customers, subgroup Rail Cargo Austria managed to organize efficient transport from the regions affected by windfall in Austria and Central Europe by installing a system to control freight car supply thus proving its expertise in timber transport. Transport of sawn timber reached new record highs in the middle of the year which was followed by a market saturation leading to high inventories and cuts in production. Storm Kyrill, increasing export volumes, and the trend towards consolidation of timber mills in Europe resulted in transport flows varying considerably at regional level. Despite heavy investments in new rolling stock, subgroup Rail Cargo Austria had to cope with bottlenecks, like its European competitors. However, the subgroup successfully confirmed its position as the largest timber transport company in Central Europe in the period under review.

As in the previous year, the **Steel** profit center considerably increased and improved earnings in 2007. Demand for special transports repeatedly exceeded the capacities offered by road and rail. But the wagon purchasing program launched in the previous year will significantly increase the freight capacities available for high-quality steel transports thus making possible a further diversification of customers. The expansion of production which is under way in neighboring countries in Eastern Europe will promote further growth. Nevertheless, this segment is a fiercely competitive market in spite of high demand. The biggest customer of Rail Cargo Austria in the steel industry is also one of its biggest competitors as it disposes of its own railway company holding an Austria-wide operating license, its own railcars and wagons. By means of in-sourcing activities, it already managed to operate several complete trains. Price adjustments on the market were rather moderate taking into consideration rising energy and infrastructure costs. Several new orders were obtained by strengthening the position of foreign subsidiaries.

The market shares in **ore and scrap transports** were successfully maintained. Capacities increased through investments and the lease of wagons.

Transport volumes of **vehicles and machinery** developed in a satisfactory manner in 2007 due to a stable orders position in the automotive supplying industry. Nevertheless, competition by alternative routes and competitors is on the rise in this attractive sector of transit traffic.

Intermodal Traffic

Overall transport volume handled by the intermodal traffic division posted a strong growth due to the favorable economic environment and further increase in the international exchange of goods between Europe and America and Asia respectively. Especially combined road-and-rail traffic to and from international ports benefited from rising globalization. On the Brenner route, unaccompanied combined road-and-rail traffic increased considerably as did piggyback services so that the services offered were further extended.

Unaccompanied combined road-and-rail traffic (Combi Cargo) to Germany and the Netherlands posted the strongest growth rates. The market responded well to the introduction of complete trains running unchanged between two destinations. At present, the “Flying Dutchman” launched in 2006 runs almost every day between Rotterdam, the largest container port in Europe, and the Austrian transport hub in Wels. New transit connections were also established in Southern and Eastern Europe, for example between Belgium and Romania. In single wagon traffic, pricing was changed in 2007 and is now calculated per wagon thus significantly improving the rate of utilization per single wagon.

So far, **MOBILER transport solutions**, which are a combination of rail and truck, had been used mainly in Austria; however, in the reporting period this technology was successfully used also for transports to Germany thus making up for the expiry of another transport contract.

Piggyback services offered on the Brenner route were considerably expanded in 2007 with the third connection between Trento and Regensburg (apart from the connection between Wörgl – Brennersee and Wörgl – Trento) being put into operation in the middle of 2007. Since the timetable change 2007/2008 16 pairs of trains have been operating on the route Wörgl – Brennersee. The connections to Romania were suspended in the period under review while the connection Wels – Szeged was adjusted to the changed requirements of the market. In 2007, the first refurbished carriages transporting truck drivers in piggyback services were delivered thus further increasing the attractiveness of piggyback services and their acceptance by carriers.

BEX Logistics

The BEX Logistics division encompasses the segments of transport logistics, storage logistics, and road freight transport. All in all, in the period under review, the three LCL segments increased sales by 5.0% over the previous year. Restructuring continued successfully thus making possible a consistent increase in productivity and utilization of storage logistics as well as customer care in accordance with the needs of individual industries. Road freight transport achieved outstanding growth rates.

Forwarding Business

All essential segments of the forwarding business increased sales in the reporting period due to successful selling activities.

The most important customers in rail traffic could be maintained. Also the volume of business handled with these customers increased. Despite fierce competition by other railway companies, the transport volume scheduled for 2008 is secured with business activities remaining stable.

Truck transport could be increased in the reporting period. Long-term partnerships with select carriers and the expansion of the vehicle fleet aim at increasing flexibility when it comes to meeting customers’ needs.

Sales of air and ocean freight also reported high growth rates. This growth results primarily from winning new important customers and from extending existing customer relationships.

ÖBB-Technische Services GmbH

ÖBB-Technische Service-GmbH is responsible for the maintenance and repair of rail vehicles thus supplementing the range of services offered by subgroup Rail Cargo Austria. In the period under review, important rationalization and modernization measures were initiated and implemented. The organizational structure was adjusted in accordance with increasing internationalization, safety management processes were further improved while the implementation of international standards was speeded up. Measures aimed at optimizing shunting operations and availability of wagons and carriages were implemented. In addition to that, several safety certificates were obtained abroad.

Market Environment – Subgroup ÖBB-Infrastruktur Betrieb
ÖBB-Infrastruktur Betrieb AG safely operates more than 6,100 trains every day. By means of modern safety installations, scheduling, and communications, railway operations are being handled in a safe, efficient, and thus customer-oriented way. Over the next years, the railway network of ÖBB Group will be constantly modernized; 177 electronic signal boxes have already been put into operation.

The infrastructure packages adopted by the EU triggered a market liberalization stipulating that ÖBB has to make available its railway and shunting infrastructure to all railway companies complying with the admission requirements. In order to comply with these legal requirements, clear and discrimination-free rules for access, use, and production were drawn up for all activities and infrastructure facilities affected, and to present the infrastructure facilities to the public. Pursuant to the railway act on the conditions applying to the use of railway networks, the corresponding rules were published on the internet. Moreover, the regulations to be complied with by authorized railway companies and supporting documents were also made available on the internet.

The economic environment of subgroup ÖBB-Infrastruktur Betrieb is marked by an increase in traffic volume. Nevertheless, route competition is on the rise resulting in an increase in the market share of railway companies not forming part of ÖBB Group to 3.5% (based on complete train kilometers operated). Overall gross ton-kilometers operated by external railway companies were up from 3.8 billion in 2006 to about 4.6 billion in 2007. This is an increase of 19.7%.

Besides ÖBB Group, 21 other railway companies rendered transport services in 2007.

Market Environment – Subgroup ÖBB Infrastruktur Bau
The market environment of ÖBB-Infrastruktur Bau is marked by the switch from automatic cost coverage for infrastructure investments to compensations for services rendered and guaranty commitments assumed by the Federal Government in the course of the reform of ÖBB Group implemented in 2004/2005.

Master Plan
Implementation of building activities is based on the master plan which basically is in accordance with the provisions of the Overall Austrian Transport Plan. In the master plan, ÖBB-Infrastruktur Bau AG proposes those planning and building projects which are to be implemented over the next six years. Inspection and approval is incumbent on the Federal Ministry of Transport, Innovation, and Technology and the Federal Ministry of Finance.

The following assumptions were defined regarding the implementation of the approved master plan by means of an agreement signed by BMVIT, the Federal Ministry of Finance, ÖBB-Holding AG, and ÖBB-Infrastruktur Bau AG on 20.12.2007 as an amendment to the approved master plan 2007-2012.
– Agreement on annual investment grants
– Preparation of ways to implement cost savings
– Pursuant to § 43 Abs. 1 BBG, the Republic of Austria grants ÖBB-Infrastruktur Bau AG government subsidies for erecting infrastructure facilities.

The master plan for the period 2008-2013 has already been adapted by ÖBB-Infrastruktur Bau AG and the companies involved and has been approved by the supervisory board as well as taken note of by the Council of Ministers held on 05.03.2008.

The Republic of Austria assumes the liability for the investment volume agreed upon pursuant to § 66 Bundeshaushaltsgesetz (Austrian budget law); however, these investments are made directly by ÖBB-Infrastruktur Bau AG and are financed in part by means of proceeds such as the infrastructure rentals paid by ÖBB-Infrastruktur Betrieb AG or income from letting and leasing, and the use and exploitation of real estate by ÖBB-Immobilienmanagement GmbH. A large part of the financing is done by means of issuing bonds on the capital market. In 2007, a straight bond amounting to 1.3 billion EUR was issued which was two times oversubscribed. Due to the liability assumed by the Federal Government, ÖBB-Infrastruktur Bau AG has an excellent credit rating (AAA/Aaa rating).

Financing of railway infrastructure facilities to be newly erected was restructured on the basis of the Budgetermächtigungsgesetz 2007 (budget authorization act). So far, ÖBB has taken over the costs for new infrastructure facilities; as from now the Federal Government will bear indirectly about 70% of the construction costs. ÖBB will continue to raise the funds necessary for erecting new projects on the capital market through subgroup ÖBB-Infrastruktur Bau; however, as from 2007 the Republic of Austria will pay 70% of the amortization installments and interest expenses distributed over a period of 30 years. With respect to 2008, this modification means that the Federal Government will take over 1.05 billion EUR plus the corresponding interest expenses, distributed over a period of 30 years, from the planned investment volume amounting to 1.8 billion EUR.

Power Stations

ÖBB Group consumes about 2,000 GWh traction power per year which is about the overall consumption of the Austrian province of Vorarlberg. The power plant division of ÖBB-Infrastrukur Bau AG is the energy supplier of the entire ÖBB Group as well as of numerous external customers and offers its electricity services at market prices. In addition to internal and external customers, 19 of a total of 24 railway companies registered in Austria purchase their traction power from ÖBB-Infrastruktur.

Telecommunications

The business T-Kom Services is the contact for all telecommunications solutions within ÖBB Group. Successful implementation of the organizational realignment of T-Kom Services as of 01.01.2006 improved proximity to customers and response times. Accurately defined processes have created clear responsibilities regarding distribution, product management, technology, and infrastructure. The extensive field-support organization implemented by *T-Kom Services* provides 24/7 availability of telecommunications and maintenance services thus creating the basis for ensuring traffic and transport operations offered by the ÖBB Group. The business division services the entire telecommunications network of ÖBB Group. At the end of 2007, this network consisted of the railway telephone network (BASA, with about 24,700 telephone connections), a TCP/IP network (RailNet TK, with about 40,600 data connections), a transmission technology network (about 1,000 transmission technology installation at 400 sites), and the corresponding supply system (6,000 km of copper cable and 5,000 km of optical fiber cable).

Asset Management

As a competence center for the management of assets owned by ÖBB-Infrastruktur Bau AG, the business unit of asset management assists the management of ÖBB-Infrastruktur Bau AG in safeguarding its rights and obligations as the owner of these assets.

By coordinating asset disposal not incumbent on ÖBB-Immobilienmanagement GmbH and pushing ahead the discontinuation of lines, this business division is also the point of contact for the Federal Government, the provinces and municipalities, and for interested private individuals. Proceeds from the disposal of assets are used for paying back liabilities (including liabilities incurred by "former ÖBB"). Repayment potential is calculated by the asset marketing of the asset management division.

Basic Investments

The Basic Investments division is responsible for realizing all reinvestments serving the purpose of modernizing and improving the existing railway network and railway stations. About 400 million EUR are being invested in the existing railway network by implementing about 1,500 individual projects.

Apart from project coordination, the area of corridor management is in charge of technical facility management regarding all installations and equipment owned by ÖBB-Infrastruktur Bau AG.

Program management is responsible for preparing strategic parameters, general views, studies, arrangements, and plans for projects to be implemented in the field of connecting railways, level crossings, noise control measures, park & ride facilities, geotechnical safety, tunnel safety, traffic stations, and special projects. This business unit is the central point of contact for the Federal Government, the provinces, the municipalities, and all other interested individuals.

The area of environmental protection is in charge of complying with all environment-related requirements imposed on ÖBB-Infrastruktur Bau AG by any public authority. Furthermore, it is responsible for advising, training, and supporting project workers in environmental topics.

In order to further improve efficient use of funds, maintenance strategies are being drawn up for all kinds of installations and facilities.

Due to an organizational realignment, the business unit of technical facility management was integrated into the Basic Investments division, which is conducted as independent business segment within the division.

Technical Facility Management, which is the central point of contact for all group companies regarding the maintenance, inspection, repair, and trouble-shooting of technical installations, machinery and buildings, is offering its services for about 12,500 technical installations and about 6,000 buildings. Regarding sales, Technical Facility Services comes third on the Austrian market among the providers of technical facility management services.

Construction and Maintenance

The Construction and Maintenance division performs railway-specific building and other services primarily for the business segments of basic investments, and new constructions and expansion.

The business division underwent a strategic restructuring in 2007 in order to be better prepared for the current requirements in this sector. The focus is on the core areas of track laying and switch installation (including site safety), process control and safety technique, as well as electrical engineering.

Moreover, the Construction and Maintenance division is in charge of sustainably safeguarding railway-specific expertise within the group. In 2007, 120 km of tracks were renewed; 1,513 km of tracks were measured and repaired; 82 km of rails were replaced, 296 switches integrated, and 353 signals installed.

B.3. Development of Sales

Consolidated Sales

Overview	2006	2007	Change	Change in %
Direct sales in million EUR	2,199.0	2,392.2	193.2	9
Compensation by the Federal Government pursuant to § 42 BBG in million EUR	1,006.0	1,006.0	0.0	0
Public-benefit services in million EUR	860.6	892.7	32.1	4
Sales in million EUR	4,564.0	4,874.2	310.2	7
Total revenues in million EUR	4,990.2	5,521.4	531.2	11
Total revenues per employee in thou. EUR	112	127	15.0	13

In 2007, ÖBB Group increased sales by 7% to about 4,874.2 million EUR (prior year: about 4,564.0 million EUR). Direct sales on the market account for 49% (passenger transport 12%, freight transport 37%) or about 2,392.2 million EUR thereof. In the previous year, the share of direct sales on the market was 48% (passenger transport 13%, freight transport 35%) or 2,199.0 million EUR. Therefore, isolated comparison of sales from direct sales on the market shows an increase of 9%.

Government compensations for operation, maintenance, inspection, and repair of the railway infrastructure were exactly the same as the previous year, namely 1,006.0 million EUR. These payments pursuant to § 42 BBG account for 21% (prior year: 22%) of the consolidated sales. Sales from public-benefit services account for about 892.7 million EUR or 18% of consolidated sales (prior year: 19% or 860.6 million EUR). As in the previous year, payments by the Federal Government for public-benefit services account for 12% (prior year: 13%) and payments by the provinces and municipalities for 6% of the sales, as in the previous year.

Due to the increase in sales and the reduction of the average number of employees from 44,377 to 43,390, total revenues as per employee[1] improved to 127,000 EUR (2006: about 112,000 EUR). Foreign share in unconsolidated sales is about 1,194.2 million EUR, which is about 15% (prior year: 899.0 million EUR, which is 11%).

Sales subdivided into subgroups

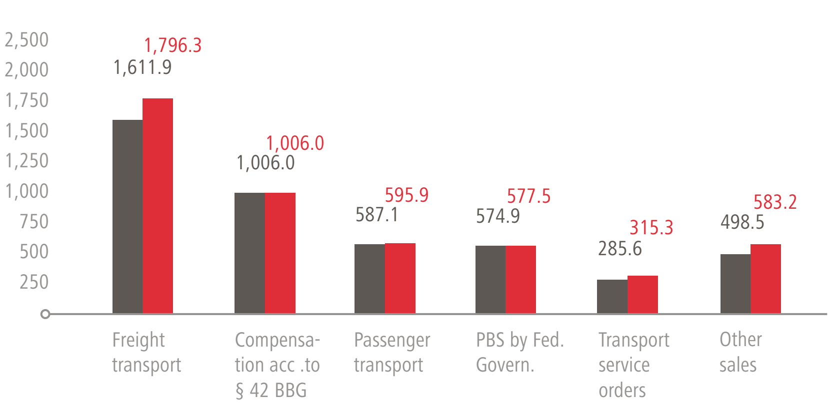
in million EUR	2006	2007	Change	Change in %
Subgroup ÖBB-Personenverkehr	1,846.0	1,919.9	73.9	4
Subgroup Rail Cargo Austria	2,189.3	2,372.6	183.3	8
Subgroup ÖBB-Infrastruktur Betrieb	1,951.2	1,518.0	-433.2	-22
Subgroup ÖBB-Infrastruktur Bau	1,051.0	1,260.0	209.0	20
ÖBB-Holding AG and other companies	966.2	1,375.9	409.7	42
Less consolidation subgroups	-3,439.7	-3,572.2	-132.5	-4
Sales according to consolidated financial statements	**4,564.0**	**4,874.2**	**310.2**	**7**
Total other revenues	426.2	647.2	221.0	52
Total revenues	**4,990.2**	**5,521.4**	**531.2**	**11**

1 Total revenues / average number of employees

In the 2007 business year sales from direct sales on the market increased significantly in both the passenger and freight transport sector. Payments pursuant § 42 BBG remained unchanged over the previous year. Revenues from public-benefit services rendered by order of the Federal Government were slightly on the rise, just as revenues from public transport orders placed by the provinces and municipalities. Other revenues increased by 11% to about 647.1 million EUR over the previous year (2006: about 426.2 million EUR). This sum includes from income from letting and leasing amounting to about 188.1 million EUR (prior year: about 166.1 million EUR) and income from power trade amounting to about 201.1 million EUR (2006: 153.6 million EUR).

Development of consolidated sales according to origin

in million EUR



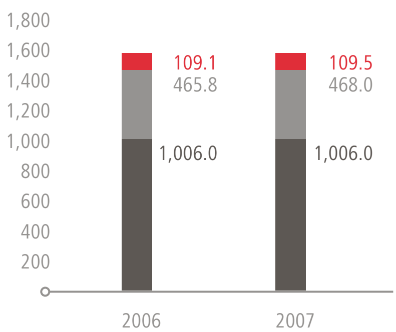
Payments by the Government affecting sales

in million EUR	ÖBB-Personen-verkehr (Subgroups)	Rail Cargo Austria (Subgroups)	ÖBB-Infra-struktur Betrieb (Subgroups)	ÖBB-Infra-struktur Bau (Subgroups)	Total
Compensation pursuant to § 42 BBG	-	-	1,006.0	-	1,006.0
	-	-	(2006: 1,006.0)	-	(2006: 1,006.0)
Public-benefit services ordered by the Federal Government	468.0	109.5	-	-	577.5
	(2006: 465.8)	(2006: 109.1)	-	-	(2006: 574.9)
Income acc. to § 43 BBG	-	-	-	65.0	65.0
	-	-	-	(2006: 0.0)	(2006: 0.0)
Total payments by the Federal Government	**468.0**	**109.5**	**1,006.0**	**65.0**	**1,648.5**

Pursuant to § 42 BBG the Federal Government pays a compensation for the operation, maintenance, inspection, and repair of the railway infrastructure required for fulfilling the operational purpose unless these expenses are covered by third parties. Payments made to subgroup ÖBB-Personenverkehr result from contracts concluded with the Federal Government pursuant to § 48 BBG for public-benefit services to be rendered in 2007 which stipulate the granting of reduced ticket prices in passenger transport and services ordered in short-distance passenger transport and regional traffic. Payments made to subgroup Rail Cargo Austria result from the transport of dangerous goods and waste as well as from services rendered within the scope of combined road-and-rail transport.

Compensation by Federal Government (§ 42 BBG) and public-benefit services (PBS)

in million EUR



Intra-group Settlement of Services

The following table shows the most relevant intra-group services rendered by one subgroup to another. It includes infrastructure-related charges for the use of train paths, local infrastructure and passenger railway stations, and payments for energy, traction and technical services as well as other services.

+ Services received by - Services rendered by in million EUR	Subgroup ÖBB-Personen- verkehr	 Rail Cargo Austria	 ÖBB-Infra- struktur Betrieb	 ÖBB-Infra- struktur Bau	Other companies
Compensation for maintenance and repair and investments			1) (2006: 490.7)	(2006: -490.7)	
Compensation for traction services	404.9 (2006: 397.0)	-384.8 (2006: -373.5)	-15.5 (2006: -22.7)	-4.5 (2006: -0.8)	-0.1
Infrastructure rentals ÖBB-Infrastruktur Bau AG			-463.0 (2006: -423.0)	463.0 (2006: 423.0)	
Infrastructure rentals ÖBB-Infrastruktur Betrieb	-205.0 (2006: -198.3)	-195.3 (2006: -188.1)	400.3 (2006: 386.4)		
Infrastructure charges	-256.2 (2006:-259.7)	276.9 (2006: 281.2)	-19.2 (2006: -19.9)	-0.9 (2006: -1.3)	-0.5 (2006: -0.3)
Compensation for intra-group power station services	-204.2 (2006: -192.6)	-11.8 (2006: -12.1)	-15.8 (2006: -23.7)	232.1 (2006: 229.2)	-0.2 (2006: -0.8)
Compensation for other rentals – real estate division of ÖBB-Infrastruktur Bau AG	-18.8 (2006: -15.5)	-29.2 (2006: -28.6)	-39.6 (2006: -45.2)	95.0 (2006: 95.4)	-7.4 (2006: -6.1)
Compensation for internal services by ÖBB-Dienstleistungs GmbH	-26.0 (2006: -22.0)	-23.8 (2006: -19.9)	-50.2 (2006: -64.4)	-15.9 (2006: -6.5)	115.9 (2006: 112.9)

1 Business division Bahnbau transferred from ÖBB-Infrastruktur Betrieb to ÖBB-Infrastruktur Bau in 2007

Development of Sales – Subgroup ÖBB-Personenverkehr

Overview	2006	2007	Change	Change in %
Passengers carried in million	443	447	4	1
Sales of ÖBB customer cards	1,302,559	1,415,327	112,768	9
Sales in million EUR	1,846.0	1,919.9	73.9	4
Total revenues in million EUR	1,912.5	1,996.2	83.7	4
Total revenues per employee in thou. EUR	131	142	11	8

Passengers Carried

Over the previous year, subgroup ÖBB-Personenverkehr achieved an increase of 2% to about 200 million passengers carried by rail. The number of passengers carried by bus amounted to about 247 million in 2007 thus remaining practically unchanged over the previous year.

Passengers carried

1 including about 1 million from transport by ship

Since some bus lines were disposed of in 2005, which would make a comparison with last year's figures less meaningful, the figures for 2005 were adjusted accordingly.

Targeted marketing campaigns succeeded in increasing the sale of ÖBB customer cards – the so-called VORTEILScard – by 9% to 1,415,327 cards (prior year: 1,302,559). This means that 17% of the Austrians are regular customers of the ÖBB Group.

Passengers carried in million	2005	2006	2007	Change in absolute figures	Change in %
Long distance – by rail	28	29	30	1	3
Short distance – by rail	164	167	170	3	2
Total by rail	**192**	**196**	**200**	**4**	**2**
Bus	242[1]	247	247	0	0
By ship	1	0[2]	0	0	0
Total	**435**	**443**	**447**	**4**	**1**

1 Figures for 2005 after disposal of several lines
2 Sale of business division of shipping operations in the first half of 2006

Sales – Subgroup ÖBB-Personenverkehr in million EUR	2006	2007	Change	Change in %
Unconsolidated sales	1,762.5	1,848.6	86.1	5
thereof abroad	149.2	145.7	-3.5	-2
Income from compensations for public-benefit services	465.8	468.0	2.2	0
Less intra-company sales	-382.3	-396.7	-14.4	-4
Sales	**1,846.0**	**1,919.9**	**73.9**	**4**
Other income	66.5	76.2	9.7	15
Total revenues	**1,912.5**	**1,996.1**	**83.6**	**4**
thereof with ÖBB Group	427.6	435.0	7.4	2

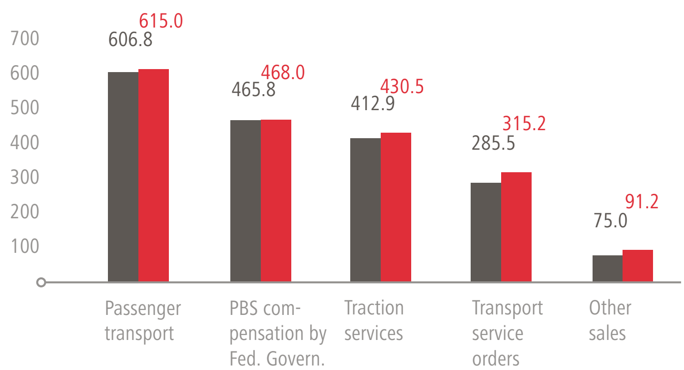
With an average staff level of 14,072 employees (2006: 14,618) each employee accounts for about 142,000 EUR (prior year: 131,000 EUR) of total revenues. Foreign share in unconsolidated sales is about 145.7 million EUR, that is about 8% (prior year: 149.2 million EUR, that is 8%).

Sales increased by 4% to about 1,919.9 million EUR (prior year: 1,846.0 million EUR) in 2007. Traction services amounting to about 430.5 million EUR (2006: about 412.9 million EUR) account for 22% (2006: 22%) of sales. Sales from passenger transport by rail and bus increased by 1% to about 615.0 million EUR (2006: about 606.8 million EUR) and account for 32% of the sales achieved by the subgroup. 41% (prior year: 41%) of sales come from rendering public-benefit services ordered by the public sector. Orders placed by provinces and municipalities account for about 315.2 million EUR (2006: 285.5 million EUR), and orders placed by the Federal Government for about 468.0 million EUR (2006: about 465.8 million EUR).

Other sales encompass revenues from letting and leasing amounting to about 42.7 million EUR (prior year: 33.3 million EUR) and revenues from maintenance and repair work amounting to about 23.7 million EUR (2006: about 24.0 million EUR). Foreign sales, mainly generated in Germany and Eastern Europe, decreased by about 3.5 million EUR or 2%.

Sales – Subgroup ÖBB-Personenverkehr

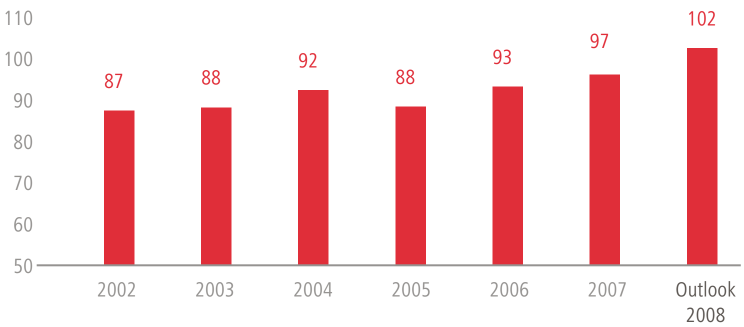
in million EUR ■ 2006: 1,846.0 million EUR ■ 2007: 1,919.9 million EUR



Development of Sales – Subgroup Rail Cargo Austria

Overview	2006	2007	Change	Change in %
Tons of freight carried in million	92.7	97.0	4.3	5
Sales generated directly as transport services in million EUR	870.0	906.0	36.0	4
Sales in million EUR	2,189.3	2,372.6	183.3	8
Total revenues in million EUR	2,238.2	2,416.9	178.7	8
Total revenues per employee in thou. EUR	272	298	26	10

Tons carried in million



In the reporting year, subgroup Rail Cargo Austria increased its freight transport volume by about 5% to almost 97.0 million tons thus scoring a new record.

	Tons in 1,000			Ton-km in million		
	2006	2007	Change in %	2006	2007	Change in %
Domestic transport	26,529	29,835	12	4,495	4,898	9
Import	29,378	29,228	-1	5,833	5,664	-3
Export	19,545	19,068	-2	4,327	4,140	-4
Transit	15,462	17,081	10	4,213	4,729	12
Total excl. BEX Logistics	**90,914**	**95,212**	**5**	**18,868**	**19,431**	**3**
Transport logistics	663	678	2	-	-	-
Road freight transport	1,099	1,083	-1	-	-	-
Total incl. BEX Logistics	**92,676**	**96,973**	**5**	**18,868**	**19,431**	**3**

Note: In BEX Logistics, no ton-kilometers are recorded. Furthermore, no differentiation is made between types of traffic in the LCL sector that is why this sector is normally assigned to domestic transport.

While normal wagon load traffic stabilized at prior year's level, intermodal traffic recorded strong growth rates. The business division of combined road-and-rail traffic grew far above average after going through some difficult years. Cargo & Logistics account for 71%, intermodal traffic for 27%, and BEX Logistics for 2% thereof. Apart from cross-border transport, also domestic transport volumes showed a positive trend in 2007. Sales generated directly by means of transport services increased by 4% or about 36.0 million EUR to about 906.0 million EUR.

Despite the restructuring of the investment portfolio, sales in the forwarding business rose significantly due to the dense network of participations and the synergies realized in 2007.

Sales – Subgroup Rail Cargo Austria

in million EUR	2006	2007	Change in absolute figures	Change in %
Unconsolidated sales	2,502.9	2,810.4	307.5	12
thereof abroad	750.0	977.2	227.2	30
Income from compensations for public-benefit services	109,1	109,5	0,4	0
Less intra-company sales	-422,7	-547,3	-124,6	-29
Sales	**2.189,3**	**2.372,6**	**183,3**	**8**
Other income	48,9	44,3	-4,6	-10
Total revenues	**2.238,2**	**2.416,9**	**178,7**	**8**
thereof with ÖBB Group	343,0	336,8	-6,2	-2

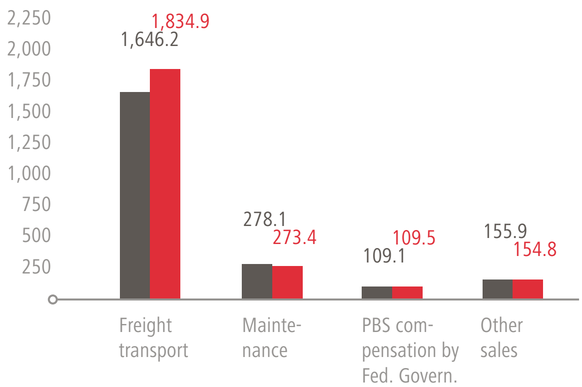
All in all, sales of the subgroup rose by 8% to about 2,372.6 million EUR (2006: about 2,189.3 million EUR). Direct sales on the market account for about 1,834.9 million EUR or 77% (prior year: 75% or 1,646.2 million EUR) thereof. About 109.5 million EUR or 5% of sales come from compensations paid by the Federal Government for rendering public-benefit services.

With an average staff level of 8,121 employees (2006: 8,237 employees) each employee accounts for about 298,000 EUR (prior year: 272,000 EUR) of total revenues. Foreign share in unconsolidated sales revenues is about 977.2 million EUR, that is about 35% (prior year: 750.0 million EUR, that is 30%). Thus, foreign sales increased by about 227.7 million EUR or 30%, which shows the growing internationalization of the subgroup's activities.

Sales from freight transport amounting to about 1,834.9 million EUR (2006: 1,646.2 million EUR) account for 77% (2006: 75%) thereof. About 273.4 million EUR or 12% (2006: 278.1 million EUR or 13%) are attributable to the area of maintenance and repair. A further 5% (prior year: 5%) of sales are compensations by the Federal Government for the rendering of public-benefit services. Other revenues show income from letting and leasing amounting to about 81.5 million EUR (2006: 71.6 million EUR).

Development of subgroup's sales

in million EUR ■ 2006: 2,189.3 million EUR ■ 2007: 2,372.6 million EUR



Development of Sales – Subgroup ÖBB-Infrastruktur Betrieb[1]

Overview	2006	2007	Change	Change in %
Train-kilometers operated in million	147.0	150.2	3.2	2
Total gross ton-kilometers in million	73,448.0	76,200.0	2,752.0	4
Sales in million EUR	1,951.2	1,518.0	-433.2	-22
Total revenues in million EUR	1,992.4	1,544.8	-447.6	-22
Total revenues per employee in thou. EUR	115	122	7	6

1 The figures indicated in the income statement and the balance sheet are only relevant in part due to the sale of the business divisions Bahnbau and Netztechnik, the acquisition of telecommunications facilities and the sale of dedicated assets.

An important parameter for assessing the operative performance of subgroup ÖBB-Infrastruktur Betrieb is the development of train-kilometers operated. Over the previous year, the number of train-kilometers increased by 2% to about 150.2 million train-kilometers. Strong growth was posted both on an intra-group level as well as regarding train-kilometers operated by external railway companies.

Development of train-kilometers by type of transport in million

	2006	2007	Change in absolute figures	Change in %
Passenger transport	90.4	92.6	2.2	2
thereof ÖBB Group	89.2	91.5	2.3	3
Freight transport	48.8	50.1	1.3	3
thereof ÖBB Group	45.4	46.4	1.0	2
Internal service traffic	7.8	7.5	-0.3	-4
thereof ÖBB Group	7.8	7.0	-0.8	-10
Total	**147.0**	**150.2**	**3.2**	**2**

Another indicator for assessing business development is the number of total gross ton-kilometers which increased by about 4% to 76.2 billion gross ton-kilometers in 2007. While in 2006 external railway companies accounted for about 3.8 billion gross ton-kilometers or 5% of total volume, this share rose to 6% or about 4.6 billion gross ton-kilometers representing a 20% increase.

Development of gross ton-kilometers by type of transport in million

	2006	2007	Change in absolute figures	Change in %
Passenger transport	26,482.9	26,744.0	261.1	1
thereof ÖBB Group	26,229.2	26,515.7	286.5	1
Freight transport	46,119.1	48,616.7	2,497.6	5
thereof ÖBB Group	42,565.5	44,328.0	1,762.5	4
Internal service traffic	846.0	839.3	-6.7	-1
thereof ÖBB Group	846.0	772.6	-73.4	-9
Total	**73,448.0**	**76,200.0**	**2,752.0**	**4**

Sales – Subgroup ÖBB-Infrastruktur Betrieb

in million EUR	2006	2007	Change	Change in %
Unconsolidated sales	1,034.1	573.5	-460.6	-45
Compensation pursuant to § 42 BBG	1,006.0	1,006.0	0.0	0
Less intra-company sales	-88.9	-61.5	27.4	31
Sales	**1,951.2**	**1,518.0**	**-433.2**	**-22**
Other income	41.2	26.8	-14.4	-35
Total revenues	**1,992.4**	**1,544.8**	**-447.6**	**-22**
thereof with ÖBB Group	918.0	499.0	-419.0	-46

In 2007, sales of subgroup ÖBB-Infrastruktur Betrieb decreased by 22% to about 1,518.0 million EUR (prior year: about 1,951.2 million EUR). Government compensations for the operation, maintenance, inspection, and repair of the railway infrastructure pursuant to §42 BBG amount to about 1,006.0 million EUR (2006: about 1,006.0 million EUR) thus 66% (2006: 52%) being attributable to this area of responsibilities.

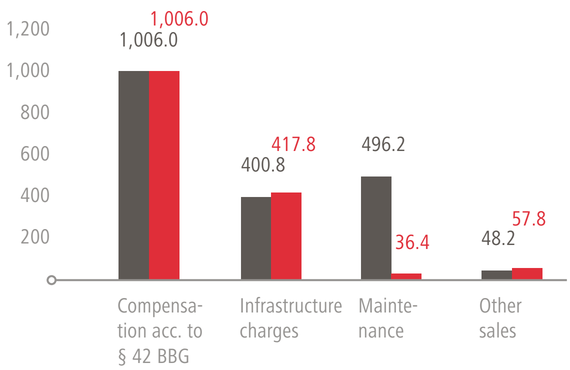
The infrastructure charges are an important element of sales and increased by about 17.0 million EUR or 4% to about 417.8 million EUR in 2007. Investment payments were made to ÖBB-Infrastruktur Bau AG for the maintenance and construction of railway infrastructure facilities. This business division (Bahnbau and Netztechnik) was transferred to subgroup ÖBB-Infrastruktur Bau AG with sales resulting therefrom decreasing to an amount of about 36.4 million EUR. Other sales were achieved in the fields of maintenance, trouble-shooting, and inspection, and by remedying damage events rising by 20% over the previous year to about 57.8 million EUR.

Sales were generated primarily in Austria. With an average staff level of 12,681 employees (2006: 17,389), each employee accounts for about 122,000 EUR (prior year: 115,000 EUR) of total revenues.

Development of sales – Subgroup ÖBB-Infrastruktur Bau[1]

Development of subgroup's sales

in million EUR ■ 2006: 1,951.2 million EUR ■ 2007: 1,518.0 million EUR



Overview	2006	2007	Change	Change in %
Total consumption of traction power in GWh	2,053	2,004	-49	-2
Useable floor space of real estate in thou. m²	2,854.2	2,882.9	28.7	1
Sales in million EUR	1,051.0	1,260.0	209.0	20
Total revenues in million EUR	1,185.6	1,679.5	493.9	42
Total revenues per employee in thou. EUR	421	250	-171	-41

The most important parameters for assessing the operative performance of subgroup ÖBB-Infrastruktur Bau are the quantity of self-generated power in kWh, the useable floor space of real estate rented out, and the overall length of the railway network serving as the basis for calculating infrastructure rentals.

Traction power in GWh	2006	2007	Change in absolute figures	Change in %
Self-generated traction power in GWh	646	612	-34	-5
Purchased traction power in GWh	1,407	1.392	-15	-1
Total consumption of traction power in GWh	**2,053**	**2.004**	**-49**	**-2**

In 2007, about 31% of total traction power consumption were covered by internal production. The selling price for traction power is calculated as a mixed price made up of the cheaper self-generated power and purchased energy. Although self-generation of power decreased by 5%, less energy had to be purchased in 2007 due to lower consumption. Expenditure related therewith further increased as power rates are on the rise.

Useable floor space of real estate in thou. m²	2006	2007	Change in thou. m²	Change in %
External use	727.4	823.2	95.8	13
Use by other ÖBB group companies	1,093.2	694.6	-398.6	-36
Use by subgroup ÖBB-Infrastruktur Bau	141.4	300.2	158.8	112
Vacancy and public space	892.2	1,064.9	172.7	19
Total useable floor space	**2,854.2**	**2,882.9**	**28.7**	**1**

1 The figures indicated in the income statement and the balance sheet are only relevant in part due to the sale of the business divisions Bahnbau and Netztechnik, the acquisition of telecommunications facilities and the sale of dedicated assets.

Increase in rentals results mainly from the transfer of revenues from three-phase current from the business division of power stations to the business division of real estate.

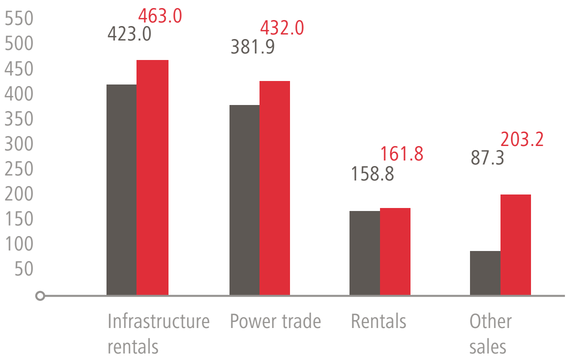
Sales – Subgroup ÖBB Infrastruktur Bau

in million EUR	2006	2007	Change in million EUR	Change in %
Unconsolidated sales	1,076.4	1,302.3	225.9	21
Less intra-company sales	-25.4	-42.3	-16.9	-67
Sales	**1,051.0**	**1,260.0**	**209.0**	**20**
Other income	134.6	419.5	284.9	212
Total revenues	**1,185.6**	**1,679.5**	**493.9**	**42**
thereof with ÖBB Group	813.1	972.4	159.3	20%

In 2007, sales of the subgroup rose by 20% to about 1,260.0 million EUR (prior year: 1,051.0 million EUR) of which about 957.7 million EUR (2006: about 808.0 million EUR) are attributable to sales achieved with other companies of ÖBB Group. In 2007 sales from infrastructure charges amounting to about 463.0 million EUR (prior year: 423.0 million EUR) and income from letting and leasing of about 39.0 million EUR (2006: about 44.8 million EUR) as well as other revenues to the amount of about 50.9 million EUR (2006: about 35.5 million EUR) were achieved with ÖBB-Infrastruktur Betrieb AG, the biggest customer of subgroup ÖBB-Infrastruktur Bau. ÖBB-Traktion GmbH was charged about 194.5 million EUR (prior year: 181.4 million EUR) for traction power. The subgroup achieved 58% or about 972.4 million EUR (prior year: 69% or 813.1 million EUR of total revenues through sales to other ÖBB group companies.

Development of subgroup's sales

in million EUR ■ 2006: 1,051.0 million EUR ■ 2007: 1,260.0 million EUR



Rental for railway infrastructure accounts for 37% or about 463.0 million EUR (2006: 40% or about 423.0 million EUR) of total sales of the subgroup. Income from letting and leasing increased by 2% or 3.0 million EUR to about 161.8 million EUR in 2007. The increase in income from letting and leasing is mainly due to the fact that revenues from three-phase current are no longer charged through the business division of power stations but as operating expenses included in rentals. Furthermore, higher operating costs were charged due to rising energy prices. Revenues from power trade with group companies and third parties rose by about 50.1 million EUR or 13% to about 432.0 million EUR. Compared to 2006, revenues from power trade rose primarily due to an increase in activities on the Central European wholesale market for power. Despite a lower consumption in 2007 compared to target values and a decrease in self-generated power, effective portfolio management led to an improvement in results.

Other income increased since the compensation by the Federal Government according to § 43 BBG amounting to about 65 million EUR has been reported under this item for the first time in 2007.

With a staff level of 6,709 employees (prior year: 2,813), total revenues per employee decreased by 41% from about 421,000 EUR in 2006 about 250,000 EUR in 2007, which is due to the takeover of the business divisions Bahnbau and Netztechnik.

Sales are mainly generated in Austria. Only sales from energy deliveries amounting to about 66.2 million EUR and telecommunication services of about 0.3 million EUR were achieved abroad.

B.4. Earnings Position

Overview	2006	2007	Change	Change in %
EBIT in million EUR	353.2	513.6	160.4	45
EBIT margin in %	7	9	2	29
EBT in million EUR	98.8	44.4	-54.4	-55
Return on equity in %	3	2	-1	-33
Total return on capital employed in %	3	3	0	0

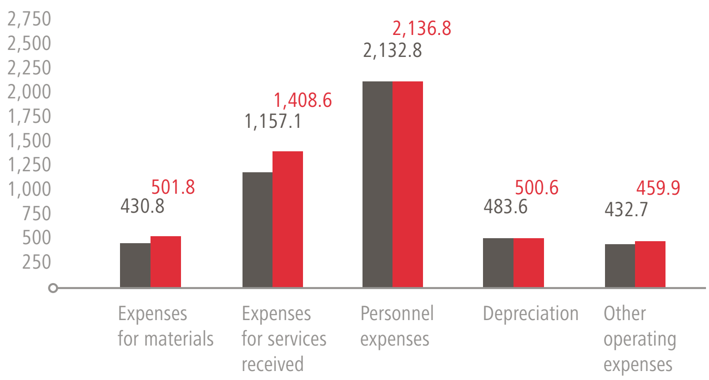
Structure of the Consolidated Income Statement in million EUR	2006	In % of total revenues	2007	In % of total revenues	Change	in %
Sales	4,564.0	91	4,874.2	88	310.2	7
Other own work capitalized	221.5	5	350.2	6	128.7	58
Other sales, and increase and decrease in inventories	204.7	4	297.0	6	92.3	45
Total revenues	**4,990.2**	**100**	**5,521.4**	**100**	**531.2**	**11**
Expenses for materials	430.8	9	501.8	9	71.0	16
Expenses for services received	1,157.1	23	1,408.6	26	251.5	22
Personnel expenses	2,132.8	43	2,136.8	39	4.0	0
Depreciation	483.6	10	500.6	9	17.0	4
Other operating expenses	432.7	8	459.9	8	27.2	6
Total expenditure	**4,637.0**	**93**	**5,007.7**	**91**	**370.7**	**8**
EBIT[1]	**353.2**	**7**	**513.6**	**9**	**160.4**	**45**
Financial results	**-254.4**	**-5**	**-469.2**	**-8**	**-214.8**	**-84**
EBT[1]	**98.8**	**2**	**44.4**	**1**	**-54.4**	**-55**

In the reporting year, the ÖBB Group increased earnings before interest and taxes by 45% to about 513.6 million EUR (prior year: about 353.2 million EUR). At the same time, the EBIT margin[2] improved from 7% in 2006 to 9%. Although negative financial results rose by about 214.8 million EUR to about -469.2 million EUR, EBT posts a growth of 55% to about 44.4 million EUR. Total revenues of about 5,521.4 million EUR are an increase of 11% over the previous year. Thus, total revenues per employee improved to about 127,000 EUR (prior year: 112,000 EUR) with an average staff level of 43,390 employees.

In 2007, total expenditure rose by about 370.7 million EUR to about 5,007.7 million EUR (2006: about 4,637.0 million EUR). Personnel could be maintained stable over the previous year at about 2,136.8 million EUR (2006: 2,132.8 million EUR), nonetheless representing by far the largest expense item. Average expenses per employee amount to about 49,000 EUR (prior year: about 48,000 EUR).

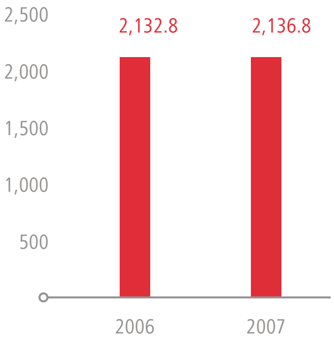
Development of operating expenses

in million EUR ■ 2006: 4,637.0 million EUR ■ 2007: 5,007.7 million EUR



1 In order to enhance their informative value and deviating from uniform presentation, these key figures are given including decimal digits in spite of the resulting rounding differences.
2 EBIT-Marge: EBIT / total revenues

Development of personnel expenses in million EUR



Personnel intensity[1], which compares personnel expenses to total revenues, was down from 43% in 2006 to 39%.

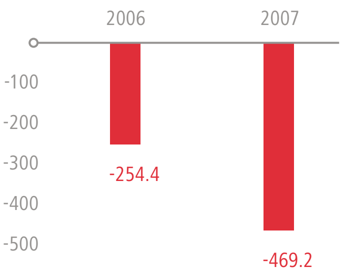
Expenses for materials increased by 16% to about 501.8 million EUR (prior year: about 430.8 million EUR). This item comprises expenses for purchased traction current of about 277.8 million EUR (prior year: 219.6 million EUR) and expenses for liquid fuel of about 86.4 million EUR (2005: about 86.4 million EUR). The second largest expense item is expenses for services received to the amount of 1,408.6 million EUR (2006: about 1,157.1 million EUR). It comprises in particular payments for vehicle rentals, transport services, and charges for the use of infrastructure of third-party railways. Moreover, this item includes other services received made up primarily of services and supplies which may not be capitalized in connection with repair, maintenance, cleaning, and other services in the forwarding business.

In 2007 the share of expenses for materials and services received in total revenues rose from 32% to almost 35%. Depreciation expenditure was up by about 17.0 million EUR to about 500.6 million EUR.

By reducing average staff levels by about 2% to 43,390 employees, personnel expenses remained practically unchanged over the previous year amounting to about 2,136.8 million EUR (2006: 2,132.8 million EUR). For further details regarding personnel structure and number of employees, please refer to chapter C, Personnel Report, of the Status Report.

Other operating expenses in million EUR	Total in 2006	Total in 2007	Change in million EUR	in %
Taxes and other fiscal charges	45.7	40.3	-5.4	-12
Operating expenses	77.9	84.5	6.6	8
Additional expenditure for personnel and contracts for work	11.8	8.1	-3.7	-31
Information technology and office supply	32.2	31.8	-0.4	-1
Expenses for rentals, tenancy, licenses and leasing	28.8	29.5	0.7	2
Personnel, safety, training and further education	14.4	15.1	0.7	5
Mailing charges, bank and telephone charges	13.7	15.0	1.3	9
Commissions	11.5	10.0	-1.5	-13
Marketing and promotional costs	10.0	29.8	19.8	198
Further other expenses	186.7	195.8	9.1	5
Total	**432.7**	**459.9**	**27.2**	**6**

Development of financial results in million EUR



Operating expenses amounting to about 84.5 million EUR (2006: about 77.9 million EUR) are by far the largest item under other operating expenses. Operating expenses, leasing expenses, personnel expenses, expenditure for safety, training and further education, mailing charges, bank and telephone charges, marketing and promotional costs, and further other expenses were up. Nevertheless, overall other operating expenses increased by about 27.2 million EUR.

In 2007, ÖBB Group reported negative financial results of about -469.2 million EUR (2006: about -254.4 million EUR). This was due to an increase in interest expenses rising by 20% or about 80.1 million EUR to about 485.6 million EUR in 2007 as well as to losses incurred in

1 Personnel intensity: personnel expenses/total revenues

connection with financial market transactions (CDO). Despite an increase in EBIT, EBT decreased from about 98.8 million EUR in 2006 to about 44.4 million EUR. As a result, return on equity[1] was down from 3% to 2%.

Earnings Position – Subgroup ÖBB-Personenverkehr

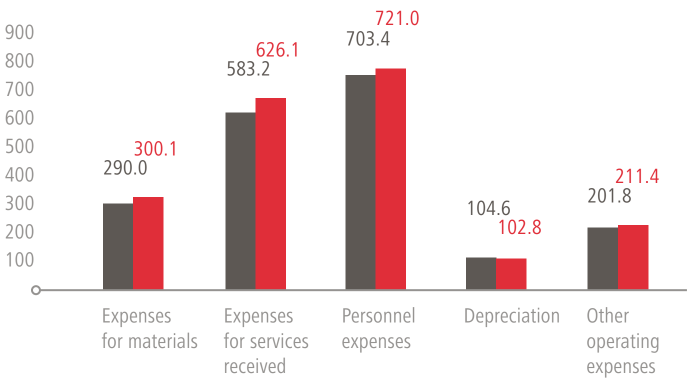
Overview	2006	2007	Change	Change in %
EBIT in million EUR	29.5	34.8	5.3	18
EBIT margin in %	1.54	1.74	0.20	13
EBT in million EUR	40.3	-21.7	-62.0	-154
Return on equity in %	2.95	-1.61	-4.56	-155

Structure of the Subgroup's Income Statement in million EUR	2006	In % of total revenues	2007	In % of total revenues	Change in absolute figures	in %
Sales	1,846.0	97	1,919.9	96	73.9	4
Other own work capitalized	0.1	0	0.1	0	0.0	0
Other sales and increase and decrease in inventories	66.4	3	76.2	4	9.8	15
Total revenues	**1,912.5**	**100**	**1,996.2**	**100**	**83.7**	**4**
thereof vis-à-vis remaining Group	427.6	22	435.0	22	7.4	2
Expenses for materials	290.0	15	300.1	15	10.1	3
Expenses for services received	583.2	31	626.1	31	42.9	7
Personnel expenses	703.4	37	721.0	36	17.6	3
Depreciation	104.6	5	102.8	5	-1.8	-2
Other operating expenses	201.8	11	211.4	11	9.6	5
Total expenditure	**1,883.0**	**98**	**1,961.4**	**99**	**78.4**	**4**
thereof vis-à-vis remaining Group	711.3	37	729.5	37	18.2	3
EBIT	**29.5**	**2**	**34.8**	**1**	**5.3**	**18**
Financial results	**10.8**	**1**	**-56.5**	**-2**	**-67.3**	**-622**
thereof vis-à-vis remaining Group	-23.0	1	25.9	1	2.9	13
EBT	**40.3**	**2**	**-21.7**	**-1**	**-62.0**	**-154**

Subgroup ÖBB-Personenverkehr increased sales by 4% to about 1,919.9 million EUR in the reporting period. Expenses for materials rose by 3% to about 300.1 million EUR due to higher prices for energy and raw materials. Nevertheless, EBIT was up by 18% through an increase in productivity and partial price increases. Due to losses resulting from financial market transactions (CDO), financial results were down from 10.8 million EUR to –56.5 million EUR. After positive results in the previous year, the subgroup reports negative EBT of about 21.7 million EUR and a return on equity of –1.61% in 2007. The EBIT margin increased from 1.54% in 2007 to 1.74%.

1 Return on equity: EBT/own funds

Development of operating expenses



In 2007, personnel expenses remained practically unchanged over the previous year amounting to about 721.0 million EUR (2006: 703.4 million EUR). However, due to considerably lower staff levels, average expenses per employee increased by 6% to about 51,000 EUR (prior year: 48,000 EUR). The share of personnel expenses in total revenues fell from 37% in 2006 to 36% thus showing the improved productivity of the subgroup. Expenses for materials amounting to about 300.1 million EUR (prior year: about 290.0 million EUR) include expenses for traction power of about 202.6 million EUR (2006: 190.0 million EUR) and expenses for liquid fuel of about 86.2 million EUR (2006: 86.2 million EUR). Services received rose by 7% over the previous year to about 626.1 million EUR (prior year: 583.2 million EUR). This item comprises payments for vehicle rentals to the amount of about 54.6 million EUR (2006: about 45.9 million EUR), transport services of about 85.7 million EUR (2006: about 66.3 million EUR) and infrastructure charges paid to third-party railways amounting to about 224.3 million EUR (prior year: 217.3 million EUR). In 2007, the share of expenses for materials and services received in total revenues remained unchanged over the previous year at 46%.

Earnings Position – Subgroup Rail Cargo Austria

Overview	2006	2007	Change	Change in %
EBIT in million EUR	53.5	24.7	-28.8	-54
EBIT margin in %	2	1	-1	-50
EBT in million EUR	61.6	13.4	-48.2	-78
Return on equity in %	7	2	-5	-71

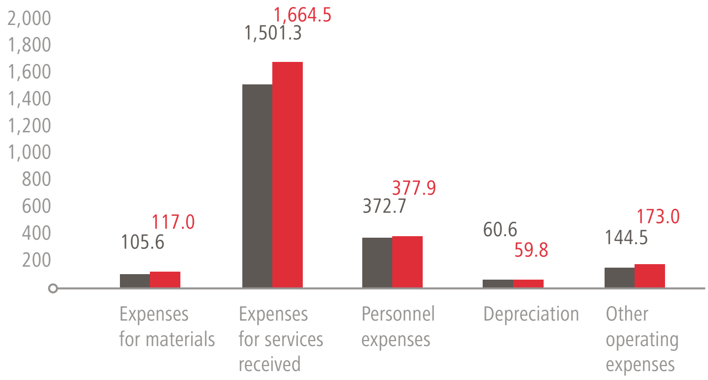
Structure of the Subgroup's Income Statement in million EUR	2006	In % of total revenues	2007	In % of total revenues	Change in million EUR	in %
Sales	2,189.3	98	2,372.6	98	183.3	8
Other own work capitalized	2.8	0	2.4	0	-0.4	-14
Other sales and increase and decrease in inventories	46.1	2	41.9	2	-4.2	-9
Total revenues	**2,238.2**	**100**	**2,416.9**	**100**	**178.7**	**8**
thereof vis-à-vis remaining Group	343.0	15	339.1	14	-3.9	-1
Expenses for materials	105.6	5	117.0	5	11.4	11
Expenses for services received	1,501.3	67	1,664.5	69	163.2	11
Personnel expenses	372.7	17	377.9	16	5.2	1
Depreciation	60.6	3	59.8	2	-0.8	-1
Other operating expenses	144.5	6	173.0	7	28.5	20
Total expenditure	**2,184.7**	**98**	**2,392.2**	**99**	**207.5**	**9**
thereof vis-à-vis remaining Group	648.7	29	674.5	28	25.8	4
EBIT	**53.5**	**2**	**24.7**	**1**	**-28.8**	**-54**
Financial results	**8.1**	**0**	**-11.3**	**0**	**-19.4**	**-240**
thereof vis-à-vis remaining Group	9.4	0	9.6	0	0.2	2
EBT	**61.6**	**3**	**13.4**	**1**	**-48.2**	**-78**

In the period under review, subgroup Rail Cargo Austria registered a decrease in EBIT of about 54% to 24.7 million EUR. Since total revenues rose by 8% to about 2,416.9 million EUR, the EBIT margin was about 1% after about 2% in the previous year. The decrease in financial results by 240% to about –11.3 million EUR (2006: 8.1 million EUR) is primarily due to an increase in expenses for financial assets which were up by about 8.0 million EUR to about 24.3 million EUR. EBT decreased by 78% to about 13.4 million EUR in 2007 (prior year: 61.6 million EUR) while the return on equity was down from 7% to 2%.

Total expenditure of the subgroup increased by 9% over the previous year to about 2,392.2 million EUR their development thus being proportional to total revenues. The largest expense item is expenses for services received rising by 11% to about 1,664.5 million EUR in the reporting year (2006: about 1,501.3 million EUR). It comprises expenses for transport services, the use of infrastructure including personnel leasing, rentals for rail and road vehicles, and other services. In 2007, personnel expenses remained practically unchanged over the previous year amounting to about 377.9 million EUR (2006: 372.7 million EUR). Due to lower staff levels, average expenses per employee increased from about 45,000 EUR in 2006 to about 47,000 EUR. The share of personnel expenses in total revenues fell from 17% to 16%. Total expenses for materials and services received amount to 74% of total revenues after 72% in the previous year.

Development of operating expenses

in million EUR ■ 2006: 2,184.7 million EUR ■ 2007: 2,392.2 million EUR



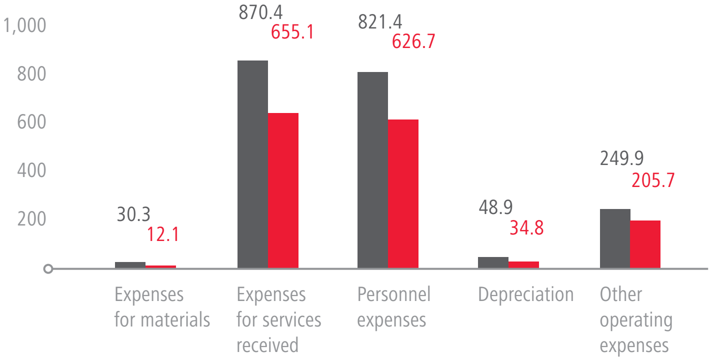
Earnings Position – Subgroup ÖBB-Infrastruktur Betrieb

Overview	2006	2007	Change	Change in %
EBIT in million EUR	-28.5	10.4	38.9	136
EBIT margin in %	-1.4	0.7	2.1	150
EBT in million EUR	-16.7	26.2	42.9	257
Return on equity in %	-7.05	9.59	16.64	236

Structure of the Subgroup's Income Statement in million EUR	2006	In % of total revenues	2007	In % of total revenues	Change in million EUR	in %
Sales	1,951.2	98	1,518.0	98	-433.2	-22
Other own work capitalized	9.2	0	2.6	0	-6.6	-72
Other sales and increase and decrease in inventories	32.0	2	24.2	2	-7.8	-24
Total revenues	**1,992.4**	**100**	**1,544.8**	**100**	**-447.6**	**-22**
thereof vis-à-vis remaining Group	918.0	46	499.0	32	-419.0	-46
Expenses for materials	30.3	2	12.1	1	-18.2	-60
Services received	870.4	43	655.1	42	-215.3	-25
Personnel expenses	821.4	41	626.7	41	-194.7	-24
Depreciation	48.9	2	34.8	2	-14.1	-29
Other operating expenses	249.9	13	205.7	13	-44.2	-18
Total expenditure	**2,020.9**	**101**	**1,534.4**	**99**	**-486.5**	**-24**
thereof vis-à-vis remaining Group	696.1	35	758.4	49	62.3	9
EBIT	**-28.5**	**-1**	**10.4**	**1**	**38.9**	**136**
Financial results	**11.8**	**1**	**15.8**	**1**	**4.0**	**34**
thereof vis-à-vis remaining Group	13.8	1	17.6	1	3.8	28
EBT	**-16.7**	**-1**	**26.2**	**2**	**42.9**	**257**

Development of operating expenses

in million EUR ■ 2006: 2,020.9 million EUR ■ 2007: 1,534.4 million EUR



Total revenues of subgroup ÖBB-Infrastruktur Betrieb decreased by 22% over the previous year to about 1,544.8 million EUR in 2007. However, EBIT improved from about -28.5 million EUR to about 10.4 million EUR. Despite a decrease in total revenues, the EBIT margin increased from -1.4% to 0.7%. Apart from improving financial results, EBT rose by about 42.9 million to about 26.2 million in the reporting period with return on equity increasing from –7.05% in 2006 to 9.6% in 2007.

Total expenditure of the subgroup increased by 24% in the reporting year to about 1,534.4 million EUR (prior year: about 2,020.9 million EUR). The largest expense item are expenses for services received amounting to about 655.1 million EUR (2006: about 870.4 million EUR), even though this means a decrease of 25% over the previous year. This item includes the infrastructure rentals paid to ÖBB-Infrastruktur Bau AG amounting to about 463.0 million EUR (2006: 423.0 million EUR) as well as expenses for services and supplies which cannot be capitalized in connection with transport services and rentals for rail and road vehicles. The share of expenses for materials and services received in total revenues decreased from 45% to 43% in the reporting period.

Due to the restructuring measures taken, personnel expenses could be reduced by 24% over the previous year or about 194.7 million EUR to 626.7 million EUR, thus average expenses per employee amounting to 49,000 EUR after 47,000 EUR in 2006. The share of personnel expenses in total revenues remained unchanged over the previous year at about 41%.

Earnings Position – Subgroup ÖBB-Infrastruktur Bau

Overview	2006	2007	Change	Change in %
EBIT in million EUR	319,5	436,8	117,3	37
EBIT margin in %	27	26	-1	-4
EBT in million EUR	49.5	63.5	14.0	29
Return on equity in %	6	7	1	17

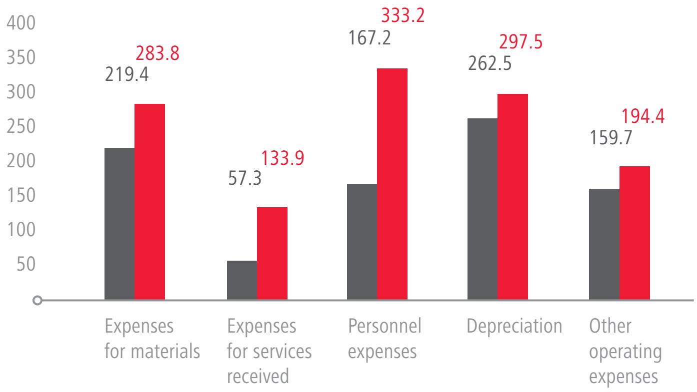
Structure of the Subgroup's Income Statement in million EUR	2006	In % of total revenues	2007	In % of total revenues	Change in million EUR	in %
Sales	1,051.0	89	1,260.0	75	209.0	20
Other own work capitalized	75.2	6	240.7	14	165.5	220
Other sales and increase and decrease in inventories	59.4	5	178.9	11	119.5	201
Total revenues	**1,185.6**	**100**	**1,679.6**	**100**	**494.0**	**42**
thereof vis-à-vis remaining Group	813.1	69	972.4	58	159.3	20
Expenses for materials	219.4	19	283.8	17	64.4	29
Expenses for services received	57.3	5	133.9	8	76.6	134
Personnel expenses	167.2	14	333.2	20	166.0	99
Depreciation	262.5	22	297.5	18	35.0	13
Other operating expenses	159.7	13	194.4	11	34.7	22
Total expenditure	**866.1**	**73**	**1,242.8**	**74**	**376.7**	**43**
thereof vis-à-vis remaining Group	39.8	3	97.7	6	57.9	145
EBIT	**319.5**	**27**	**436.8**	**26**	**117.3**	**37**
Financial results	**-270.0**	**-23**	**-373.3**	**-22**	**-103.3**	**-38**
thereof vis-à-vis remaining Group	-21.6	-2	-20.8	-1	0.8	4
EBT	**49.5**	**4**	**63.5**	**4**	**14.0**	**29**

In 2007, subgroup ÖBB-Infrastruktur Bau increased sales by 42% to about 1,679.6 million EUR (prior year: about 1,185.6 million EUR). Operating expenses were marked by price increases for energy and raw materials posting an increase of 43%. Nevertheless, EBIT improved by 37% or about 117.3 million EUR to about 436.8 million EUR. Financial results decreased from about -270.0 million EUR in 2006 to about -373.3 million EUR due to higher interest expenses. For 2007, EBT of about 63.5 million EUR (2006: about 49.4 million EUR) was recorded.

Total expenditure of the subgroup increased by 43% in the reporting year to about 1,242.8 million EUR (prior year: about 866.1 million EUR). Due to the organizational adjustments implemented as of 01.01.2007, personnel expenses are the largest expenditure item increasing by 99% to about 333.2 million EUR. Average expenses per employee decreased from about 59,000 EUR to about 50,000 EUR. Thus, the share of personnel expenses in total revenues of the subgroup amounts to 20% (prior year: 14%). Due to the operative responsibility of the subgroup, depreciation is the second largest expense item. As a result of increasing investment activities over the last years, this item recorded an increase of 13% to about 297.5 million EUR in the period under review. Expenses for materials and services received account for 25% (2006: 23%) of total revenues.[1]

Development of operating expenses

in million EUR 2006: 866.1 million EUR 2007: 1,242.8 million EUR



B.5. Assets and Financial Situation

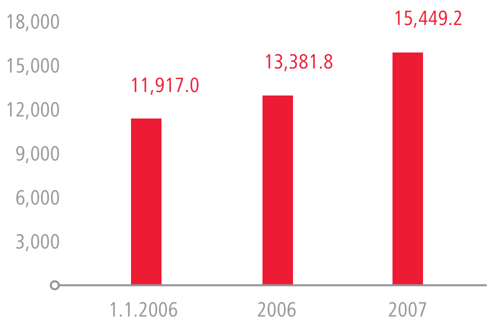
Overview	2006	2007	Change	Change in %
Balance Sheet Total in million EUR	13,381.8	15,449.2	2,067.4	15
Capitalization ratio in %	86	86	0	0
Fixed-assets-to-net-worth ratio in %	25	22	-3	-12
Fixed-assets-to-net-worth ratio II in %	98	102	4	4
Working capital in million EUR	28.9	16.9	-12.0	-42
Equity ratio in %	21	19	-2	-10
Change in liquid funds affecting payments in million EUR	31.5	20.9	-10.6	-34
Net debt[2]	8,720.0	10,392.0	1,672.0	19
Net debt ratio in %[3]	307	353	46	15

1 Due to the organizational adjustment as of 01.01.2007, 3,893 employees of the business divisions Bahnbau and Netztechnik were transferred to ÖBB-Infrastruktur Betrieb. Therefore previous year's figures cannot be compared to the figures for 2007 regarding total revenues.
2 Long-term outside capital – long-term provisions + short-term loans + short-term liabilities to banks – liquid funds
3 Net debt / equity

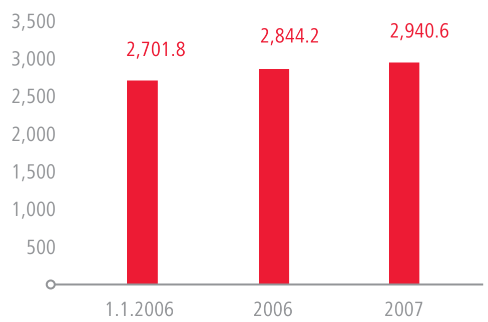
Structure of Consolidated Balance Sheet in million EUR

	1.1.2006	31.12.2006	Structure in 2006	31.12.2007	Structure in 2007	Changes from 2006 to 2007
Fixed assets	10,722.5	12,158.8	91%	14,027.5	91%	1,868.7
Current assets	1,194.5	1,223.0	9%	1,421.7	9%	198.7
Balance sheet total	**11,917.0**	**13,381.8**	**100%**	**15,449.2**	**100%**	**2,067.4**
Equity	2,701.8	2,844.2	21%	2,940.6	19%	96.4
Long-term liabilities	6,892.7	8,425.1	63%	10,637.7	69%	2,212.6
Short-term liabilities	2,322.5	2,112.5	16%	1,870.9	12%	-241.6

Development of Balance Sheet Total in million EUR



Equity Development in million EUR



Balance sheet total of ÖBB Group increased by almost 15% to about 15,449.2 million EUR (2006: about 13,381.8 million EUR) in the reporting period mainly due to fixed asset investments. The share of fixed assets in total assets (capitalization ratio[1]) was 86% as of the balance sheet date (prior year: 86%). These investments were primarily financed by means of borrowing in the form of bond issues. As of 31.12.2007, the fixed-assets-to-net-worth ratio[2] was 22% (2006: 25%). Taking into account long-term loans, the resulting fixed-assets-to-net-worth ratio II[3] is 102% (2005: 98%). Working capital[4] amounted to about 16.9 million EUR (2006: about 28.9 million EUR).

As of 31.12.2007, ÖBB Group posted an equity ratio[5] of 19% (2006: 21%). The increased balance sheet total on the liabilities side is mainly due to the issuing of new bonds.

Notes to the Consolidated Cash Flow Statement

In the period under review, free cash flow6 amounted to about -1,856.5 million EUR (2006: about -1,491.5 million EUR).

Change to liquid funds affecting payments decreased from about 31.5 million EUR to about 20.9 million EUR.

1 Capitalization ratio: fixed assets/total assets
2 Fixed-assets-to-net-worth ratio: own funds*100/fixed assets
3 Fixed-assets-to-net-worth ratio II: own funds (equity, third party contributions, untaxed reserves) +long-term outside capital (liabilities with a term of more than 1 year, provisions for severance payments and pensions)/fixed assets
4 Inventories + trade receivables + advance payments made for fixed assets – trade payables –advance payments made
5 Own funds/total capital
6 Cash flow from operating activities + cash flow from investment activities

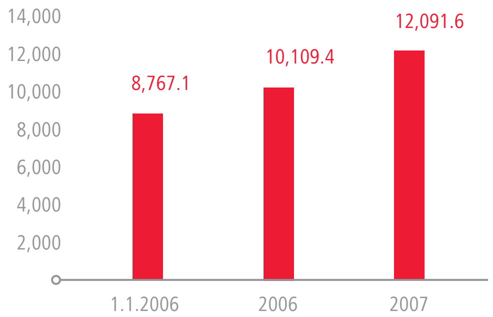
Extract from the Consolidated Cash Flow Statement in million EUR	31.12.2006	31.12.2007	Change
Cash flow from operating activities	359.3	449.6	90.3
Cash flow from investment activities	-1,850.8	-2,306.1	-455.3
Free cash flow[1]	**-1,491.5**	**-1,856.5**	**-365.0**
Cash flow from financing activities	1,523.0	1,877.4	354.4
Changes to liquid funds affecting payments	31.5	20.9	-10.6

A detailed presentation of the Consolidated Cash Flow Statement is to be found in the Notes to the Consolidated Financial Statements.

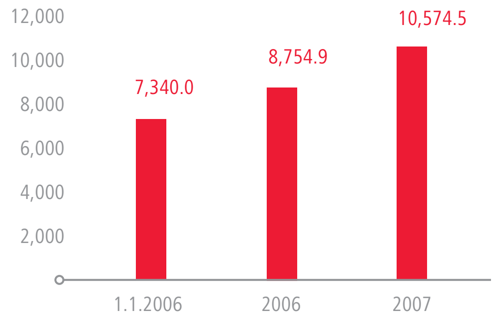
Liabilities

Outside financing of ÖBB Group is done primarily by means of loans. The bonds are reported by ÖBB-Infrastruktur Bau AG to an amount of about 6,506.5 million EUR (prior year: about 5,325.0 million EUR) and by ÖBB-Personenverkehr AG to the amount of about 199.2 million EUR (2006: about 198.8 million EUR).

Liabilities in million EUR



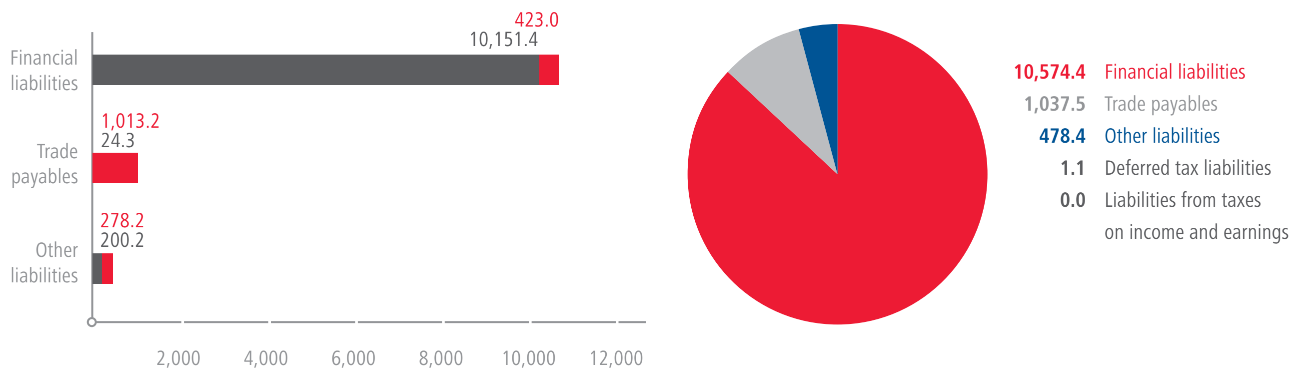
Financial liabilities in million EUR



Financial liabilities of ÖBB Group include all liabilities arising from loans as well as liabilities to banks and EUROFIMA (European Company for the Financing of Railroad Rolling Stock). In October 2007 another bond amounting to about 1.3 billion EUR was issued within the scope of the EMTN program. Furthermore, 450 million EUR were raised on the international capital market by means of private placements.

Composition and remaining time to maturity of liabilities as of 31.12.2007

in million EUR long-term short-term



1 Cash earnings + cash flow from investment activities

Assets and Financial Situation – Subgroup ÖBB Personenverkehr

Overview	2006	2007	Change	Change in %
Balance sheet total in million EUR	4,271.3	4,581.8	310.5	7
Capitalization ratio in %	49	58	9	18
Fixed-assets-to-net-worth ratio in %	65	51	-14	-22
Fixed-assets-to-net-worth ratio II in %	181	149	-32	-18
Working capital in million EUR	243.9	306.8	62.9	26
Equity ratio in %	32	29	-3	-9

Structure of Subgroup Balance Sheet in million EUR	1.1.2006	31.12.2006	Structure in 2006	31.12.2007	Structure in 2007	Changes from 2006 to 2007
Fixed assets	3,492.5	3,621.9	85%	4,004.0	87%	382.1
Current assets	517.3	649.4	15%	577.8	13%	-71.6
Balance sheet total	**4,009.8**	**4,271.3**	**100%**	**4,581.8**	**100%**	**310.5**
Equity	1,320.6	1,365.0	32%	1,351.5	29%	-13.5
Long-term liabilities	2,180.0	2,444.9	57%	2,628.2	57%	183.3
Short-term liabilities	508.7	461.3	11%	602.2	13%	140.9

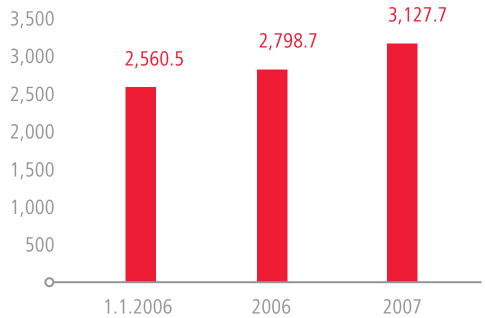
In the reporting year, the balance sheet total of subgroup ÖBB-Personenverkehr increased by about 310.5 million EUR or 7% to about 4,581.8 million EUR. The share of fixed assets in total assets (capitalization ratio) was 58% as of the balance sheet date. At that time, the fixed-assets-to-net-worth ratio was 51% (2006: 65%); fixed-assets-to-net-worth ratio II was 149% (2006: 181%). Working capital amounted to about 306.8 million EUR (2006: about 243.9 million EUR).

Equity ratio as of 31.12.2007 was about 29% (prior year: 32%)

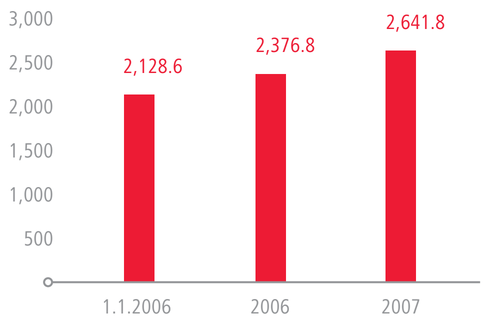
Liabilities

Liabilities of subgroup ÖBB-Personenverkehr increased by 12% in the reporting period to about 3,127.7 million EUR (prior year: about 2,798.7 million EUR). This increase is mainly due to an increase in borrowing. Financial liabilities to banks and EUROFIMA increased by about 265.0 million EUR or 11% to about 2,641.8 million EUR in the period under review.

Liabilities in million EUR



Financial liabilities in million EUR



Assets and Financial Situation – Subgroup Rail Cargo Austria

Overview	2006	2007	Change	Change in %
Balance sheet total in million EUR	2,025.0	1,956.2	-68.8	-3
Capitalization ratio in %	23	25	2	9
Fixed-assets-to-net-worth ratio in %	190	180	-10	-5
Working capital in million EUR	99.7	116.5	16.8	17
Equity ratio in %	45	45	1	2

Structure of Subgroup Balance Sheet in million EUR	1.1.2006	31.12.2006	Structure in 2006	31.12.2007	Structure in 2007	Changes from 2006 to 2007
Fixed assets	1,265.9	1,178.6	58%	1,028.6	53%	-150.0
Current assets	632.2	846.4	42%	927.6	47%	81.2
Balance sheet total	**1,898.1**	**2,025.0**	**100%**	**1,956.2**	**100%**	**-68.8**
Equity	848.7	893.0	45%	880.1	45%	-12.9
Long-term liabilities	419.8	434.3	21%	415.1	21%	-19.2
Short-term liabilities	629.6	697.7	34%	661.0	34%	-36.7

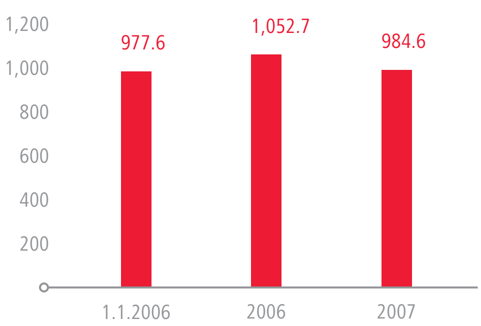
In the reporting year, the balance sheet total of subgroup Rail Cargo Austria increased by about 68.8 million EUR or 3% to about 1,956.2 million EUR. The share of fixed assets in total assets (capitalization ratio) was 25% (2006: 23%) as of the 2007 balance sheet date. At that time, the fixed-assets-to-net-worth ratio was 180% (2006: 190%). Working capital amounted to about 116.5 million EUR (2006: about 99.7 million EUR).

As of 31.12.2007, the equity ratio was 45% (2006: 45%).

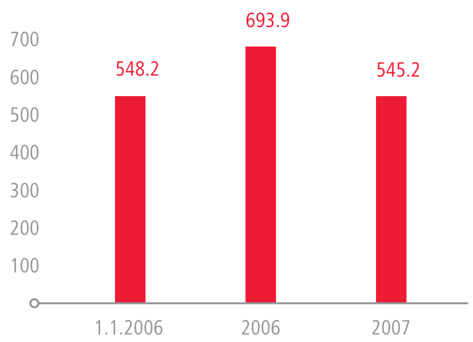
Liabilities

All in all, liabilities of the subgroup decreased by about 68.1 million EUR or 6% to about 984.6 million EUR. The decrease of financial liabilities amounted to about 148.7 million EUR.

Liabilities in million EUR



Financial liabilities in million EUR



Assets and Financial Situation – Subgroup ÖBB Infrastruktur Betrieb

Overview	2006	2007	Change	Change in %
Balance sheet total in million EUR	766.2	570.6	-195.6	-26
Capitalization ratio in %	34	23	-11	-32
Fixed-assets-to-net-worth ratio in %	92	204	112	122
Working capital in million EUR	50.7	4.2	-46.5	-92
Equity ratio in %	31	48	17	55

Structure of Subgroup Balance Sheet in million EUR	1.1.2006	31.12.2006	Structure in 2006	31.12.2007	Structure in 2007	Changes from 2006 to 2007
Fixed assets	438.5	429.1	56%	378.3	66%	-50.8
Current assets	321.0	337.1	44%	192.3	34%	-144.8
Balance sheet total	**759.5**	**766.2**	**100%**	**570.6**	**100%**	**-195.6**
Equity	265.6	237.0	31%	273.3	48%	36.3
Long-term liabilities	171.1	136.4	18%	106.6	19%	-29.8
Short-term liabilities	322.8	392.8	51%	190.7	33%	-202.1

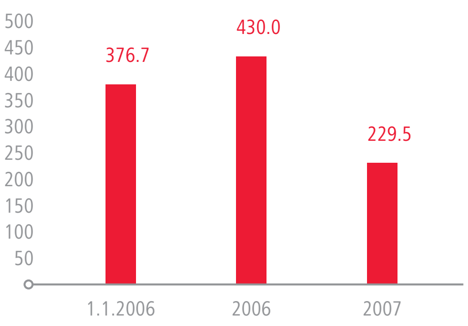
Compared to last year's balance sheet date, the balance sheet total of subgroup ÖBB-Infrastruktur Betrieb decreased by about 195.6 million EUR or 26% to about 570.6 million EUR. The share of fixed assets in total assets (capitalization ratio) was 23% (2006: 34%) at the end of 2007. The fixed-assets-to-net-worth ratio was 204% (prior year: 92%) as of 31.12.2006. Working capital amounted to about 4.2 million EUR (2006: about 50.7 million EUR).

Equity ratio as of 31.12.2007 was about 48% (prior year: 31%)

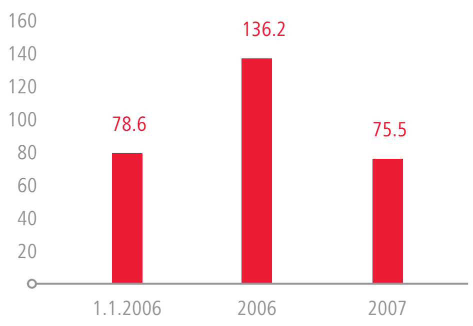
Liabilities

In the reporting period, liabilities of the subgroup decreased by 47% to about 229.5 million EUR thus their share in the balance sheet total being down from 56% to 40%. Financial liabilities contained therein could be reduced from about 136.2 million EUR in the previous year to about 75.5 million EUR in 2007.

Liabilities in million EUR



Financial liabilities in million EUR



Assets and Financial Situation – Subgroup ÖBB Infrastruktur Bau

Overview	2006	2007	Change	Change in %
Balance sheet total in million EUR	10,759.1	11,946.1	1,187.0	11
Capitalization ratio in %	81	85	4	5
Fixed-assets-to-net-worth ratio in %	9	9	0	0
Fixed-assets-to-net-worth ratio II in %	103	104	1	1
Working capital in million EUR	-332.6	-457.2	-124.6	-37
Equity ratio in %	7	8	1	14

Structure of Subgroup Balance Sheet in million EUR	1.1.2006	31.12.2006	Structure in 2006	31.12.2007	Structure in 2007	Changes from 2006 to 2007
Fixed assets	9,052.0	10,309.1	96%	11,378.9	95%	1,069.8
Current assets	561.3	450.0	4%	567.2	5%	117.2
Balance sheet total	**9,613.3**	**10,759.1**	**100%**	**11,946.1**	**100%**	**1,187.0**
Equity	721.2	806.4	7%	915.2	8%	108.8
Long-term liabilities	7,309.8	8,219.4	77%	9,608.7	80%	1,389.3
Short-term liabilities	1,582.3	1,733.3	16%	1,422.2	12%	-311.1

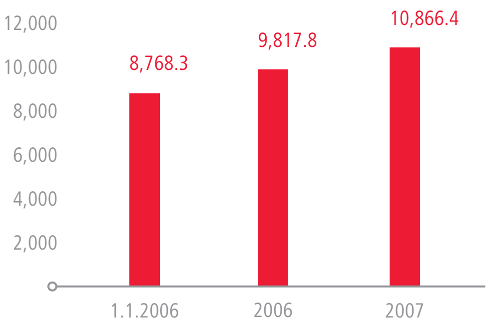
The balance sheet total of the subgroup ÖBB-Infrastruktur Bau reported an increase of 11% to about 11,946.1 million EUR at the end of 2007. Capitalization ratio was 85% (prior year: 81%). At the balance sheet date, fixed-assets-to-net-worth ratio was 9% as in the previous year. Taking into account long-term loans, the resulting fixed-assets-to-net-worth ratio II is 104% (2006: 103%). Working capital amounted to about -457.2 million EUR (2006: about -332.6 million EUR).

Equity ratio as of 31.12.2007 was about 8% (prior year: 7%)

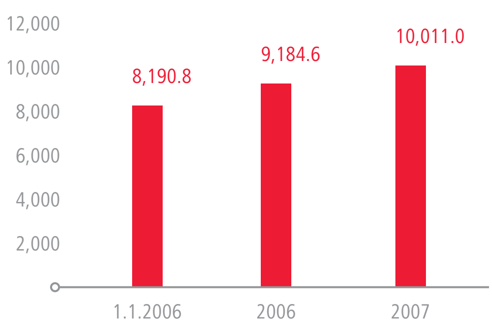
Liabilities

In the reporting period, liabilities of subgroup ÖBB-Infrastruktur Bau rose by almost 11% to about 10,866.4 million EUR. Due to an increase in financial liabilities of 9% to about 10,011.0 million EUR, this item accounts for almost 92% of all liabilities.

Liabilities in million EUR



Financial liabilities in million EUR



Also in 2007, ÖBB-Infrastruktur Bau AG kept focusing on optimizing liquidity management. In 2005, the company underwent a rating procedure which is to be updated annually. In 2007, the rating agencies Standard & Poor`s and Moody`s confirmed their AAA/Aaa rating assigned to ÖBB-Infrastruktur Bau AG, which makes it possible for the company to obtain favorable refinancing conditions. Furthermore, ÖBB-Infrastruktur Bau AG concluded a Euro Medium Term Note Program (EMTN program) in the third quarter of 2005 to cover its future financing requirements in the years to come. The program amounts to about 10 billion EUR.

In June 2007, another bond amounting to about 1.3 billion EUR was issued within the scope of the EMTN program. Furthermore, 450 million EUR were raised on the international capital market by means of private placements.

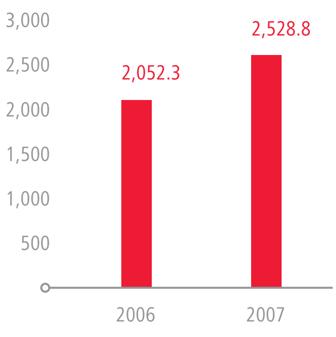
Apart from that, the European Investment Bank provided 200 million EUR for financing part of the expansion of the Westbahn route.

B.6. Capital Expenditure and Financing Measures

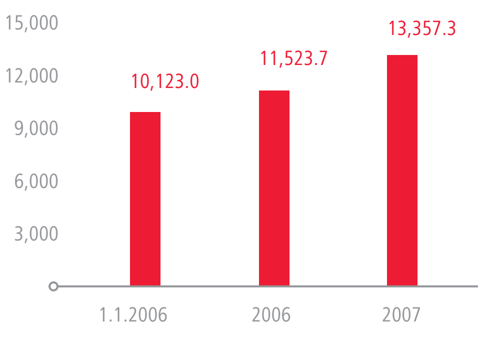
Overview	2006	2007	Change	Change in %
Capital expenditure in million EUR	2,052.3	2,528.8	476.5	23
Investment ratio of total revenues in %	41	45	4	10
Investment ratio of book values in %	20	22	2	10

In the reporting period, ÖBB Group made investments, which are defined as additions to fixed assets at acquisition costs, in intangible and tangible assets amounting to about 2,528.8 million EUR (prior year: 2,052.3 million EUR). This is an investment ratio of 45% (2006: 41%) of total revenues1 or of 22% (2006: 20%) on the basis of book values[2] as of 01.01.2007.

Capital expenditure in million EUR



Tangible assets in million EUR



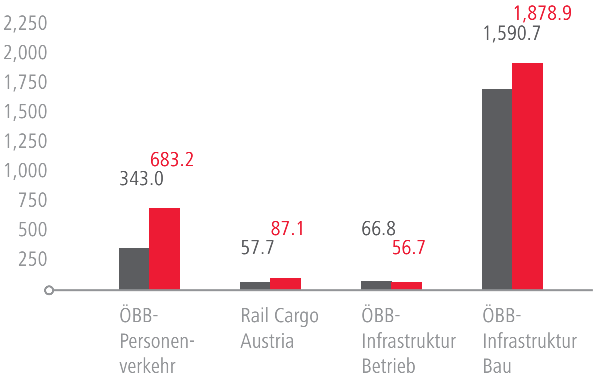
Subgroup ÖBB-Infrastruktur Bau accounts for the major part of capital expenditure. This subgroup accounts for about 76% of all tangible assets of ÖBB Group, which amount to about 13,357.3 million EUR (2006: about 11,523.7 million EUR), with book values of about 10,095.8 million EUR (2006: 8,727.1 million EUR).

Due to the increase in capital spending, depreciation expenditure went up by almost 4% to about 500.6 million EUR in the reporting period.

1 Investment ratio: investments in tangible assets / total revenues
2 Investment ratio: investments in tangible assets / book value of tangible assets as of 01.01.2007
3 Additions to tangible and intangible assets less disposals due to changes in the scope of consolidation

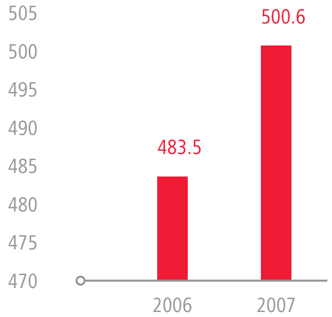
Summary of investments by subgroups

in million EUR ■ 2006 ■ 2007



Development of depreciation of ÖBB Group

in million EUR



Capital Expenditure – Subgroup ÖBB-Personenverkehr

Overview	2006	2007	Change	Change in %
Capital expenditure in million EUR	343.0	683.2	340.2	99
Investment ratio of total revenues in %	18	34	16	89
Investment ratio of book values in %	18	32	14	78

In the reporting period, ÖBB-Personenverkehr invested about 683.2 million EUR (2006: about 343.0 million EUR) in tangible and intangible assets. This is an investment ratio of 34% (2006: 18%) of total revenues or of 32% (2006: 18%) on the basis of book values as of 01.01.2007.

Capital Expenditure – Passenger Transport

In order to ensure an attractive and competitive offer, heavy investments are being made in the vehicle fleet, which encompass the following projects:

Projects regarding vehicle fleet	Amount in million EUR
Electric Talent railcars (purchasing program for 171 Talent trains, 2004–2008)	211.7
Double-deck carriages (14 + 50 units) including FIS	13.0
Diesel railcars, new construction VT 5022 Desiro	75.5
Modernization of passenger carriages – corporate design	10.7
Total short-distance rail traffic	**310.9**
Modernization of 43 long-distance carriages (program to upgrade 1. and 2. package of a total of 782 long-distance carriages; 2001–2009) DOST bogies for sleeping cars	41.4
Total long-distance rail traffic	**41.4**

In addition to that, 27 electric locomotives of the 1216 series were purchased for an amount of about 98.4 million EUR. Another six Taurus 1216 locomotives will be delivered in 2008 requiring an investment volume of about 22.2 million EUR. By acquiring the Taurus (1016/1116/1216), Hercules (2016) and Hector (2070) locomotives, we reached our ambitious goal of making the locomotive fleet of ÖBB top class among European railways by 2007.

In 2007, about 55.2 million EUR were invested in order to constantly modernize the bus fleet.

Capital Expenditure – Subgroup Rail Cargo Austria

Overview	2006	2007	Change	Change in %
Capital expenditure in million EUR	57.7	87.1	29.4	51
Investment ratio of total revenues in %	2	4	2	100
Investment ratio of book values in %	12	18	6	50

In the reporting year, subgroup Rail Cargo Austria invested about 87.1 million EUR (2006: about 57.7 million EUR) in tangible and intangible assets. This is an investment ratio of 4% (2006: 2%) of total revenues or of 18% (2006: 12%) on the basis of book values as of 01.01.2007.

The business division of BEX Logistics expanded the handling of pharmaceuticals logistics at its logistics center Wels and invested in technology and buildings. The ROLA site Salzburg was expanded and refurbished accordingly in order to comply with capacity and safety-related requirements.

A subsidiary supplied the business division of transport management with 150 new timber wagons. These wagons are to replace the obsolete Eas wagons apart from refurbishing ÖBB's own wagons. Moreover, the loading capacity of rolling stock was significantly increased by means of the purchasing and refurbishing program. These wagons facilitate the transport of timber and sawn timber while offering a number of synergies in reloading traffic. In order to increase capacities, an amount of 400 million EUR will be invested in purchasing about 5,000 wagons by 2011.

With respect to IT systems, the complex and versatile railway-specific software CISÖ is permanently being adapted. Furthermore, adjustments and preparations are under way in order to meet the demands of a liberalized market and to ensure a competitive advantage for Rail Cargo Austria AG.

Rail Cargo Austria AG relocated its administrative sites (Gauermanngasse, Stallburggasse, Mariannengasse) in an office building on Erdberger Lände. Its investments referred to structural adjustments of offices, common rooms, and kitchen, and the equipment thereof.

Capital Expenditure – Subgroup ÖBB-Infrastruktur Betrieb

Overview	2006	2007	Change	Change in %
Capital expenditure in million EUR	66.8	56.7	-10.1	-15
Investment ratio of total revenues in %	3	3	0	0
Investment ratio of book values in %	26	22	-4	-15

In the reporting year, ÖBB-Infrastruktur Betrieb invested about 56.7 million EUR (2006: about 66.8 million EUR) in tangible and intangible assets (additions to fixed assets at acquisition costs). This is an investment ratio of 3% (2006: 3%) of total revenues or of 22% (2006: 26%) on the basis of book values as of 01.01.2007.

In 2007, capital expenditure of ÖBB-Infrastruktur Betrieb focused on modernizing and refurbishing traffic stations. The overall volume of projects implemented amounted to about 10.4 million EUR. Besides the acquisition and mounting of video monitoring systems at 103 traffic stations, and the implementation of static signpost systems at several traffic stations, a number of smaller investment projects were carried out as well.

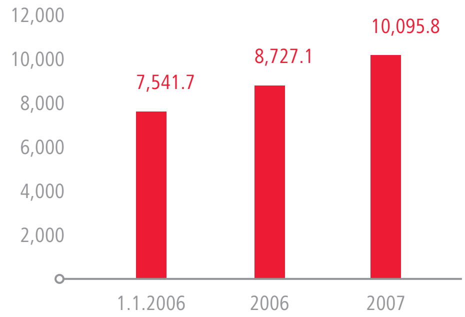
Capital Expenditure – Subgroup ÖBB-Infrastruktur Bau

Overview	2006	2007	Change	Change in %
Capital expenditure in million EUR	1,590.7	1,878.9	288.2	18
Investment ratio of total revenues in %	134	112	-22	-16
Investment ratio of book values in %	21	21	0	0

Subgroup ÖBB-Infrastruktur Bau accounts for about 76% (2006: 76%) of all tangible assets of ÖBB Group reporting a book value of about 10,095.8 million EUR (prior year: about 8,727.1 million EUR). Due to the transfer of the business division of Bahnbau from subgroup ÖBB-Infrastruktur Betrieb to subgroup ÖBB-Infrastruktur Bau, investments amounting to only 23.4 million EUR (2006: about 476.1 million EUR) were purchased from ÖBB-Infrastruktur Betrieb and capitalized in the balance sheet.

Subgroup ÖBB-Infrastruktur Bau invested an overall amount of about 1,878.9 million EUR (prior year: 1,590.7 million EUR), this is an investment ratio of 112% (2006: 134%) of total revenues and of 21% (prior year: 21%) of the book values as of 01.01.2007. A realization quota of 98% of the overall investment plan was achieved in 2007 after 89% in the previous year. A realization quota of 100% is unlikely to be achieved due to external circumstances such as licensing procedures, procedures regarding the awarding of contracts, appeals filed by abutting owners, or poor weather conditions.

Development of fixed assets of subgroup ÖBB-Infrastruktur Bau in million EUR



Main Investment Projects According to the Master Plan 2007–2012

In order to implement the current master plan 2007–2012, capital expenditure of subgroup ÖBB-Infrastruktur Bau focused on the following investment projects in the period under review:
– Four-tracked expansion of the Westbahn route (section Vienna – Wels)
– Four-tracked expansion of the Unterinntal route
– Connection between Westbahn, Südbahn and Donauländebahn (Lainzer Tunnel)
– Gradual expansion of the Southern corridor
– Numerous projects in short-distance traffic in congested urban areas
– Improvement of tunnel safety on existing routes
– Noise control measures
– Erection of park & ride facilities
– Extensive reinvestments

In the reporting period, ÖBB-Infrastruktur Bau AG continued implementing at full stretch the Lainzer tunnel project, the connection between Westbahn, Südbahn and Donauländebahn (Vienna), the new route Vienna – St. Pölten (Vienna/Lower Austria) including St. Pölten main railway station, the section St. Valentin – Linz (Lower/Upper Austria), the section of Südbahn between Graz and Werndorf (Styria), prospecting drilling for the Koralmtunnel (Styria/Carinthia), and the sections Althofen/Drau – Klagenfurt (Carinthia) and Werndorf – Wettmannstätten (Styria) of the Koralmbahn route, the section Salzburg – Freilassing (Salzburg), the railway station renovation program focusing in particular on Greater Vienna, and the new Semmering base tunnel (Lower Austria/Styria) by involving the project region and the provinces of Lower Austria and Styria in the selection of possible train paths and locations for railway stations.

B.7. Corporate Strategy

Corporate Vision and Strategy

The most extensive change management process ever launched in Austria was initiated upon approval of the Railway Structure Act 2003 (Bundesbahnstrukturgesetz), which is the basis of the current structure of ÖBB Group.

This structural reform focused on establishing ÖBB-Holding AG as the strategic holding company and on incorporating economically independent and autonomous stock companies and their subsidiaries. These measures aim at getting ÖBB prepared for the demands of a liberalized railway market in an ever larger Europe.

The first stage of the restructuring process focused on the following aspects:
- Definition of the business divisions of ÖBB to be transferred as of January 1, 2005, to the new operative companies
- Preparation of guidelines and business processes defining the cooperation between individual ÖBB group companies
- Ensuring economic growth
- First draft of fundamental targets and strategies to be implemented by the individual operative companies

After a start-up phase, an intensive coordination process was launched between the companies based on the common strategy of becoming one of Europe's top railway companies by 2010.

Mission – Vision – Model – Strategy

The cornerstones of this second stage of the change management process are the clearly defined mission, the vision and corporate model, and our strategy

The mission of ÖBB Group results from the tasks imposed upon ÖBB by law as defined by the Federal Railway Structure Act 2003 (Bundesbahnstrukturgesetz). As a modern, competitive, transparent and discrimination-free enterprise, ÖBB Group has to ensure the mobility offer in passenger and freight transport.

Based on this mission, the vision was presented at the Management Day 2007, which is "ÖBB TOPBahn bahnbrechend!" (Top railway company ÖBB – trail-blazing). This vision is the superordinate guideline for the strategic alignment of ÖBB Group.

TOPRailway company ÖBB!
Customer satisfaction is our business!

We strive to become the leading mobility provider
in Central and Eastern Europe
by setting new standards.

In order to make this vision palpable and to integrate it into the strategy process, employees worked out a corporate model based on the following principles:

We fill our customers with enthusiasm!
Quality we can be proud of!
ÖBB that is all of us!

Mission, vision and corporate model are put in concrete terms by defining areas of activities and action programs in the corporate strategy. In April 2007, a strategy project was launched at group level in order to successfully implement the transformation of ÖBB from a product-oriented into a market-oriented company. Within the framework of this project, the strategic goals of the business divisions are being evaluated and optimized so as to recognize synergies and any inconsistency of goals thus optimizing the cooperation between the subgroups and subsidiaries.

Based on the strategic goals of the different business divisions, ÖBB-Holding AG as the leading company of the group draws up a common corporate strategy which lays down the uniform alignment agreed upon by all group companies, which is defined in the mission and vision statement.

In addition to the strategic process, several strategic projects were defined in the period under review aiming at improving the economic development of ÖBB Group:

– Customer-oriented alignment of operations including interfaces
– Preparation of an overall quality assurance process in accordance with the mobility chain
– Preparation of a targeted infrastructure network and coordination of priorization targets with the owner
– Improved coordination of railway and bus
– Simplification of workflow and increased transparency by reducing the complexity of regulations (in particular regarding liberalization, technical specifications for implementing interoperability (TSI) etc.)
– Operating safety and safety at railway stations
– Erection, expansion and modernization of networks and railway stations
– Reorganization and optimization of the production system
– Optimization of availability and punctuality

By the beginning of 2009, the new corporate strategy will be worked out based on the on-going strategic projects and work on the strategy project which is constantly evaluating and optimizing the strategic goals defined. However, the complete transformation of ÖBB from a product-oriented into a market-oriented company requires the product line logic to be integrated in the commercial systems (internal and external accounting). After completing the transition to IFRS, the product line logic is to be implemented as from 2010.

B.8. Important Events and Outlook

Outlook of ÖBB Group for 2008

The strategic focus of the ÖBB Group is on its free-market alignment and on becoming a mobility provider that will be successful in a highly competitive environment. Outstanding services are to establish ÖBB as one of Europe's top railway companies.

An ambitious modernization and innovation program is being implemented by the subgroups in order to gradually improve the services offered. Infrastructure facilities will be further expanded and/or replaced in accordance with clear priorities in order to gradually increase the number of passengers carried and to take advantage of the opportunities for freight transport, in particular in Eastern and Southeast Europe.

In order to reach these goals, ÖBB-Holding AG will take different measures aimed at ensuring coordinated action. By enhancing process orientation and intensifying portfolio management as well as accompanying controlling measures, ÖBB strives to make sure that the goals are reached and the change management process is continued.

In 2007, several strategic projects were launched which are to sustainably improve the overall development of ÖBB Group. Quality of the services offered is to be constantly increased by means of consistent process orientation and by focusing on select challenges. Mobility and logistics processes have to be in absolute agreement with the needs of the market. The necessary steps are being defined by a process model. Since the government program 2007 – 2012 provides for a savings potential to be implemented of at least 10% calculated on the basis of existing investment plans (master plan), the complexity of regulations has to be reduced to a sensible level acceptable from the commercial point of view, and cost savings have to be realized by introducing benefit-oriented standards.

An important step towards the internationalization of ÖBB Group was taken in the period under review in order to not only be able to offer the quality required on a liberalized market, but also to take advantage of the company's size. The acquisition of the Hungarian company MÁV, which is still subject to approval by the cartel authorities, will create a business division in freight transport playing an important role on the Central European market.

Future developments and challenges of the subgroups are given in detail below.

Outlook – Subgroup ÖBB-Personenverkehr

The most important business targets of subgroup ÖBB-Personenverkehr may be resumed as follows: new rolling stock, faster connections in long-distance traffic, expansion of the services offered in short-distance traffic, improvement of services and information offered, growth of earnings by increasing the number of passengers carried, and fair market prices. Apart from the projects launched at group level, different targets have been defined for the individual business divisions of the subgroup.

By launching a service campaign in **short-distance passenger transport,** the number of regular services and intervals will be increased in coordination with the local authorities, and faster connections will be implemented. The coordination between rail and bus will be improved in line with our concept of integral mobility. The range and quality of the services offered will be optimized by extending the information provided, by training our employees and by further developing claim management. Measures aimed at providing unrestricted access to rail and bus travel for handicapped people as well as the expansion of passenger information systems will be continued.

In cooperation with subgroup ÖBB-Infrastruktur Betrieb, the project PLAN912 aims at adapting the timetable to the needs of passengers in an optimal way. With the timetable change 2007/08, part of the project goals were already implemented in the period under review as the coordination between rail and bus has improved considerably. The completion of important infrastructure projects such as the four-tracked expansion of the Westbahn route and the investment offensive aimed at modernizing the vehicle fleet will result in further possibilities to improve the services offered.

In **long-distance passenger transport**, priority is given to increasing the number of customers holding a VORTEILScard in order to be able to estimate demand and to ensure investments. The efforts and investments aiming at modernizing the vehicle fleet will be continued as well as the measures aiming at optimizing the range and quality of services offered. Besides the market-oriented projects, it is necessary to adjust the concept of PLAN912 to the future Vienna main railway station as international IC/EC railjet hub. Within the framework of TEE-Select, cooperation with railway companies from neighboring countries is being intensified.

Business development of **ÖBB-Postbus GmbH** is primarily dependent on the success of measures aimed at increasing productivity and further savings in workforce. At the same time, the transport services offered have to be adapted to the market's needs in the best possible way in cooperation with the public transport associations, and innovative products have to be developed and offered.

ÖBB-Traktion GmbH has to meet the challenges arising in an ever more liberalized European railway network and to expand cross-border transport services. Intensive talks are being held with our partners in the neighboring countries in order to obtain the certification of the locomotives of ÖBB in these countries. Additional investments and measures aimed at increasing energy efficiency will be implemented to further improve the eco-friendliness of the vehicle fleet.

Outlook – Subgroup Rail Cargo Austria

In the years to come, subgroup Rail Cargo Austria will keep striving to maintain its share on the Austrian market and in Western Europe and to further strengthen its position in Central and Eastern Europe. The acquisition of MÁV Cargo, which is still subject to approval by the cartel authorities, is expected to fully exploit the potential of the Hungarian market and all other existing markets. The distribution and production offensive will be continued and intensified. Possible acquisitions as well as any other growth potential by means of introducing new connections and services are being constantly checked. Establishing long connecting traffic axes in its own area of influence, which would be created by acquiring MÁV Cargo, is expected to have a positive impact on the further development of the subgroup. In order to strengthen our distribution and marketing competence, the programs aiming at a sustainable increase in productivity will have to be continued. At the same time, an extensive purchasing program is being implemented to enlarge the vehicle fleet, and constant investments are being made to upgrade the existing vehicle fleet. Value-added activities will be intensified along the entire logistics chain in accordance with the needs of individual industries so as to further strengthen the position of Rail Cargo Austria as a complete logistics provider.

For ÖBB-Technische Services GmbH, 2008 will be the year of consistent site development, internationalization and UEFA EURO 2008TM. Production will focus on the assembly of the railjet trains; assembly of the third generation of TAURUS (1216) will be completed, and manufacture and commissioning of Talent and Desiro short-distance trains will be finished too.

Outlook – Subgroup ÖBB-Infrastruktur Betrieb

In order to position itself among Europe's three most successful railway infrastructure companies in the medium term, subgroup ÖBB-Infrastruktur Betrieb strives to quickly modernize the existing infrastructure facilities. A balance has to be found between investments in the existing railway network and the construction of new network while increasing the availability of facilities and enhancing the quality of operation. The operational management strategy is being implemented as scheduled. The findings of the project "shunting operations 07" which will contribute to further increasing efficiency and effectiveness will be implemented by the business divisions affected in 2008. The measures aiming at avoiding delays which were considerably intensified in 2008 will be continued in close cooperation the subgroups involved.

Current medium-term planning 2008 – 2013 provides for an increase in infrastructure charges paid by railway companies to subgroup ÖBB-Infrastruktur Betrieb from about 443 million EUR to about 554 million EUR based on the assumption of further increasing transport services and annual price adjustments of 2.5%. Infrastructure rentals which are to be paid by subgroup ÖBB-Infrastruktur Betrieb to subgroup ÖBB-Infrastruktur Bau for using the infrastructure facilities are expected to amount to about 483 million EUR in 2008 and to rise to about 565 million EUR by 2013. Due to necessary rationalization measures (e.g. remote control of operations and the acquisition of rail vehicles used for maintenance and repair), capital expenditure is expected to increase to about 127.9 million EUR in 2008. By 2013, annual capital expenditure is supposed to settle down at about 46.3 million EUR.

Outlook – Subgroup ÖBB-Infrastruktur Bau

Due to a change in the general setting, subgroup ÖBB-Infrastruktur Bau adjusted its strategic alignment and defined its vision as follows: "We are creating the mobility of the future and values for the generations to come." Four strategic dimensions and targets result from this vision. The financial dimension aims at increasing financing from own sources and the efficiency of funds used as well as the value of fixed assets. Operative processes are to be made more efficient by optimizing portfolio management in the different business divisions and by improving planning accuracy. In order to strengthen the trust and confidence of all stakeholders in the operative capability of subgroup ÖBB-Infrastruktur Bau, priority is to be given to transparency. While optimizing personnel placement, the qualification of employees and the productivity is to be continuously improved.

Apart from these operational challenges, top priority is given to ensure financing of investments in railway infrastructure. An agreement regarding the master plan 2007 – 2012 signed with BMVIT in December 2007 defines the financial implementation of the master plan.

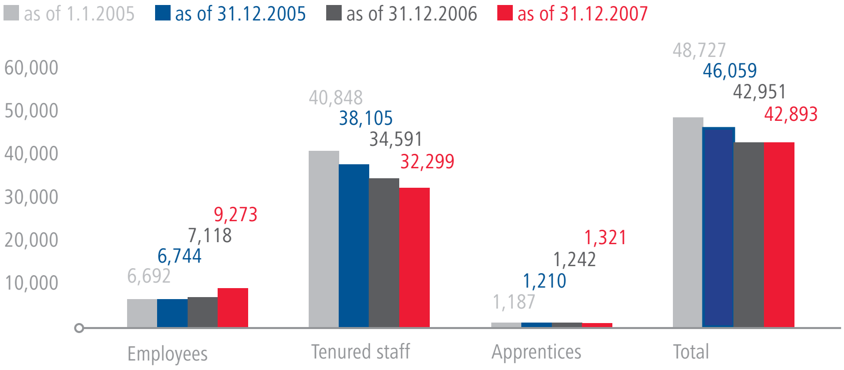
Capital Expenditure On Expanding Power Plants

Against the backdrop of increasing energy prices, increasing power consumption due to the expansion of the domestic railway network, and the resulting higher train speeds as well as unforeseeable peak consumption in railway operation, ÖBB-Infrastruktur Bau AG keeps focusing on further expanding power plants in 2008. In 2007, erection of a frequency converter was started the completion of which is scheduled for 2009. Moreover, it is planned to extend existing power plants besides maintaining and repairing existing facilities. These measures will take effect upon completion scheduled for 2009, 2011, and 2013 respectively and will increase power generation by 25%. Over the next years, an amount of about 400 million EUR will be invested in the above mentioned projects.

C. Personnel Report

ÖBB Group is one of Austria's biggest employers. At the end of 2007, a total of 42,983 people were employed by the entire group, which means that staff levels were down by only 58 employees as of the same cutoff date in 2006. While 3,677 employees left the company, 3,188 employees were newly hired. About three quarters of all employees are tenured staff. All in all, 1,321 apprentices were being trained in the different training facilities of ÖBB at the end of 2007; this is about 6% more than in the previous year.

Employee Structure of ÖBB Group

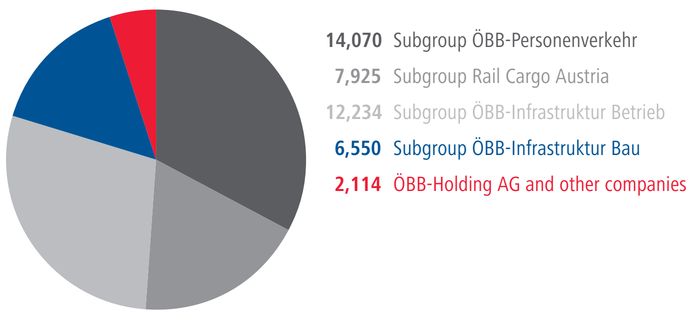


Employee structure	31.12.2006	31.12.2007	Average 2006	Average 2007	Change Average	Change in %
Employees	7,118	9,273	6,621	8,322	1,701	26
Tenured staff	34,591	32,299	36,659	33,967	-2,692	-7
Apprentices	1,242	1,321	1,097	1,101	4	0
Total	**42,951**	**42,893**	**44,377**	**43,390**	**-987**	**-2**

Staff turnover (as of cutoff date)	2006	2007
New hiring	1,863	3,188
Attrition (excluding relocation)	-4,396	-3,677
Other changes	-575	431

The business divisions requiring the largest numbers of staff are the subgroup ÖBB-Infrastruktur Betrieb accounting for 33% of all employees, and the subgroup ÖBB-Personenverkehr accounting for 29% of all employees. Average age of employees is about 41 years; about 35% of all employees are younger than 40 years.

Distribution of employees as of 31.12.2007



Age groups	up to 19 years	20–29 years	30–39 years	40–49 years	over 50 years
As of 31.12.2006	3%	5%	27%	49%	16%
As of 31.12.2007	4%	8%	23%	49%	16%

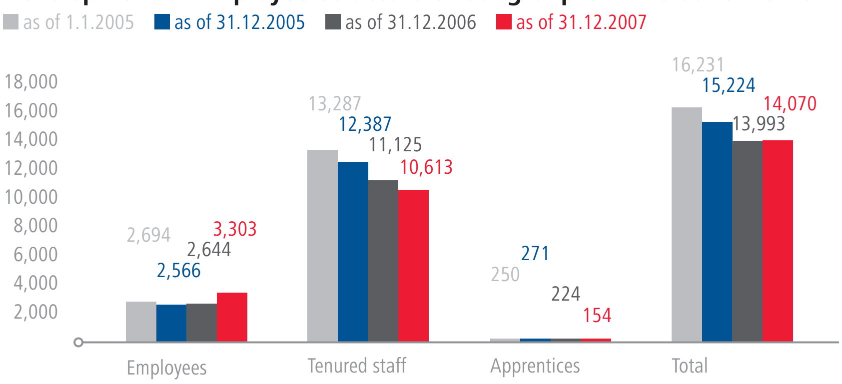
Employees of Subgroup ÖBB-Personenverkehr

Employee structure	31.12.2006	31.12.2007	Average 2006	Average 2007	Change Average	Change in %
Employees	2,644	3,303	2,483	2,951	468	19
Tenured staff	11,125	10,613	11,920	10,968	-952	-8
Apprentices	224	154	215	153	-62	-29
Total	**13,993**	**14,070**	**14,618**	**14,072**	**-546**	**-4**

At the end of 2007, subgroup ÖBB-Personenverkehr had 14,070 employees thus staff levels being only slightly below previous year's figures. One out of three employees of ÖBB Group works with this subgroup. About 75% of all employees of this subgroup are tenured staff.

Staff turnover (as of cutoff date)	2006	2007
New hiring	720	812
Attrition (excluding relocation)	-1,540	-899
Other changes	-411	142

Development of Employee Structure of Subgroup ÖBB-Personenverkehr



Age groups	up to 19 years	20–29 years	30–39 years	40–49 years	over 50 years
As of 31.12.2006	2%	6%	29%	47%	16%
As of 31.12.2007	1%	11%	24%	48%	16%

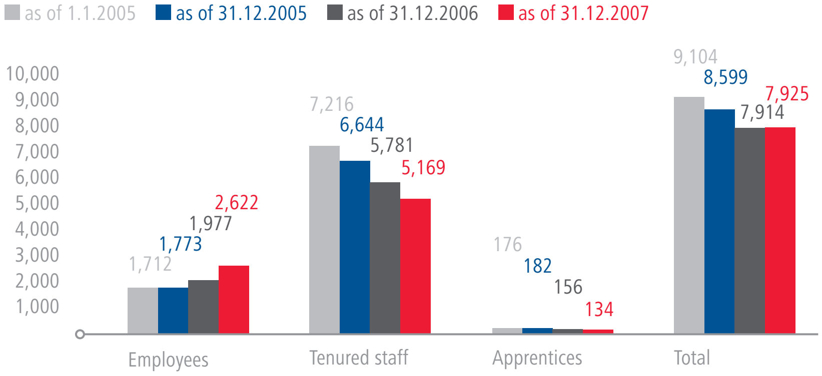
Subgroup ÖBB-Personenverkehr invested about 5.6 million EUR in training and further education of its employees in the period under review. In accordance with its strategic goals, the focus is on training those employees who are in direct contact with the customer. The second stage of the group-wide management curriculum for senior executives was started in the reporting period. Moreover, eco-driver trainings on how to drive consuming less fuel and safety-driver courses for bus drivers, which were initiated last year, continued as planned. In addition to that, all employees are offered demand-oriented seminars and workshops.

Employees of Subgroup Rail Cargo Austria

In the period under review, staff levels of Rail Cargo Austria registered a light increase to 7,925 employees. About 65% of all employees are tenured staff. At the end of 2007, 134 apprentices were being trained in different apprenticeship trainings.

Employee structure	31.12.2006	31.12.2007	Average 2006	Average 2007	Change Average	Change in %
Employees	1,977	2,622	1,819	2,383	564	31
Tenured staff	5,781	5,169	6,266	5,623	-643	-10
Apprentices	156	134	152	115	-37	-24
Total	**7,914**	**7,925**	**8,237**	**8,121**	**-116**	**-1**

Development of Employee Structure of Subgroup Rail Cargo Austria



Staff turnover within Rail Cargo Austria is made up as follows:

Staff turnover (as of cutoff date)	2006	2007
New hiring	261	1,025
Attrition (excluding relocation)	-950	-1,140
Other changes	4	161

The subgroup’s employees are subdivided into the following age groups:

Age groups	up to 19 years	20–29 years	30–39 years	40–49 years	over 50 years
As of 31.12.2006	2%	5%	26%	51%	16%
As of 31.12.2007	3%	10%	23%	52%	12%

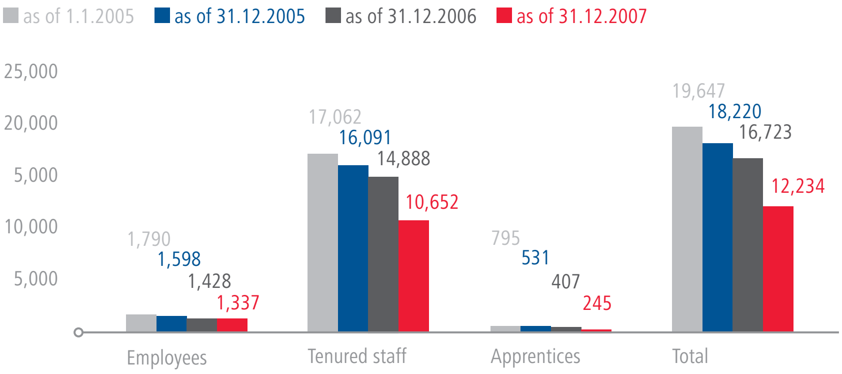
Productivity of the subgroup further increased in the period under review due to the successful implementation of reorganizational measures. Additional skilled labor was required in particular for areas close to the market resulting in the hiring of 1,025 new employees. Staff levels constantly were on the rise in the forwarding business due to the successful expansion of this business area. Apart from group-wide senior development programs, Rail Cargo Austria offers its employees seminars and workshops tailored to meet their specific needs within the scope of the training and further education program. In order to support the implementation of the group-wide health care program, the health promotion program FIT4YOU was revised and adjusted to the employees’ needs and requirements.

Employees of Subgroup ÖBB-Infrastruktur Betrieb

As the business divisions Bahnbau and Netztechnik were transferred to subgroup ÖBB-Infrastruktur Bau as of 01.01.2007, staff levels of subgroup ÖBB-Infrastruktur Betrieb decreased by 27% to 12,234 employees as at the end of 2007 in the period under review. Tenured staff account for about 87% of all employees compared to 89% in the previous year.

			Average		Change	
Employee structure	31.12.2006	31.12.2007	2006	2007	Average	in %
Employees	1,428	1,337	1,402	1,219	-183	-13
Tenured staff	14,888	10,652	15,557	11,182	-4,375	-28
Apprentices	407	245	430	280	-150	-35
Total	**16,723**	**12,234**	**17,389**	**12,681**	**-4,708**	**-27**

Development of Employee Structure of Subgroup ÖBB-Infrastruktur Betrieb



Staff turnover within ÖBB-Infrastruktur Betrieb is made up as follows:

Staff turnover (as of cutoff date)	2006[1]	2007
New hiring	260	403
Attrition (excluding relocation)	-1,406	-952
Other changes	-351	-23

1 Figures given for 2006 were adjusted to the transfer of the business divisions Bahnbau and Netztechnik.

Employees of subgroup ÖBB-Infrastruktur Betrieb are subdivided into the following age groups:

Age groups	up to 19 years	20–29 years	30–39 years	40–49 years	over 50 years
As of 31.12.2006	3%	3%	27%	49%	18%
As of 31.12.2007	2%	5%	23%	50%	20%

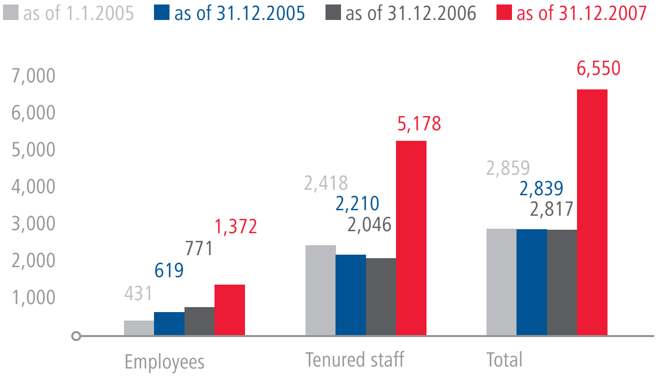
Supplementing the group-wide, more general further education programs, INFRA.academy© offers infrastructure-specific training programs. In accordance with the purpose of ÖBB-Infrastruktur Betrieb AG, the focus of INFRA.academy© is on technical, operational, and safety-related issues.

Employees of Subgroup ÖBB-Infrastruktur Bau

Due to the restructuring of ÖBB-Infrastruktur Bau AG and ÖBB-Infrastruktur Betrieb AG, staff levels of subgroup ÖBB-Infrastruktur Bau increased to 6,550 employees. About 79% of employees are tenured staff.

			Average		Change	
Employee structure	31.12.2006	31.12.2007	2006	2007	Average	in %
Employees	771	1,372	680	1,267	587	86
Tenured staff	2,046	5,178	2,132	5,442	3,310	155
Apprentices	0	0	1	0	-1	-100
Total	**2,817**	**6,550**	**2,813**	**6,709**	**3,896**	**138**

Development of Employee Structure of Subgroup ÖBB-Infrastruktur Bau



In the course of reorganization, 3,983 employees of ÖBB-Infrastruktur Betrieb AG were transferred to ÖBB-Infrastruktur Bau AG as of 01.01.2007 (3,661 employees of the business division Bahnbau and 232 employees of the business division Netztechnik).

Staff turnover within ÖBB-Infrastruktur Bau is made up as follows:

Staff turnover (head count)	2006	2007
New hiring	207	296
Attrition (excluding relocation)	-247	-472
Other changes	-13	-21

The subgroup's employees are subdivided into the following age groups:

Age groups	up to 19 years	20–29 years	30–39 years	40–49 years	over 50 years
As of 31.12.2006	1%	7%	25%	52%	15%
As of 31.12.2007	0%	9%	23%	52%	16%

This classification according to age groups does not include 73 janitors. Average age of employees of ÖBB-Infrastruktur Bau AG is about 42 years. Women account for 7% of employees.

Apart from training courses focusing on social and technical skills, special further education modules are offered in the fields of structural engineering, energy management, telecommunications, and safety engineering. The "Boarding Program" was introduced to quickly integrate newly hired employees. Uniform standards were defined for general personnel development in order to ensure systematic development and further education. Furthermore, the "employee interview" was standardized as an instrument of management for the entire group, and job descriptions for cross-sectional functions were drawn up.

D. Real Estate Management

ÖBB-Immobilienmanagement GmbH is in charge of efficiently managing about 26,000 properties owned by ÖBB. These properties include large plots of lands, office, station and operation buildings, residential buildings and appartments, signalman's cabins, and other special real estate related with railway operations. Thus, ÖBB Group is one of Austria's biggest real estate owner and responsible for an overall floor space of about 209 million m^2. Furthermore, 72 sites encompassing 157 buildings and an overall floor space of 600,000 m^2 are being managed on behalf of ÖBB-Postbus GmbH. A team of about 500 employees is in charge of ensuring optimal use of these properties. Their tasks range from efficient management to exploitation and project development.

Project Development – Railway Station Renovation Program

The railway station itself as a real estate location has been gaining in importance since the launch of ÖBB's railway station renovation program and the completion of the most frequented large railway stations such as the main railway stations in Graz, Innsbruck, and Linz. The diverse offer including restaurants, retail stores, and goods and services not only increases earnings and value, but has a very positive influence on the overall atmosphere perceived by the customer.

The railway station renovation program not only provides for the development of a specific concept for the respective station building, but aims at checking and assessing all possible ways of use and exploitation of the railway station based on the existing buildings and open spaces.

These are the most important current projects of the railway station renovation program:
- Vienna main railway station
- Wien Westbahnhof
- Salzburg main railway station and development of city quarter
- St. Pölten main railway station
- Development of city quarter around Innsbruck main railway station
- Development of city quarter around Innsbruck Westbahnhof
- Shops at select railway stations with high frequency of passengers

Project Development – Projects by Property Developers

Open spaces optimally located in respect of transport facilities are gaining massively in importance due to densely built inner-city areas. ÖBB Group owns a large number of such plots of land and intends to increasingly use them within the framework of project developments. Projects of this kind, which may assume great proportions having a decisive influence on the corresponding townscape, are realized in cooperation with strategic partners. At present, urban development projects are being implemented at the freight terminals Linz and Wien Nord, at Graz main railway station and Graz Ostbahnhof, and at the freight terminal Vienna Nordwestbahnhof Further real estate projects, which are all excellently located within the city, are being carried out in Vienna.

E. Research Report

In order to efficiently coordinate all issues relating to research, development and telematics, a platform was set up within ÖBB Group in 2005. Due to new challenges to be faced by ÖBB Group, its research strategy was revised at the end of 2007 and beginning of 2008 and extended until 2012. The most relevant adjustments refer to environmental research, safety, interoperability and telematics.

One of the most important research co-operations at group level is the R & D project I2-ÖPNV. This project focuses on developing solutions for better coordination of international traffic routes and the services offered in public short-distance passenger transport by means of extensive telematics applications. Passengers should be able to make reservations or get information on the utilization rate of park & ride facilities in an easy and comfortable manner by using modern technologies such as the internet, text messages, or email.

Apart from operative applications, subgroup ÖBB-Personenverkehr focuses on projects aimed at extending the information on connecting bus or train rides available to passengers (LiNK) and on modern distribution solutions such as mobile ticketing (use of the mobile phone for buying a ticket). Activities of subgroup Rail Cargo Austria are focused on solutions aiming at promoting combined rail-and-road freight transport (combined traffic monitoring service) and on reducing energy consumption (RAILENERGY). Research activities of subgroup ÖBB-Infrastruktur Betrieb focus on constantly improving the wheel/rail system and the check point technology, and on projects aimed at reducing noise emissions and the spreading of vibrations. Subgroup ÖBB-Infrastruktur Bau is working on projects aimed at improving building and concrete technology, and on improving the energy balance of buildings and facilities.

In 2007, 69 R & D projects of most diverse characteristics were being carried out. Overall expenditure on these research projects amounts to about 157 million EUR with ÖBB Group accounting for about 18 million EUR. This results in an annual expenditure of about 7.2 million EUR taking into consideration an average project term of about 2.5 years. ÖBB Group managed to optimally take advantage of national as well as international grants as these subsidies cover about 33% of its expenses.

Since some companies participate several times in the same common projects, an exact allocation of costs and earnings is not always possible. The allocation below is based on the definition of the leading company.

Ongoing R & D Projects 2007

				thereof grants	
Company	Number of projects	Overall project budget in thou. EUR	Prorated costs ÖBB in thou. EUR	in thou. EUR	in %
ÖBB-Infrastruktur Bau AG, ÖBB-Infrastruktur Betrieb AG	47	98,501.2	9,886.1	2,660.2	26
Rail Cargo Austria AG	11	47,889.0	6,928.4	2,949.1	42
ÖBB-Personenverkehr AG	5	3,565.3	300.5	149.9	49
ÖBB-Postbus GmbH	1	3,424.2	139.3	51.1	36
ÖBB-Traktion GmbH	2	3,458.2	714.8	48.1	6
ÖBB-Holding AG	3	132.0	68.3	64.3	94
Total	**69**	**156,969.9**	**18,037.4**	**5,922.7**	**32**

F. Risk Report

The environment of ÖBB Group is characterized by increasing internationalization and liberalization and thus intensified competition. These changing conditions may result in rising potential risks for the group. Since March 2007, the entire risk management system of ÖBB Group has been undergoing an extensive assessment and development procedure on the basis of a project carried out at group level. Based on extensive planning and controlling processes and with the support of internal guidelines and regular reports, it is possible to early identify and assess any risks that might arise and to quickly take the necessary countermeasures. Subsystems such as Corporate Treasury or power trade form already part of this system.

Risk Management within ÖBB Group

ÖBB Group defines risk as events that might result in a negative deviation of results from the planning targets set, irrespective of whether these risks involve any chances or if the occurrence of these risks might be actively influenced.

The risk management of ÖBB Group encompasses all relevant business processes while being supported by planning and controlling procedures. It is based on risk quantification, transparency, and measures and instruments used for risk control. All rules to be complied with, the scope for action, and the minimum requirements for risk management are laid down in a manual and apply to all business divisions of ÖBB Group involved of ÖBB. The risk policy of ÖBB Group gives top priority to ensuring business activities of the group without any restriction of whatsoever kind ("going concern"). Thus, risks shall only be incurred if assessable and if they may lead to an increase in earnings and goodwill.

ÖBB subgroups have to submit risk reports to the Corporate Risk Management of ÖBB-Holding AG. After exhaustively analyzing and assessing individual risks, a report is drawn up and submitted to the executive board of ÖBB-Holding AG, who is in charge of classifying the risks according to the priority given to them and of taking corrective action, if necessary. Furthermore, the executive board has to make sure that the supervisory board will receive sufficient information on the current risk situation of the company.

At regular intervals, the risk management process is carried out at all levels of ÖBB Group which are relevant for the risk management system. It is subdivided into risk identification, risk assessment, risk control, and risk reporting. There are critical values defined for each individual risk which apply to ÖBB Group, its subgroups and their respective subsidiaries and are used for classifying the risks into threatening, material and immaterial risks.

In order to ensure a structured and uniform identification of risks throughout the group, the following risk areas were defined for ÖBB Group:

A detailed risk assessment serves the purpose of quantifying relevant risks in order to obtain decision criteria for a priorization in risk control and for a cost-benefit analysis. The current business year and/or the following financial year are defined as the reference period for risk assessment for the entire ÖBB Group. Risks which are expected to occur at a later time are being constantly monitored. The extent of potential damage upon occurrence of the risk is calculated in monetary terms and used as the basis for estimating its probability.

In the course of reporting pursuant to the Austrian Code of Corporate Governance, the auditor assessed the functionality of the risk management and found it to be appropriate.

Operating Risks

After carrying out a survey at group level in the business year, 42 risks were explicitly described 34 of them being classified as qualitative risks and 8 thereof as quantitative risks. Thus the following main risks were set up for ÖBB Group:

– Liability for third-party damage (accidents)
– Own damage arising out of accidents, force majeure, fire, and natural disasters
– Third-party damage caused as the builder/owner
– Damage caused by exploding war relics
– Possible cuts in compensations for public-benefit services

The following risks were identified for the subgroups of ÖBB as being of special relevance:

Subgroup ÖBB-Personenverkehr

– Implementation of the train control system ETCS
– Loss of market shares due to increasing competitive bidding on a tender basis
– Revenue shortfall due to market liberalization
– Decrease in financial compensation for services rendered paid by the Federal Government and provinces

Subgroup Rail Cargo Austria

– Liability for third-party damage and own damage (accident/natural disaster)
– Cuts in compensation for public-benefit services (PBS) paid by the Federal Government
– Complete breakdown of vital IT production systems
– Increase in prices for productive resources (fuel, power, raw materials, freight charges, investments) exceeding budget targets
– Loss of contributions due to competitors (other railway companies, in particular on the Danube axis and for complete trains)

Subgroup ÖBB-Infrastruktur Betrieb

– Loss of infrastructure charges due to detouring ÖBB's railway network
– Higher maintenance costs resulting from the distribution of funds between basic and new investments
– Failure of the IT systems of ÖBB-Infrastruktur Betrieb AG
– Delayed realization of planned (staff) reductions because of a postponement of investments

Subgroup ÖBB-Infrastruktur Bau

– Third-party damage caused as the builder/owner
– Bursting of a barrage or a waterway
– Fire at a power plant
– War relics
– Risks related to force majeure
– Failure of the main traffic control center in Innsbruck
– Risks in connection with power generation
– Legal risks to be assumed as the owner of the domestic railway infrastructure

Since the Verbandverantwortlichengesetz (corporate criminal act) came into force as of 01.01.2006, ÖBB Group may be held responsible and sentenced for criminal offences committed by their employees or executives. In order to avoid such risks, areas which might be relevant from the viewpoint of criminal law are identified by legal risk management, e.g. offences resulting from negligence or violating environmental law; an assessment of the present situation is made and measures are taken to avoid these risks. Further preventive action was taken by introducing monitoring and reporting systems, and by adopting general rules of conduct in the form of a Code of Conduct. Trainings and clearly defined areas of responsibility also aim at minimizing risks.

Risks Arising out of or in Connection with Financial Instruments

Primary Financial Instruments

The stock of primary financial instruments within ÖBB Group (trade receivables and payables, financial assets, and current asset securities and receivables or liabilities from financing and clearing) are reported in the balance sheet; the Notes to the Consolidated Financial Statements contain further detailed information. .

Derivative Financial Instruments

ÖBB Group uses derivative financial instruments to hedge against currency and interest rate risks. The group guidelines do not allow to issue or hold financial instruments for speculative purposes. Derivative financial instruments may only be held with reference to an underlying transaction. Fluctuations in value of hedging transactions are offset by fluctuations in value of secured transactions. If no hedging accounting takes place for derivative financial instruments, provisions are set up for the negative market values of derivatives in accordance with the isolated approach.

Definition of Risk and Risk Management Regarding Financial Instruments

ÖBB-Holding AG carrying out these transactions on behalf and account of its subsidiaries has created a monitoring environment which comprises guidelines and procedures for risk assessment, approval, reporting, and supervision of the use of financial instruments. The Corporate Treasury department is responsible for identifying, assessing and limiting financial risks. Limitation of risk does not mean the complete exclusion of any financial risk, but a reasonable control of risk positions quantifiable at any time within a concrete and predefined scope of action (defined limits). Below the most important financial risks are given in detail.

Liquidity risk

The prime goal of Treasury Management within ÖBB Group is to ensure sufficient liquid funds. Liquidity risk means any limitation of the capacity to take up loans and/or capital which might impair the implementation of the Group strategy. Therefore the main task of Treasury Management is to consistently ensure liquidity by means of liquidity planning, arranging of sufficient credit lines, and adequate diversification of lenders.

Interest rate risk

Risks relating to interest rate changes may have a considerably negative impact on the financial results of ÖBB Group due to its balance sheet structure. Therefore, the use of derivative financial instruments aims at reducing the impact of interest rate fluctuations on earnings. Constant proposals for optimizing financing and risk strategy are based on portfolio analyses carried out by the Corporate Treasury Management. Portfolio management is based on the benchmark of duration. Maximum admissible cash flow at risk and maximum admissible value at risk are used as additional risk ratios. There are limits or ranges defined for these ratios; financial instruments may only be held within such clearly defined limits. At least once a year, the benchmarks used for risk control are submitted to the decision-making bodies of the corresponding companies and of ÖBB-Holding AG for passing a resolution.

Currency risk

Partial financing in foreign currency, namely Swiss francs, had a very positive effect due to the interest rate differential in comparison to financing in euro. Hedging of the resulting currency risk is being waived in part. Risks arising out of financing in USD and Brazilian real were eliminated by means of cross currency swaps. There is no currency risk arising out of cross-border lease transactions as resulting financial liabilities are offset by financial assets in the balance sheet.

Counterparty risk

Counterparty risk refers to the potential damage caused by business partners not fulfilling their financial obligations (mainly investments, funds, swap transactions having a positive present value). The exposure limits underlying the risk management for financial transactions with each and every individual business partner are based on the term to maturity and ratings and are being checked daily for compliance. ÖBB Group maintains business relations only with such banks which either dispose of a sufficient rating (at least investment grade) or meet the requirements determined in the group guidelines. So the default risk may be limited to a manageable degree.

Security deposit accounts, payment undertaking agreements, and swaps were concluded in connection with cross border lease transactions in order to make the lease payments during the term and to pay the purchase price at the end of the term. In order to hedge possible risks arising in connection therewith and to improve the benefit for ÖBB Group, portfolio credit default swaps (PCDS) were concluded. Against payment of a premium, credit risks are being exchanged. Further details on the cross border lease agreements and CDOs are given in the Notes to the Consolidated Financial Statements in note 30.3 and 29.2.

G. Material Events after the End of the Business Year

Apart from the information provided in note 38 of the Notes to the Consolidated Financial Statements, the following additional information is being disclosed.

Performance of Portfolio Credit Default Swap/Collateralized Debt Obligation

Please refer to note 29.2 of the Notes to the Consolidated Financial Statements for information on the performance of CDOs.

Subgroup ÖBB-Personenverkehr

Growing awareness in the media of surplus capacities in passenger transport (unused passenger transport capacities), although normal in public transport, on the one hand and peak demand on the other hand serve the purpose of ensuring maximum availability of public transport at peak times while taking into consideration countermeasures defined at group level and have an influence on the cost structure in short-distance and long-distance passenger traffic. Special attention should be paid to avoiding the risk of stepped fixed cost. During Christmas time 2007/2008, a program was implemented causing additional expenses of about 0.5 million EUR without generating any extra proceeds within a very short period of time; every Friday and Saturday and at peak times during 2008, situations like that will lead to additional costs having a direct negative impact on earnings. This is a risk potential of about 7 to 10 million EUR.

Subgroup Rail Cargo Austria

In 2007, Rail Cargo Austria AG and Raab-Ödenburg-Ebenfurter Eisenbahn AG formed a consortium to participate in the privatization of the freight transport company of the Hungarian railway company, MÁV Cargo Zrt. The consortium was determined as the best bidder in November 2007. On 02.01.08, the respective stock purchase agreement was signed with the seller, MÁV. This stock purchase agreement is still subject to approval by the cartel authorities; this approval is expected to be granted by summer 2008.

Subgroup ÖBB-Infrastruktur Betrieb

As of 29.02.2008, DI Peter Klugar, member of the executive board, will leave ÖBB-Infrastruktur Betrieb AG and join ÖBB-Holding AG as a member of the executive board. As of 01.03.2008, DI Herwig Wiltberger will succeed DI Peter Klugar as member of the executive board.

Subgroup ÖBB-Infrastruktur Bau

Implementation of the European Train Control System (ETCS)

ETCS (European Train Control System) is a uniform European train control system. ETCS L1 uses track-mounted data points, so-called location transponders. The transponder transmits the entire travel way information to the vehicle where it is integrated into the train running control of the vehicle. Sometimes, this intermittent automatic train running control is replaced by a continuous information transmission via antenna strands (transmitting cables), so-called loops. ETCS L2 ensures continuous data transmission via GSM-R (digital radio service for railways) thus leading to a smooth running of trains compared to an intermittent transmission of data.

As of 10.03.2008, the supreme railway authority approved the trial operation of the train control system ETCS L1 on the Ostbahn route. Four vehicles (3 thereof containing equipment suitable for ETCS) of the 1116 series for a crew of two were certified for this trial run (note: the trial run requires the operation of 5,000 km for vehicles and of 10,000 km for the network). Up to now, automatic cross-border transition from Austria to Hungary (entering the neighboring train control system without stopping) is not possible. The authorization for one man operating on the Ostbahn route for the period of one year is expected to be granted in the second half of 2008.

New Businesses

In January 2008, the following real estate developing companies were entered into the commercial register:

04.01.2008

100% subsidiary of HBF Eins Holding GmbH
– HBF Eins Alpha Projektentwicklungs GmbH
– HBF Zwei Beta Projektentwicklungs GmbH
– HBF Drei Gamma Projektentwicklungs GmbH
– HBF Vier Delta Projektentwicklungs GmbH

100% subsidiary of Hauptbahnhof Zwei Holding GmbH
–HBF Fünf Epsilon Projektentwicklungs GmbH
–HBF Sechs Gemma Projektentwicklungs GmbH

9.1.2008

General partner ÖBB-Immobilienmanagement GmbH,
limited partner ÖBB-Infrastruktur Bau AG
– ÖBB-Realitätenbeteiligungs GmbH & Co KG

12.1.2008

General partner ÖBB-Projektentwicklung GmbH,
limited partner ÖBB-Realitätenbeteiligungs GmbH & Co KG
– Businesscenter Linz Entwicklungs- und Verwertungs GmbH & Co KG
– Westbahnhof A3 GmbH & Co KG
– BahnhofCity WHBF Alpha GmbH & Co KG
– BahnhofCity WHBF Beta GmbH & Co KG

15.1.2008

– Praterstern 5 Entwicklungs- und Verwertungs GmbH & Co KG

17.1.2008

– InterCity WHBF Alpha GmbH & Co KG
– InterCity WHBF Beta GmbH & Co KG
– InterCity WHBF Gamma GmbH & Co KG
– InterCity WHBF Delta GmbH & Co KG
– InterCity WHBF Epsilon GmbH & Co KG

Business segment Unterinntal

As of 01.07.2007, the new business segment “Unterinntal” was set up within the project management division to ensure that the investment projects in Unterinntal will be continued by ÖBB-Infrastruktur Bau AG. Furthermore, an operational management agreement was signed with BEG (laying down the distribution of tasks incumbent on each party) coming into force as of 01.01.2008.

Master plan 2008–2013

Pursuant to § 43 Bundesbahnstrukturgesetz 2003 (Federal railway structure act), the six-year master plan referring to investments to be made in railway infrastructure has to be revised annually and renewed for another year.

The master plan for the period 2008-2013 has already been adapted by ÖBB-Infrastruktur Bau AG and the companies involved and has been approved by the supervisory board as well as taken note of by the Council of Ministers held on 05.03.2008. By approving the plan, the Federal Government commits itself to making available the funds as provided for in § 43 Abs. (2). The Federal Ministry of Transport, Innovation and Technology (BMVIT), the Federal Ministry of Finance (BMF), and the executive boards of ÖBB-Infrastruktur Bau AG and ÖB-Holding AG signed an agreement regarding the master plan on 01.04.2008.

H. Notes to the Group Status Report

This Group Status Report contains statements and forecasts referring to the future development of ÖBB Group and the economic environment. All forecasts were made on the basis of information available at the time of preparing the report. Therefore, actual developments might deviate from the expectations expressed in the Group Status Report.

Vienna, May 5, 2008

The Executive Board

DI Peter Klugar KR Gustav Poschalko Mag. Erich Söllinger

Consolidated Financial Statements

Consolidated Income Statement 2007

in EUR	Note	2007	2006
Sales	4	4,874,237,804.88	4,564,015,071.39
Increase or decrease in work in progress		-58,102.67	1,402,678.27
Other own work capitalized	5	350,206,339.70	221,469,512.81
Other operating income	6	296,967,043.70	203,274,390.28
Total revenues		**5,521,353,085.61**	**4,990,161,652.75**
Expenses for materials and services received	7	-1,910,356,343.22	-1,587,949,356.07
Personnel expenses	8	-2,136,784,269.89	-2,132,769,806.08
Depreciation	9	-500,647,714.09	-483,530,200.79
Other operating expenses	10	-459,925,520.82	-432,687,127.64
Earnings before interest and taxes (EBIT)		**513,639,237.59**	**353,225,162.17**
Dividend income from companies included at equity	17	4,855,743.74	1,672,361.15
Income from interest	11	152,863,620.20	128,347,545.55
Interest expenses	11	-485,583,452.81	-405,526,492.98
Other financial results	12	-141,372,656.09	21,070,313.10
Financial results		**-469,236,744.96**	**-254,436,273.18**
Earnings before taxes (EBT)		**44,402,492.63**	**98,788,888.99**
Taxes on income and earnings	13	-2,021,354.41	-2,309,781.42
Profit for the year		**42,381,138.22**	**96,479,107.57**
Proportionate profit for the year assigned to:			
Shareholders of ÖBB-Holding AG		42,250,661.40	94,760,571.54
Minority interests		130,476.82	1,718,536.03

The following notes to the consolidated financial statements are an integral part of this consolidated income statement.

Consolidated Balance Sheet as of 31.12.2007

Assets in EUR	Note	31.12.2007	31.12.2006
Fixed assets			
Tangible assets	14	13,357,335,355.24	11,523,685,279.03
Intangible assets	15	197,552,550.61	195,468,711.01
Real estate held as financial assets	16	41,734,682.99	42,136,371.25
Participations in companies included at equity	17	20,698,528.17	20,781,339.02
Financial assets	18	385,768,490.35	338,861,205.35
Trade receivables	20	1,737,281.99	13,371,193.02
Other receivables and assets	20	22,487,597.88	24,089,567.60
Deferred tax claims	13	155,148.67	458,945.24
		14,027,469,635.90	**12,158,852,611.52**
Current assets			
Inventories	21	129,718,117.44	108,364,127.70
Trade receivables	20	563,386,464.27	529,641,071.67
Other receivables and assets	20	393,731,557.10	303,932,947.91
Receivables from taxes on earnings	13	27,539.76	0.00
Financial assets	18	171,559,722.51	131,147,474.76
Assets held-for-sale	19	13,184,408.91	20,662,893.25
Cash and cash equivalents	22	150,111,616.81	129,225,984.30
		1,421,719,426.80	**1,222,974,499.59**
		15,449,189,062.70	**13,381,827,111.11**

Liabilities in EUR		31.12.2007	31.12.2006
Equity			
Capital stock	23	1,900,000,000.00	1,900,000,000.00
Reserves	24	844,674,061.63	831,847,208.18
Currency differences	23	1,100,611.15	859,018.14
Net income	23	189,693,383.70	105,849,082.98
Minority interests	23	5,158,659.64	5,650,224.66
		2,940,626,716.12	**2,844,205,533.96**
Long-term liabilities			
Financial liabilities	25	10,151,444,330.20	7,897,520,607.89
Provisions	26	260,586,650.46	285,138,584.08
Trade payables	27	24,321,403.45	32,247,534.42
Other accounts payable	27	200,247,718.15	209,101,843.12
Deferred tax liabilities	13	1,084,426.12	1,089,571.61
		10,637,684,528.38	**8,425,098,141.12**
Short-term liabilities			
Financial liabilities	25	423,024,297.79	857,407,447.23
Provisions	26	156,430,924.16	143,039,329.48
Trade payables	27	1,013,219,008.57	822,666,479.57
Other accounts payable	27	278,203,587.68	289,410,179.75
		1,870,877,818.20	**2,112,523,436.03**
		15,449,189,062.70	**13,381,827,111.11**

The following notes to the consolidated financial statements are an integral part of this consolidated balance sheet.

Consolidated Cash Flow Statement

in million EUR	2007	2006
Profit for the year	42.4	96.5
Non-cash expenses and income		
+ Depreciation / - appreciation of tangible and intangible assets	746.1	722.9
+ Depreciation / - appreciation of real estate held as financial assets	0.2	0.0
- Release of third party contributions	-245.6	-239.4
- Gains from the disposal of tangible and intangible assets	-75.7	-51.1
- Gains from the disposal of financial assets	-0.9	-1.9
- Gains from currency translations	-89.8	-114.2
+ Other expenses not affecting cash flow	91.6	291.0
+ Interest expenses	485.5	405.5
- Income from interest	-153.5	-130.3
Changes to assets and liabilities		
- Increase in inventory	-21.4	-1.2
- Increase in trade receivables and other assets	-144.2	-14.6
+ Increase / - decrease in trade payables and other liabilities	205.6	-33.1
- Decrease in provisions	-90.6	-301.6
- Interest paid	-446.5	-365.2
+ Interest income	146.4	96.0
Cash flow from operating activities a)	**449.6**	**359.3**

in million EUR	2007	2006
+ Payments received from disposal of tangible and intangible assets	135.3	129.2
- Payments for acquisition of tangible and intangible assets	-2,547.3	-2,053.8
+ Payments received from disposal of financial assets	3.2	6.7
- Payments for acquisition of financial assets	-3.1	-19.2
+ Payments received from/ - repayment of third party contributions	151.5	87.7
- Payments for acquisition of consolidated companies and other business divisions	-45.7	-1.4
Cash flow from investment activities b)	**-2,306.1**	**-1,850.8**
+ Payments received from issuing of bonds and taking out of loans	2,261.1	2,028.7
- Payments for repayment of bonds and loans	-383.7	-505.7
Cash flow from financing activities c)	**1,877.4**	**1,523.0**
Cash flow from operating activities a)	**449.6**	**359.3**
Cash flow from investment activities b)	**-2,306.1**	**-1,850.8**
Free cash flow (a+b)	**-1,856.5**	**-1,491.5**
Liquid funds at the beginning of the reporting period	**129.2**	**97.7**
Changes to liquid funds resulting from cash flows (a+b+c)	20.9	31.5
Liquid funds at the end of the reporting period	**150.1**	**129.2**

The following notes to the consolidated financial statements are an integral part of this consolidated cash flow statement

Statement Of Changes In Equity

as of 31.12.2006 and as of 31.12.2007

in million EUR	Capital stock	Reserves
Balance as of 01.01.2006	**1,900.0**	**785.2**
Changes in equity affecting income		
Group profit for the year	-	-
Allocation to retained earnings	-	0.6
Changes in equity not affecting income		
Changes in cash flow hedge reserve and available-for-sale reserve	-	44.3
Changes in currency differences	-	-
Other changes	-	1.7
Balance as of 31.12.2006	**1,900.0**	**831.8**
Balance as of 01.01.2007	**1,900.0**	**831.8**
Changes in equity affecting income		
Group profit for the year	-	-
Reversal of retained earnings	-	-0.5
Reversal of capital reserves	-	-41.0
Changes in equity not affecting income		
Changes in cash flow hedge reserve and available-for-sale reserve	-	54.1
Changes in currency differences	-	
Other changes	-	0.3
Balance as of 31.12.2007	**1,900.0**	**844.7**

Foreign currency differences	Net income	Total without minority interests	Minority interests	Total equity
0.3	**11.7**	**2,697.2**	**4.6**	**2,701.8**
-	94.8	94.8	1.7	96.5
-	-0.6	0.0	-	0.0
-	-	44.3	-	44.3
0.6	-	0.6	-	0.6
-	-	1.7	-0.7	1.0
0.9	**105.9**	**2,838.6**	**5.6**	**2,844.2**
0.9	**105.9**	**2,838.6**	**5.6**	**2,844.2**
-	42.3	42.3	0.1	42.4
-	0.5	0.0	-	0.0
-	41.0	0.0	-	0.0
-	-	54.1	-	54.1
0.2	-	0.2	-	0.2
-	-	0.3	-0.6	-0.3
1.1	**189.7**	**2,935.5**	**5.1**	**2,940.6**

Notes To The Consolidated Financial Statements as of 31.12.2007

A. Consolidation Principles

Österreichischen Bundesbahnen-Holding Aktiengesellschaft (hereinafter referred to as ÖBB-Holding AG) and its subsidiaries form the Group of Österreichische Bundesbahnen-Holding Aktiengesellschaft (herinafter referred to as ÖBB Group or the company).

ÖBB-Holding AG is a stock company incorporated in accordance with § 2 (1) of the Austrian Federal Railways Act (BBG), as amended by the Bundesbahnstrukturgesetz (Austrian Federal Railways Structure Act) BGBI. (legal gazette) I No. 138/2003, in 2004 as the holding company of ÖBB Group having its registered office in Vienna. The address of the registered office is as follows: Wienerbergstraße 11, 1100 Wien, Österreich. The company is registered with the Commercial Court of Vienna and entered under FN 247642 f. Also the consolidated financial statements will be filed there.

The new structure of ÖBB Group includes ÖBB-Holding AG as the strategic holding company holding all shares in the four stock companies (subgroups) which are ÖBB-Personenverkehr Aktiengesellschaft, Rail Cargo Austria Aktienges-ellschaft, ÖBB-Infrastruktur Betrieb Aktiengesellschaft and ÖBB-Infrastruktur Bau Aktiengesellschaft (hereinafter AG instead of Aktiengesellschaft). Hereinafter the subgroups will be referred to as subgroup ÖBB-Personenverkehr, subgroup Rail Cargo Austria, subgroup ÖBB-Infrastruktur Betrieb and subgroup ÖBB-Infrastruktur Bau. Below the subgroups are described in detail according to segment reporting.

Pursuant to § 245 (5) HGB two subsidiaries of ÖBB-Holding AG, ÖBB-Infrastruktur Bau AG and ÖBB-Personenverkehr AG, are obliged to prepare partially consolidated financial statements according to IFRS as bonds issued by these companies are admitted to dealings at the organized market on the Vienna stock exchange. The partially consolidated financial statements of ÖBB-Infrastruktur Bau AG and ÖBB-Personenverkehr Aktiengesellschaft will be both filed with the Commercial Court of Vienna and entered on the commercial register under FN 71396 w and FN 247842 y respectively.

The capital stock is divided into 190,000 ordinary shares with a par value of 10,000 EUR each and was raised in its entirety by the Republic of Austria. The shares are not being publicly traded.

1. Accounting Principles

Pursuant to § 244 UGB (Unternehmensgesetzbuch: Austrian Corporate Law) ÖBB-Holding AG is obliged to draw up consolidated financial statements. The consolidated financial statements as of 31.12.2007 (including previous year's figures) were drawn up for the first time, pursuant to § 245a (2) UGB and the "IFRS ordinance", in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IABS), as well as according to the interpretations of the International Financial Interpretation Committee ("IFRIC"), and the Interpretations of the Standards Interpretation Committee ("SIC") as applicable as of 31.12.2007 within the European Union. With these consolidated financial statements pursuant to IFRS, ÖBB-Holding AG prepares its consolidated financial statements according to internationally recognized accounting principles waiving preparation according to the principles of corporate law.

The consolidated financial statements are drawn up in Euro (EUR). Unless otherwise stated, the amounts shown in these notes are in EURO. As for the purpose of accuracy, internal calculations take into consideration also digits not reported which may result rounding differences.

January 1, 2006, was fixed as the date of transition from the accounting principles used up to now (UGB) to IFRS. The reporting and valuation principles used comply with all IAS/IFRS in force as of the closing date of the first financial statements prepared according to IFRS. In accordance with IFRS 1 the company has claimed several exemptions and exceptions from these standards which are given in detail in Note 33.

The following standards and interpretations were adopted; nevertheless, they do not apply to business years ending before 31.12.2007. The company did not make use of the option of earlier application of these standards and interpretations and is currently studying the impact these standards and interpretations have on the consolidated financial statements.

New standards / interpretations		In force as of[1]
IFRS 8	Operating Segments	1.1.2009

Revised standards / interpretations		In force as of[1]
IFRIC 11	IFRS 2 Group and Treasury Share Transactions	1.3.2007

1 To be applied to business years ending on or after the date indicated

The company applied IFRS 7 in both reporting periods.

2. Consolidation Principles, Consolidation Process And Scope Of Consolidation

Business Combinations

Pursuant to IFRS 1 all business combinations carried out before 1.1.2006 are to be reported according to the reporting and valuations principles of the accounting principles used so far. In accordance with these provisions, all business acquisitions were reported pursuant to the Austrian Corporate Law with any differential amount between purchase price and market value of the acquired net assets being offset against reserves. Expenses and income of the businesses acquired are included in the consolidated financial statements as of the date of acquisition. Pursuant to IFRS 3, IAS 38 and IAS 36 goodwill and intangible assets having an indefinite useful life are not written off as scheduled, but have to be valuated at least once a year.

Consolidation Principles

Balance Sheet Date

All the fully consolidated companies included in the consolidated financial statements record December 31 as their balance sheet date.

Currency Translation

The financial statements of foreign subsidiaries included in the consolidated financial statements are translated in accordance with the modified current rate method. The equity capital items are valued at the historical exchange rates as of the date of initial consolidation. The remaining balance sheet items are valued at the foreign exchange reference rates of ÖNB [Austrian central bank] as of the balance sheet date. Items shown in the income statement are translated at the mean annual exchange rate.

Differences due to the different exchange rates used in the financial statements are shown as separate item under "Currency translation differences". Currency translation differences not realized resulting from exchange rate fluctuations between the date of entry of the transaction and the balance sheet date are reported as affecting net income and shown under other operating income or expenses.

As the principal sales area of ÖBB Group is Austria, only a small part of sales are generated in other currencies. The exchange rates of the most important currencies developed as follows (source: reference rates issued by the European Central Bank (ECB) according to www.oenb.at):

	Exchange rate on reporting date		Mean annual exchange rate	
Rounded off in EUR	31.12.2006	31.12.2007	2006	2007
Bulgarian Lev (BGN)	1.956	1.956	1.956	1.956
Swiss Franc (CHF)	1.607	1.655	1.573	1.643
Czech Koruna (CZK)	27.485	26.628	28.342	27.766
Japanese Yen (JPY)	156.930	164.930	146.020	161.250
Croatian Kuna (HRK)	7.350	7.331	7.325	7.338
Hungarian Forint (HUF)	251.770	253.730	264.260	251.350
Polish Zloty (PLN)	3.831	3.594	3.896	3.784
Romanian Leu (RON)	3.383	3.608	3.526	3.335
Russian Rouble (RUB)	34.680	35.986	34.112	35.018
Slovak Koruna (SKK)	34.435	33.583	37.234	33.775
New Turkish Lira (TRY)	1.864	1.717	1.809	1.786
US-Dollar (USD)	1.317	1.472	1.255	1.371

Consolidation

Subsidiaries

All companies in which ÖBB Group exercises a dominating influence on the financial and business management as it holds more than 50% of the voting rights are considered to be subsidiaries. When assessing if there is a dominating influence, the existence and impact of any potential voting rights which may be exercised or converted are taken into consideration. Subsidiaries are to be included in the consolidated financial statements (full consolidation) as from the date the dominating influence has passed to ÖBB Group. They will be de-consolidated at the time the dominating influence ends. Acquired subsidiaries are reported in accordance with the purchase method.

Assets and liabilities of acquired subsidiaries are measured at fair value at the time of acquisition. Should the acquisition costs exceed the respective fair value of the identifiable assets and liabilities purchased, the differential amount is shown as goodwill. Any negative differential amount between acquisition costs and acquired identifiable assets and liabilities (i.e. a markdown) is recorded affecting net income in the reporting period when the acquisition takes place.

Earnings of subsidiaries acquired or disposed of during the period under review are included in the consolidated income statement as of the effective date of acquisition or until the effective date of disposal.

Intra-group transactions, balances, and gains and losses not realized arising out of transactions between group companies are eliminated. All subsidiaries within ÖBB Group are to apply these uniform reporting and valuation principles.

Associated Companies

An associated company is a company in which ÖBB Group has a fundamental influence on the decision-making processes regarding financial and business issues but where ÖBB Group does not exercise control or joint control. This is the case when 20% to 50% of the voting rights are held.

Participations in associated companies are consolidated at equity for the purpose of being included in the consolidated financial statements if they are not classified as held for sale. First inclusion is done at acquisition costs to be adjusted in case of any change in the share of ÖBB Group in the net assets occurring after the time of acquisition or in case of any losses due to an impairment of value. Losses exceeding the participation of ÖBB Group in an associated company are not reported if there is no obligation to make further contributions.

Should the acquisition costs for the participation of ÖBB Group exceed the respective fair values of the identifiable assets and liabilities of the associated company at the time of acquisition, the differential amount is reported as goodwill in the balance sheet when recognizing the participation. Should the acquisition costs for the participation of ÖBB Group be lower then the fair values of the identifiable assets and liabilities at the time of acquisition (i.e. a markdown), the differential amount is recorded affecting net income in the reporting period when the acquisition takes place.

Capital Consolidation

Capital consolidation is done by using the purchase method offsetting the acquisition costs of the shareholdings against the group share in the revaluated equity of the consolidated subsidiaries as of the date of acquisition. Any resulting capitalized differential amounts are to be reported as goodwill in intangible assets if they cannot be allocated to individual assets or liabilities. Minority interests in equity and income from companies controlled by the parent company are to be reported separately.

Offsetting of Receivables and Payables

For the purpose of debt consolidation, loans, trade receivables, other receivables and accruals and deferrals are set off against the corresponding trade payables and provisions between the subsidiaries included in the group financial statements.

Consolidation of Income and Expenses

All intra-group income and expenses are eliminated by consolidating income and expenses. In case of assets constructed by ÖBB Group for its own use, any sales resulting there from are reclassified to own work capitalized.

Elimination of Unrealized Results of Intra-group Transactions

In the consolidated financial statements of both reporting periods, profits from intra-group sales of assets and assets constructed by the Group for its own use were eliminated.

Scope of Consolidation

Apart from ÖBB-Holding AG, the scope of consolidation comprises 65 (prior year: 68) further fully consolidated companies and 17 (prior year: 17) companies consolidated at equity, that is a total of 83 (prior year: 86) companies. The companies included in the consolidated financial statements as well as those companies not included in the scope of consolidation are listed in note 36. This schedule includes all participations held by ÖBB Group indicating the respective equity capital as shown in the books, the profit for the year and the legal explanation for their being included or not in the scope of consolidation. Companies which were included for the first time in 2006 and 2007 or where the form of consolidation was changed are marked separately in the Schedule of Participations given in note 36.

The scope of consolidation has been defined in such a way that the consolidated financial statements give as true and fair a view of the assets, financial situation and earnings position as possible. The companies not included in the scope of full consolidation are companies with lower business volumes, where the sales volume and equity of which is less than 1% of the Group value.

Changes in the Scope of Consolidation in 2006 and 2007

The scope of consolidation developed as follows:

Scope of Consolidation	Fully consolidated	Consolidated at equity	Total
Balance as of 31.12.2006	**57**	**13**	**70**
thereof foreign companies	16	4	20
Additions to scope of consolidation	11	7	18
Change of consolidation principles	3	-3	0
Mergers	-2	0	-2
Balance as of 31.12.2006	**69**	**17**	**86**
thereof foreign companies	25	11	36
Additions to scope of consolidation	1	1	2
Mergers	-4	0	-4
Divestiture from scope of consolidation	0	-1	-1
Balance as of 31.12.2007	**66**	**17**	**83**
thereof foreign companies	21	11	32

Acquisitions are marked in the Schedule of Participations in note 36.

Effects on the Asset and Earnings Situation due to Changes in the Scope of Consolidation

The above mentioned changes in the scope of consolidation are affecting the consolidated financial statements as follows:

Balance sheet development Rounded off in million EUR	1.1.2006	Additions to scope of consolidation	Internal growth incl. FOREX differences	31.12.2006	Internal growth incl. FOREX differences	31.12.2007
Fixed assets	10,722.5	28.3	1,408.0	12,158.8	1,868.7	14,027.5
Current assets	1,194.5	21.2	7.3	1,223.0	198.7	1,421.7
Balance sheet total	**11,917.0**	**49.5**	**1,415.3**	**13,381.8**	**2,067.4**	**15,449.2**
Equity	2,701.8	4.9	137.5	2,844.2	96.4	2,940.6
Long-term liabilities	6,892.7	30.2	1,502.2	8,425.1	2,212.6	10,637.7
Short-term liabilities	2,322.5	14.4	-224.4	2,112.5	- 241.6	1,870.9
Balance sheet total	**11,917.0**	**49.5**	**1,415.3**	**13,381.8**	**2,067.4**	**15,449.2**

Development of income statement Rounded off in million EUR	2006	Additions to scope of consolidation	Internal growth incl. FOREX differences	2007
Total revenues	4,990.2	55.4	475.8	5,521.4
Total expenditure	-4,637.0	-51.1	-319.7	-5,007.8
Financial results	-254.4	-1.2	-213.6	-469.2

In 2007 there were no effects resulting from changes to the scope of consolidation as the addition to the scope of consolidation was a company established by ÖBB Group. If the date of consolidation of the companies consolidated as of 31.12.2006 had been 1.1.2006, the effects resulting from the additions to the scope of consolidation in 2006 would have been similar those in 2007.

In case of companies being included in the scope of consolidation for the first time, hidden reserves in intangible assets amounting to about 1.8 million EUR and in vehicle fleet amounting to about 1.7 million EUR were capitalized and written off as scheduled over their estimated useful life. Capitalized differential amounts amounting to about 1.0 million EUR were reported in other operating expenses affecting income in 2006.

3. Summary Of Fundamental Reporting And Valuation Principles

Tangible assets

Tangible assets are reported at their acquisition or manufacturing costs. Acquisition and manufacturing costs include certain expenses incurred during erection or expansion of the railway infrastructure network such as expenses for materials or personnel expenses, directly attributable fixed and variable overhead costs, as well as the present value of obligations resulting from the demolition and evacuation of assets and the restoration of sites. Value added tax charged by suppliers and eligible for deduction of input tax is not included in acquisition or manufacturing costs. Tangible assets rented on the basis of financial lease are reported at the cash value of minimum lease payments or at the lower market value.

Depreciation of fixed assets is calculated using the straight-line method over their estimated useful life. Leased tangible assets (financial lease) and leasehold improvements are written off using the straight-line method over the shorter period of the term of the lease and the useful life of the tangible assets.

Useful life is as follows:

	Years
Substructure	20–150
Building Construction	25–80
Power and lighting installations	15–35
Superstructure	25–30
Safeguarding and telecommunications systems	4–30
Vehicle fleet	8–30
Tools and fixtures	4–20
Machinery and equipment	9–15

Maintenance and repair are recognized as expenses incurred; replacement and value-increasing investments are capitalized. Interest on borrowings is not capitalized. In case of disposal of assets, acquisition costs and accumulated depreciation are recorded as divestiture with the difference between net sales proceeds and book value being reported as affecting income under other operating income or expenses. The useful lives and depreciation methods shown above also apply to those assets reported in “investment property”.

Impairment of Value of Tangible and Intangible Assets

Methodology

Tangible and intangible assets having a limited useful life are tested for any impairment of value should events or changes in the conditions indicate that the book value of an asset is higher than its market value. In this case all tangible and intangible assets will be revaluated. Pursuant to the provisions of IAS 36 any expenditure is to be recorded as impairment of value if the book value is above the higher of market value less acquisition costs or the value in use. The market value less acquisition costs is the amount to be achieved in an arm’s length sale less costs of disposal. The value in use corresponds to an estimate of the future discounted net cash flows to be derived from the continuing use of the assets and from its disposal at the end of its useful life. Impairments of value are reported in “Depreciation”.

For the purpose of revaluating the asset, the company has to determine the value in use. The value in use is an estimate of the future net cash flows of the cash generating units based on the business plans and derived from previous results and the best possible estimates of the executive board regarding future developments. The growth rates assumed in the business plans reflect the weighted average growth rates on the basis of market estimates. Cash flow forecasts going beyond the term of the business plan are to be determined on the basis of a long-term planning for the next three decades and are not to exceed the weighted long-term average growth rate of the country where the cash generating unit is operating.

Should the amount recoverable be higher than the book value, there is no impairment of value for the corresponding cash generating unit. Should the amount recoverable for the cash generating unit be lower than the book value, an impairment of value is to be recorded for this unit. The impairment in value is allocated and distributed to the assets of the cash generating unit in accordance with their respective book values: Impairments of book value are expenses incurred for impairment of value.

Should there be grounds to assume that there is no impairment of value anymore the company has to undo the impairment of value in whole or in part.

Upon approval of medium-term planning by the supervisory board there will be regular tests so as to determine if an event has occurred causing an impairment of value. In case that during the business year current findings stemming from the business development or changes in the assumptions made indicate a substantial change of the value in use, additional tests are to be carried out.

Structure of Cash Generating Units

Each cash generating unit consists of one or more legally independent companies. Criteria for delimitating cash generating units follow the structure of business operations and correspond to the business divisions or business activities of ÖBB Group.

Assumption for Calculation

For the purpose of discounting, a weighted average cost of capital rate is used reflecting the interest rate to be paid by ÖBB Group on the capital market for raising borrowed capital and equity. Risks and taxes are taken into account applying different deductions. A discounting interest rate of 4.85% was used for the cash generating unit ÖBB-Infrastruktur Bau as this subgroup is financed primarily through bonds. The following discounting interest rates were used for all other cash generating units:

Other cash generating units	1.1.2006	31.12.2006	31.12.2007
Discounting rate before taxes 2006 - 2013	**6.9%**	**7.1%**	**7.2%**
Growth deductions and costing rates	-1.1%	-1.0%	-1.0%
Discounting interest rate before taxes as from 2014 (eternal annuity)	**5.8%**	**6.1%**	**6.2%**

Due the interpenetration of risks and resources within ÖBB Group the same cost of capital rate was used at group level. The cash flow forecasts take into consideration intra-group transfer prices on the basis of fair market estimates by the companies involved. The cash flow forecasts referring to the time after the planning period (recognition of an eternal annuity) assume growth rates for testing impairments of value which are based on realistic estimates of the specific market development.

Non-current Assets Held for Sale (IFRS 5)
Pursuant to IFRS 5 ("Non-current assets held for sale and discontinued operations"), assets held for sale are to be measured at book value or the lower fair value less costs of disposal. Assets classified as held for sale are not subject to any further depreciation and reported as separate item in the balance sheet. Gains or losses from the disposal of tangible assets held for sale are reported as other operating income or expenses together with gains and losses from divestiture of assets.

Goodwill and Other Intangible Assets

ÖBB Group does not report any goodwill or other intangible assets having an indefinite useful life. Depreciable intangible assets are reported at acquisition costs less depreciation as scheduled using the straight-line method. Depreciation as scheduled using the straight-line method is based on the following useful lives:

	Years
Concessions	4–20
Software	2–20
Cost contributions to third parties	3–20
Other intangible assets	5–30

In principle, cost contributions are written off over the useful life of the subsidized asset. Please refer to note 9 regarding impairment of value.

Cost Contributions to Assets
ÖBB Group receives government grants granted in relation to assets. Government grants are reported in the balance sheet if these government grants are certain to be granted and if the prerequisites for receiving the government grants are being complied with. Asset-based grants, in particular cost contributions are directly written off from the subsidized assets on the assets side. These write-offs are reported in the income statement less income from the write-back of cost contributions.

Financial Instruments
Financial assets and liabilities are to be reported when the company enters into a contractual arrangement regarding a financial instrument. Financial assets are de-recognized when the company looses control of the contractual financial instrument. Financial liabilities are de-recognized upon expiration of the contractual obligation. Regular acquisitions and sales of financial assets are reported on the settlement day. Derivative financial instruments are recorded on the trade day.

Financial assets and liabilities are reported at the respective value of the service received or rendered. Transaction costs are taken into consideration upon first determination of the respective value except for those financial instruments which are classified as held for trading.

Cash and Cash Equivalents

The company reports cash on hand and in banks as well as near cash having a term to maturity of up to three months as cash and cash equivalents. Money market investments having an initial term of more than three months are reported as current financial assets together with securities.

Securities and Other Non-current Financial Instruments

Pursuant to IAS 39, the company records securities and certain non-current financial instruments either as financial assets held to maturity (HtM) or as financial instruments available for sale (AfS), or reports them in the balance sheet at amortized cost or at market value. Unrealized gains and losses from financial assets available for sale are shown in equity not affecting net income.

Valuation of securities is done in two steps testing if there is a substantial difference between the book value and the market value of the securities and for how long this difference has been existing. Losses from impairments of value are recorded as affecting net income in the reporting period under other expenses in the financial results, their value being determined on the basis of item-by-item valuation.

Should there be grounds to assume that there is no impairment of value anymore, the company has to undo the impairment of value in whole or in part unless the assets affected are financial assets reported at acquisition costs or equity instruments classified as available for sale.

Derivative Financial Instruments

Pursuant to IAS 39 all financial assets and liabilities and all derivative financial instruments are to be recognized as asset or liability and to be measured at fair value with some exceptions, irrespective of the purpose or intention for which they are held. Changes of the fair value of derivative instruments are reported in equity (as revaluation reserve) either affecting net income or not depending on whether the financial instrument is used for hedging the market value of balance sheet items (fair value hedge) or for hedging cash flows (cash flow hedge). Changes in the market value of the hedged asset or liability and the derivative instrument itself used for hedging balance sheet items are recorded as affecting net income. In case of derivative instruments classified as cash flow hedge, changes in the market value of the effective portion of the hedging instrument are to be reported in equity (hedging reserve). Realization of the hedging transaction is recorded as affecting net income. Changes in the market value of the ineffective portion of the hedging transaction as well as changes in the market value of derivative financial instruments not to be classified as hedging transaction are to be reported immediately as affecting net income.

Furthermore, the company has concluded different exchange futures, portfolio credit swaps and interest rate swaps which are reported in the balance sheet as independent derivate financial instruments. These exchange futures and interest rate swaps serve the purpose of hedging risks arising out of exchange rate and interest rate fluctuations. Changes in the market value are recorded as affecting net income. Regular acquisitions or sales of financial assets are reported as of the settlement day.

Market Value of Financial Instruments

The book values of liquid funds and trade payables, accounts receivable from and accounts payable to affiliated companies are approximately the same as the market values thereof. The market values of securities held until final maturity and securities available for sale result from the corresponding stock exchange price. The market value of long-term financial liabilities and swaps is based on the present value of future cash flows to be expected, discounted by applying the current interest rate as estimated by the company at which comparable financial instruments can be taken on.

Regarding investments for which there are no stock exchange prices, in particular participations and shareholdings in unconsolidated subsidiaries, the company assumes based on the audited financial statements, if available, that the market value is the same as the book value. These assets will be revaluated if the participation generates losses over a longer period of time or if there are substantial changes in the business environment.

Inventories

Inventories encompass primarily materials and spare parts used for expanding the own railway network. Inventories are valued at the lower of acquisition or manufacturing costs and the net value of disposal with costs being calculated using the sliding average price method. The net value of disposal is determined on the basis of the selling prices estimated under normal business conditions less manufacturing and distribution costs still to be borne. The company expects the replacement value of spare parts and materials to be the best available basis of valuation for determining the net value of disposal. Manufacturing orders are valued by means of the cost-to-cost method.

Trade Receivables

Trade receivables are reported at acquisition costs or the lower attributable value. The company prepares an estimate of uncollectible receivables on the basis of an aging list of the receivables at the balance sheet date. Based on experience figures, irrecoverability of receivables is being estimated as an increasing percentage proportionate to their time being outstanding. In addition to that the company reports individual value adjustments if due to special circumstances receivables are to be deemed as irrecoverable.

Provisions

Provisions are reported when obligations were assumed vis-à-vis third parties which are expected to result in a payment by the company and which can be estimated in a reliable manner. Long-term provisions are reported at their present value.

Leases

Leases are to be classified as financial lease if the company as the lessee assumes practically all risks and rights arising out of or in connection with an asset. Otherwise it is to be considered as operating lease. Tangible assets acquired on the basis of financial lease agreements are reported at the fair value of the lease object or at the lower cash value of minimum lease payments at the beginning of the lease less depreciation and impairment losses.

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Should practically all risks and rewards arising out of or in connection with ownership be attributable to the company as the lessor, the lease object is to be reported by the company. The lease object is recognized according to the rules applying to the asset pursuant to IAS 16. Lease payments are realized as gains or losses over the term of the lease agreement.

Obligations vis-à-vis Employees

The company has only one individual pension commitment assumed vis-à-vis a former member of the executive board. In addition to that there are only defined contribution plans for pension commitments: In this case the company is to make payments to private law or public pension funds and retirement benefit plans due to statutory or contractual obligations. There are no further commitments exceeding these contributions. Regular contributions are expensed as incurred affecting net income in the corresponding reporting period.

All other commitments result from uncovered benefit- oriented pension commitments for which provisions are to be formed. In accordance with IAS 19 (Employee Benefits) the company uses the Projected Unit Credit (PUC) method for calculating the provisions. Future payment obligations are valued according to actuarial principles and are based on proper assumptions regarding discount factor, salary increase and pension increase factors as well as staff turnover. According to this method the company reports immediately actuarial gains and losses as affecting net income. Past service costs are to be distributed over the remaining term of service.

In December 2004 IAS 19 (Employee Benefits) was revised: The amendments made refer to actuarial gains and losses, defined contribution plans and details given in the notes. This modification made it possible to recognize actuarial gains and losses directly in equity. The company has not made used of this possibility and reports actuarial gains and losses immediately as affecting net income.

Changes in Existing Decommissioning, Restoration and Similar Liabilities

Pursuant to IAS 16 (Property, plant and equipment) acquisition costs of tangible assets also include first estimated costs for disassembly and removal of the item and for restoration of the site where it is located. Provisions for decommissioning, restoration and similar liabilities are valued according to IAS 37. Changes in the measurement of existing decommissioning, restoration and similar liabilities are reported according to IFRIC 1 (Changes in decommissioning, restoration and similar liabilities). These provisions provide for any increase in such liabilities reflecting the passage of time to be recognized as affecting net income. Changes in measurement due to a change of the estimated maturity or outflow of resources required to settle the obligation, or due to a change in the discount rate are to be added or deducted in the period from the acquisition costs of the corresponding asset. The amount deducted from the cost of the asset shall not exceed the book value. If the adjustment results in an addition to the cost of the asset, the company shall consider whether this is an indication that the new book value of the asset may not be fully recoverable. If there is such an indication, the company shall test the asset for impairment of value and recognize any impairment loss.

Realization of Earnings

Earnings are realized at the time of passage of risks and rights and/or performance of service.

Research and Development Costs

Pursuant to IAS 38 research costs refer to the autonomous and scheduled search for new scientific or technological findings and are to be expensed as incurred in the period. Development costs are expenses incurred when applying research findings in order to put them to technological and economic use. If a separation of research and development costs is not possible, expenses for research are to be expensed as incurred in the period according to IAS 38.

Interest, Royalties and Dividends

Interest is recognized using the effective interest method pursuant to IAS 39. Dividends are reported as of the date of creation of the legal right to payment of the shareholders. Royalties such as rentals are to be recorded on an accrual basis according to the contractual conditions. Sales-based rentals are rentals charged depending on the sales achieved by the lessee and are to be realized when earnings can be determined in a sufficiently reliable manner.

Taxes on Earnings

In its finding G 128, 129/00-8 dated 22.6.2001, the Constitutional Court abolished the unlimited exemption from corporate tax (§ 5 Z 1 KStG 1988) of Österreichische Bundesbahnen considering it to be unconstitutional. Thus as from 1.1.2002 Österreichische Bundesbahnen has been liable in corporate income tax. At present, implementation of this court finding is being audited by the competent local tax office in the course of a tax investigation.

The Bundesbahnstrukturgesetz (BGBl I Nr. 138/2003) not only provides for a new corporate structure of Österreichische Bundesbahnen, but also for a new deviating legal foundation regarding taxation of the individual successor companies of Österreichische Bundesbahnen which are in the course of detailed specification based on the conditions created as 1.1.2002.

Pursuant to § 50 Abs 2 Bundesbahnstrukturgesetz 2003 in the version published in BGBl Nr. 138/2003, ÖBB-Infrastruktur Bau and ÖBB-Infrastruktur Betrieb AG were exempted as from 2005 from any federal fiscal charges except for value added tax, from federal administrative charges and court fees and legal charges if these fees and charges result from the performance of the tasks imposed on both companies by BBG (partial tax exemption). This is why both companies do not report taxes on earnings or deferred taxes as there is no tax liability for business operations with the exception of participations held by the companies.

Under these circumstances, ÖBB Group does not fulfill the prerequisites required for determining deferred tax assets and liabilities on a definite basis. However, the company carried out a plausibility check regarding deferred taxes. The resulting deferred tax assets were not recognized for lack of sufficiently probable future realization possibilities.

Use of Estimates and Power of Discretion

In the course of preparing the consolidated financial statements the executive board has to make estimates and assumptions which may have an influence on the amount of assets and liabilities reported and the contingent liabilities as of the balance sheet date and on income and expenses during the reporting period. The actual values may deviate from such estimates. All estimates and assumptions have to be continually revaluated and are based on historical experiences and factors, including expectations regarding future events which seem reasonable under present circumstances.

The executive board made estimates when applying the reporting methods of the company. Furthermore, as of the balance sheet date the executive board made important future-oriented assumptions and identified material sources of uncertainties in estimates implying the risk of substantial changes in the book value of assets and liabilities in the next period:

a) Defined contribution plans for employees

Severance payments and anniversary bonuses are valued by means of a method using parameters such the discount rate to be expected, salary increases and staff turnover (see note 26.1). If the relevant parameter develops in a substantially different way than forecast, this may have significant consequences for the provisions and the net expenses for pensions of the company.

b) Impairment of value

Valuation of intangible and tangible assets is based in principle on an estimate of the future discounted net cash flows to be derived from the continuing use of the assets and their disposal at the end of the useful life. Factors such as lower sales and the resulting lower net cash flows as well as changes in the discount factors applied may lead to an impairment of value. As of the balance sheet date, impairment valuations were carried out which resulted in impairment losses as shown in note 14 since in some cases the value in use was lower than current book values. A sensitivity analysis found out that changing the discount factor by +/- 0.25% reduces impairment losses by about 474.7 million EUR (prior year: about 466.5 million EUR) or increases impairment losses by about 400.6 million EUR (prior year: 415.0 million EUR) respectively. Regarding the book values of intangible and tangible assets please refer to the Schedule of Fixed Assets in note 14.

c) Estimated useful life of fixed assets

Useful life is determined according to the circumstances of the company carrying out normal maintenance and repair.

d) Provisions

According to IAS 37, provisions were measured at the best estimate of the expenditure required to settle the present obligation; that is the amount the company would rationally pay to settle the obligation as of the balance sheet date or to transfer it to a third party at that time. It is almost impossible to carry out a sensitivity analysis for the probability of environmental risks and the costs of closing down. In principle, the measurement of provisions for costs of closing down were based on going concern and continued operation of the company as well as the routes. Only if in the near future individual routes are expected to be closed down or closing down has already been initiated, costs of closing down will be estimated and accrued.

Concentration of Risks
The Republic of Austria controls certain activities of ÖBB Group on the basis of the master plan 2008-2012 approved by the Federal Ministry of Transport, Innovation and Technology and the Federal Ministry of Finance. Furthermore, the Republic of Austria exercises the power to levy taxes on domestic business activities of ÖBB Group thus having the right to collect taxes such as value added tax.

As of the balance sheet dates, there were no special dependencies on individual suppliers or lenders the deficiency of which would substantially impair business operations. Moreover, there is no concentration of personnel services or providers of other services, rights under a franchise agreement or rights of licensee under a patent the company is dependent upon and the sudden loss or lapse of which could put at risk business operations. The company invests its liquid funds with credit institutions having an excellent credit standing.

Capital Management
The company defines equity as including capital stock, capital reserves and retained earnings, profit carried forward and possible minority interests. Apart from a sustainable increase in goodwill, the financial management of ÖBB Group aims at maintaining a capital structure adequate for safeguarding its excellent credit rating. Due to the specific situation and the task imposed by law on the company as well as the commitment of the public sector to subsidize expenses for infrastructure not covered by the profit-earning capacity of the company, management of the capital structure is based on key figures measuring level of debt and on the following key figures which are compared to the corresponding target values: number of employees, EBIT margin, EBT margin, equity ratio, net working capital.

B. Notes To The Consolidated Balance Sheet And Income Statement

4. Sales

in million EUR	2006	2007
Passenger and luggage transport	1,052.9	1,063.9
thereof public-benefit services ordered by the Federal Government	465.8	468.0
Freight transport	1,721.0	1,905.7
thereof public-benefit services ordered by the Federal Government	109.2	109.4
Compensation by the Federal Government pursuant to § 42 BBG	1,006.0	1,006.0
Public transport orders	285.6	315.3
Rentals	166.1	188.1
Power	153.6	201.1
Traction services	19.9	29.9
Maintenance / repair	19.3	18.5
Use of infrastructure	14.5	17.5
Other sales	125.1	128.2
Total	**4,564.0**	**4,874.2**

Development of sales according to business divisions and geographical criteria is shown in detail in segment reporting.

5. Other Own Work Capitalized

When determining own work to be capitalized in connection with the construction of assets, directly attributable personnel expenses, expenses for material and prorated material and production overhead were included. This balance sheet item also shows own work capitalized which has been produced within the Group by one subsidiary for another affiliated company. Such own work capitalized arises in particular in connection with building activities for railway infrastructure. In the consolidated financial statements, these intra-group sales, after offsetting against corresponding expenses, are shown as own work capitalized.

6. Other Operating Income

in million EUR	2006	2007
Income from disposal of fixed assets	70.2	89.2
Compensation by the Federal Government pursuant to § 43 BBG	0.0	65.0
Refund of energy taxes	24.0	22.8
Income from leisure services	4.4	15.9
Income from sale of material	14.4	14.4
Personnel leasing to third parties	9.7	10.5
Compensation in damages	3.4	6.9
Income from measurement	4.5	5.0
De-recognition of residual liabilities	5.3	3.8
Third party contributions to expenses	2.8	3.4
Post-capitalization and recapitalization of fixed assets	1.8	3.3
Remaining other operating income	62.8	56.8
Total	**203.3**	**297.0**

Contributions by the Federal Government pursuant to § 43 BBG refer to the government grants for planning and erecting railway infrastructure facilities on the basis of the six-year master plan.

Remaining other operating income includes income from letting and leasing of buildings and other billboards and income from company canteens.

7. Expenses For Materials And Services Received

Expenses for materials in million EUR	2006	2007
Power	219.6	277.8
Raw materials and supplies	120.7	148.4
Liquid fuel (less refund of mineral oil tax)	76.5	75.4
Other expenses for materials	14.0	0.2
Subtotal expenses for materials	**430.8**	**501.8**

Expenses for services received in million EUR	2006	2007
Rental of rail and road vehicles	84.1	107.5
Transport services by third parties	158.5	177.2
Use of infrastructure	30.1	32.3
Other services received	884.4	1,091.6
Subtotal expenses for services received	**1,157.1**	**1,408.6**
Total	**1,587.9**	**1,910.4**

Other services received refer to services in connection with forwarding services, import charges and customs duties, repair work, maintenance, cleaning, and other services which cannot be capitalized.

8. Personnel Expenses And Employees

in million EUR	2006	2007
Salaries	1,619.2	1,632.6
Wages	28.1	33.8
Statutory social security contributions	463.6	447.0
Expenses for severance payments	13.7	12.2
Expenses for retirement pensions	6.6	8.9
Other social expenses	1.6	2.3
Total	**2,132.8**	**2,136.8**

Employee structure is made up as follows:

			Average		Change	
Employee structure	31.12.2006	31.12.2007	2006	2007	Average	in %
Employees	7,118	9,273	6,621	8,322	1,701	26
Tenured employees	34,591	32,299	36,659	33,967	-2,692	-7
Apprentices	1,242	1,321	1,097	1,101	4	0
Total	**42,951**	**42,893**	**44,377**	**43,390**	**-987**	**-2**

9. Depreciation

in million EUR	2006	2007
Depreciation of tangible assets	665.4	684.5
Depreciation of intangible assets	48.3	51.0
Depreciation of low value assets	9.2	10.7
less income from write-back of third party contributions carried as liabilities	-239.5	-245.6
Depreciation of current assets	0.1	0.0[1]
Total	**483.5**	**500.6**

1 Small amount

Assets having acquisition or manufacturing costs of up to 400.00 EUR are classified as minor assets and immediately expensed due to subordinate importance. In 2006 impairment of value amounting to about 9.9 million EUR was reported.

10. Other Operating Expenses

Other operating expenses of ÖBB Group are made up as follows:

in million EUR	2006	2007
Operating expenses	77.9	84.5
Compensation of additional expenditure	53.6	54.7
Taxes	45.7	40.3
Office supply	32.2	31.8
Marketing	10.0	29.8
Expenses for rentals, tenancy, licenses and leasing	28.8	29.5
Damaging events	12.4	22.8
Expenses for leasing	16.2	15.9
Training and further education	14.4	15.1
Leisure services	5.0	15.0
Mailing charges, bank and telephone charges	13.7	15.0
Losses from disposal of assets	19.2	13.4
Value adjustments of accounts receivable	6.3	13.2
Commissions	11.5	10.0
Legal and consultancy fees	11.9	9.4
Personnel leasing and contracts for work	11.8	8.1
Expenses for valuation	3.9	6.9
Other services passenger transport	5.5	6.8
Insurance	6.0	6.6
Working dresses	6.2	5.1
Other	40.5	26.0
Total	**432.7**	**459.9**

Taxes include all taxes independent of income (electricity tax, motor vehicle tax, real property tax, road use tax, other taxes and dues, etc).

Settlement of legal disputes increased the profit for the year 2007 to about 9.8 million EUR. Development of provisions for legal disputes is given in detail in the Schedule of Provisions (note 26.2).

11. Income From Interest

Income from interest of ÖBB Group group is made up as follows:

Income from interest in million EUR	2006	2007
Interest and similar income	128.3	152.9
thereof from affiliated companies	0.2	0.3
Interest and similar expenses	- 405.5	- 485.6
thereof to affiliated companies	- 0.0	- 0.0[1]
Total	**-277.2**	**-332.7**

1 Small amount

Other interest and similar income mainly refer to income from interest from swaps and derivative financial instruments, and income from interest on securities accounts in connection with cross border lease transactions.

Borrowing costs amounting to about 257.7 million € (2005: about 202.2 million €) are mainly loans. Moreover, interest expenses arise for EUROFIMA and actuarial loans as well as for cross border lease transactions and other derivative financial instruments.

12. Other Financial Results

Other financial results of ÖBB Group are made up as follows:

Other financial results in million EUR	2006	2007
Dividend income from participations	1.9	0.6
thereof from affiliated companies	0.4	0.3
Income from disposal and write-up of financial assets	1.9	0.9
Other financial income	172.3	143.3
thereof from valuation variances / exchange differences	117.2	99.9
thereof vis-à-vis affiliated companies	-	0.0[1]
thereof other financial income	55.1	43.4
Other financial expenses	- 155.0	-286.2
thereof from valuation variances / exchange differences	- 2.7	-10.3
thereof other financial expenses	- 150.5	-275.9
thereof vis-à-vis affiliated companies	- 1.8	-0.1
Total	**21.1**	**-141.4**

1 Small amount

Affiliated subsidiaries not included in the scope of consolidation account for about 0.3 million € (2006: about 0.4 million €) of dividend income from participations. Remaining income results from other participations.

Please refer to note 29.2 regarding the changes in the market value of Collateralized Debt Obligations (CDO).

13. Taxes On Income And Earnings

In December 2005 ÖBB-Holding AG, as the Group's controlling company, signed a group taxation agreement with the majority of its Austrian subsidiaries as members of the group of integrated companies. Thus the Group's controlling company and the group companies agreed upon provisions regarding tax compensation. Any positive tax contributions determined in accordance with these provisions fall due at the time of approval of the financial statements of the respective group member while any negative tax contributions become due upon effective use of the losses by the Group's controlling company.

Taxes on income and earnings include income from deferred taxes amounting to about 0.1 million EUR (prior year: about 0.1 million EUR). This amount results exclusively from foreign companies.

14. TANGIBLE ASSETS

The itemization of fixed assets, the changes in the course of the business year, and the development of third party contributions (investment subsidies) to tangible assets are shown in the Schedule of Fixed Assets.

in million EUR	Real estate and buildings	Leased real estate and buildings	Vehicle fleet	Leased vehicle fleet
Acquisition and manufacturing costs as of 2006				
Acquisition / manufacturing costs as of 01.01.2006	14,504.4	16.1	4,648.4	332.0
Currency translation differences	0.9	0.0	0.8	0.0
Additions	27.0	0.2	103.9	1.1
Disposals	-171.9	0.0	-150.1	0.0
Book transfers	599.1	0.6	296.8	0.0
Acquisition / manufacturing costs as of 31.12.2006	14,959.4	16.9	4,899.8	333.1
Depreciation as of 01.01.2006	6,090.2	5.0	2,700.7	18.7
Currency translation differences	0.2	0.0	0.4	0.0
Depreciation in 2006	240.3	0.8	165.4	11.7
Disposals	-108.8	0.0	-132.7	0.0
Write-ups	0.0	0.0	0.0	0.0
Depreciation as of 31.12.2006	6,221.9	5.8	2,733.9	30.4
Book values before third party contributions as of 1.1.2006	**8,414.2**	**11.1**	**1,947.7**	**313.3**
Book values before third party contributions as of 31.12.2006	**8,737.5**	**11.1**	**2,166.0**	**302.7**
Third party contributions 2006				
Acquisition / manufacturing costs as of 01.01.2006	8,455.2	0.0	418.0	0.0
Additions	34.3	0.0	9.6	0.0
Disposals	-43.6	0.0	-0.2	0.0
Book transfers	121.6	0.0	0.0	0.0
Acquisition / manufacturing costs as of 31.12.2006	8,567.6	0.0	427.4	0.0
Depreciation as of 01.01.2006	4,799.0	0.0	189.0	0.0
Depreciation in 2006	110.6	0.0	29.4	0.0
Disposals	-33.1	0.0	1.9	0.0
Depreciation as of 31.12.2006	4,876.5	0.0	220.3	0.0
Third party contributions as of 01.01.2006	**3,656.3**	**0.0**	**229.0**	**0.0**
Third party contributions as of 31.12.2006	**3,691.1**	**0.0**	**207.1**	**0.0**
Book values before third party contributions as of 01.01.2006	**4,758.0**	**11.1**	**1,718.7**	**313.3**
Book values before third party contributions as of 31.12.2006	**5,046.4**	**11.1**	**1,958.9**	**302.7**

Technical equipment and machinery	Leased machinery and equipment	Other tools, furniture and fixtures	Leased other tools, furniture and fixture	Advance payments and construction in progress	Minor assets	Subtotal tangible assets
5,623.1	45.9	278.2	2.0	2,674.1	0.0	28,124.2
0.1	0.0	0.1	0.0	0.2	0.0	2.1
5.6	0.0	11.0	0.0	1,876.3	9.2	2,034.2
-48.2	0.0	-41.1	0.0	-10.8	-9.2	-431.4
238.2	-0.6	15.6	0.0	-1,169.8	0.0	-20.1
5,818.9	45.3	263.7	2.0	3,369.9	0.0	29,709.0
2,926.7	32.3	214.4	0.3	0.1	0.0	11,988.4
0.1	0.0	0.1	0.0	0.0	0.0	0.8
218.3	2.0	26.1	0.2	0.0	9.2	674.1
-37.6	0.0	-37.5	0.0	0.0	-9.2	-325.7
0.0	0.0	0.0	0.0	-0.2	0.0	-0.2
3,107.6	34.3	203.1	0.5	-0.1	0.0	12,337.3
2,696.5	**13.6**	**63.8**	**1.7**	**2,674.0**	**0.0**	**16,135.8**
2,711.3	**11.0**	**60.6**	**1.5**	**3,370.0**	**0.0**	**17,371.7**
2,960.9	0.0	16.7	0.0	1,210.2	0.0	13,061.1
7.0	0.0	0.2	0.0	35.8	0.0	86.9
-15.6	0.0	-1.4	0.0	-9.5	0.0	-70.3
41.3	0.0	0.4	0.0	-163.4	0.0	-0.1
2,993.6	0.0	15.8	0.0	1,073.1	0.0	13,077.5
2,043.9	0.0	11.1	0.0	5.2	0.0	7,048.2
86.2	0.0	1.7	0.0	0.0	0.0	227.8
-13.6	0.0	-0.9	0.0	-0.8	0.0	-46.5
2,116.5	0.0	11.8	0.0	4.4	0.0	7,229.5
917.0	**0.0**	**5.6**	**0.0**	**1,205.0**	**0.0**	**6,012.9**
877.0	**0.0**	**4.0**	**0.0**	**1,068.7**	**0.0**	**5,848.0**
1,779.4	**13.6**	**58.1**	**1.7**	**1,469.1**	**0.0**	**10,123.0**
1,834.3	**11.0**	**56.6**	**1.5**	**2,301.3**	**0.0**	**11,523.7**

in million EUR	Real estate and buildings	Leased real estate and buildings	Vehicle fleet	Leased vehicle fleet
Acquisition and manufacturing costs as of 2007				
Acquisition / manufacturing costs as of 01.01.2007	14,959.4	16.9	4,899.8	333.1
Currency translation differences	-0.2	0.0	0.5	0.0
Additions	70.4	0.0	130.1	0.0
Disposals	-44.4	-6.0	-162.3	-0.1
Book transfers	665.1	0.0	478.3	0.0
Acquisition / manufacturing costs as of 31.12.2007	15,650.2	10.9	5,346.5	333.0
Depreciation as of 01.01.2007	6,221.9	5.8	2,733.9	30.4
Currency translation differences	0.1	0.0	0.3	0.0
Depreciation in 2007	258.0	-0.1	160.9	11.8
Disposals	-14.3	0.0	-158.5	0.0
Depreciation as of 31.12.2006	6,465.7	5.7	2,736.5	42.2
Book values before third party contributions as of 01.01.2007	**8,737.5**	**11.1**	**2,166.0**	**302.7**
Book values before third party contributions as of 31.12.2007	**9,184.5**	**5.2**	**2,610.0**	**290.8**
Third party contributions 2007				
Acquisition / manufacturing costs as of 01.01.2007	8,567.6	0.0	427.4	0.0
Additions	53.3	0.0	0.2	0.0
Disposals	-30.3	0.0	0.0	0.0
Book transfers	88.3	0.0	0.0	0.0
Acquisition / manufacturing costs as of 31.12.2007	8,678.9	0.0	427.6	0.0
Depreciation as of 01.01.2007	4,876.5	0.0	220.3	0.0
Depreciation in 2007	115.8	0.0	27.1	0.0
Disposals	-18.0	0.0	-6.5	0.0
Depreciation as of 31.12.2006	4,974.3	0.0	240.9	0.0
Third party contributions as of 01.01.2007	**3,691.1**	**0.0**	**207.1**	**0.0**
Third party contributions as of 31.12.2007	**3,704.6**	**0.0**	**186.7**	**0.0**
Book values before third party contributions as of 01.01.2007	**5,046.4**	**11.1**	**1,958.9**	**302.7**
Book values before third party contributions as of 31.12.2007	**5,479.9**	**5.2**	**2,423.3**	**290.8**

Technical equipment and machinery	Leased machinery and equipment	Other tools, furniture and fixtures	Leased other tools, furniture and fixture	Advance payments and construction in progress	Minor assets	Subtotal tangible assets
5,818.9	45.3	263.7	2.0	3,369.9	0.0	29,709.0
0.1	0.0	0.0	0.0	0.0	0.0	0.4
18.0	1.6	26.9	0.0	2,244.3	10.7	2,502.0
-65.8	-1.5	-74.4	-1.3	-1.4	-10.7	-367.8
245.9	0.0	13.1	0.0	-1,421.7	0.0	-19.3
6,017.1	45.4	229.3	0.7	4,191.1	0.0	31,824.3
3,107.6	34.3	203.1	0.5	-0.1	0.0	12,337.3
0.1	0.0	0.0	0.0	0.0	0.0	0.4
224.0	2.6	27.0	0.2	3.1	10.7	698.3
-53.7	-0.5	-62.5	0.0	-0.1	-10.7	-300.2
3,277.9	36.4	167.7	0.7	2.9	0.0	12,735.8
2,711.3	**11.0**	**60.6**	**1.5**	**3,370.0**	**0.0**	**17,371.7**
2,739.2	**9.0**	**61.7**	**0.0**	**4,188.2**	**0.0**	**19,088.5**
2,993.6	0.0	15.8	0.0	1,073.1	0.0	13,077.5
49.6	0.0	1.1	0.0	46.9	0.0	151.2
-50.9	0.0	-6.7	0.0	-0.1	0.0	-87.9
16.6	0.0	4.7	0.0	-109.8	0.0	-0.1
3,008.9	0.0	15.0	0.0	1,010.2	0.0	13,140.6
2,116.5	0.0	11.8	0.0	4.4	0.0	7,229.5
84.4	0.0	1.7	0.0	0.0	0.0	228.9
-19.0	0.0	-5.5	0.0	0.0	0.0	-49.0
2,182.0	0.0	8.0	0.0	4.4	0.0	7,409.5
877.0	**0.0**	**4.0**	**0.0**	**1,068.7**	**0.0**	**5,848.0**
827.0	**0.0**	**7.0**	**0.0**	**1,005.8**	**0.0**	**5,731.2**
1,834.3	**11.0**	**56.6**	**1.5**	**2,301.3**	**0.0**	**11,523.7**
1,912.2	**9.0**	**54.6**	**0.0**	**3,182.4**	**0.0**	**13,357.3**

Additions to tangible assets in 2006 include additions from companies consolidated for the first time amounting to about 38.9 million EUR. In 2007 there were no additions from companies consolidated for the first time.

The book transfers are mainly the values of finished assets transferred from the item “Advance payments and construction in progress” to the specific fixed asset accounts.

Financial liabilities are secured by tangible assets having the following book values:

in million EUR	2006	2007
Real estate and buildings	52.5	61.0
Vehicle fleet	249.7	345.9
Other machinery and equipment	250.5	250.9

All in all, there are assets amounting to about 1,596.7 million EUR (prior year: about 1,201.5 million EUR) the rights of disposition of which are restricted. There are purchase commitments regarding assets, in particular due to financial lease agreements and obligations to take delivery amounting to about 2,215.3 million EUR (prior year: about 2,152.6 million EUR). Compensations to third parties for lost or discontinued assets affecting net income amount to about 1.4 million EUR (prior year: about 0.8 million EUR).

Third Party Contributions

ÖBB Group received non-repayable investment grants for fixed assets, normally from public bodies or quasi-state-owned companies which were recognized according to IAS 16.28 and IAS 20 as reduction of acquisition costs. Both the depreciation of these assets and the write-back of all contributions as a result of depreciation are shown to the extent affecting net income under “Depreciation”. Should assets to which third party contributions were allocated be sold, these contributions are reported under other operating income or other operating expenses together with the book values disposed of. Development of third party contributions is shown in the Schedule of Fixed Assets. The most important contribution payers are as follows:

in million EUR	31.12.2006	31.12.2007
Schieneninfrastrukturfinanzierungs GmbH	1,920.7	1,843.0
Eisenbahn-Hochleistungsstrecken AG	1,532.0	1,517.1
Republic of Austria (from opening balance sheet 1994)	1,773.5	1,675.3
ASFINAG	155.0	147.0
EU subsidies	52.1	56.1
Other third parties	560.5	599.7
Total	**5,993.8**	**5,838.2**

Master Plan

Based on the master plan 2007–2013 approved by the Federal Ministry of Transport, Innovation and Technology and the Federal Ministry of Finance. ÖBB Group and in particular subgroup ÖBB-Infrastruktur Bau initiated a series of infrastructure projects which are being implemented over a period of several years. Pursuant to § 43 par. 2 and § 47 par. 1 BBG, the Republic of Austria is obliged to provide ÖBB-Infrastruktur Bau AG with such funds which are necessary to ensure that ÖBB-Infrastruktur Bau AG is in a position as to comply with its tasks and to maintain its liquidity and equity in order to carry out the master plan. Further details are given in note 32.

Assets from Financial Lease

Tangible assets include rented and/or leased assets reported in separate columns in the Schedule of Fixed Assets. These tangible assets are assets which, due to the underlying lease agreements, are to be considered as finance lease and therefore are to be allocated to the beneficial ownership, but not to the legal ownership of ÖBB Group. These assets are primarily technical equipment and machinery. Further details are given in note 30.

Impairment of Value

In the course of preparing the opening IFRS balance sheet, impairment valuations resulted in impairments of value affecting certain cash generating units of ÖBB Group. Parameters used for calculating the value in use in 2007 are given in note 3. The following table shows the cash generating units, the impairments of value and the type of assets for which impairments of value were recognized.

In 2006 an impairment of value amounting to about 9.9 million EUR was reported. All other impairments of value were taken into account when preparing the opening balance sheet as not affecting net income.

in million EUR	Total	Technical equipment Vehicle fleet	Real estate and machinery	and buildings	Other tools, furniture and fixtures
01.01.2006					
Passenger transport – by rail	412.1	412.1			
Traction	149.6	149.6			
Freight transport – BEX	121.5		30.4	91.1	
Technical services	104.4		29.0	69.2	6.2
Passenger transport – by bus	27.0	27.0			
Freight transport – ROLA	25.6	25.6			
	840.2	**614.3**	**59.4**	**160.3**	**6.2**
31.12.2006					
Passenger transport – by bus	9.9	9.9			
	850.1	**624.2**	**59.4**	**160.3**	**6.2**

15. Intangible Assets

in million EUR	Concessions, property rights, licenses, development costs	Cost contributions to third parties	Total
2006			
Acquisition and manufacturing costs and depreciation 2006			
Acquisition / manufacturing costs as of 1.1.2006	185.0	539.2	724.2
Additions	7.5	10.7	18.1
Disposals	-14.0	-2.1	-16.1
Book transfers	10.9	11.6	22.5
Acquisition / manufacturing costs as of 31.12.2006	189.5	559.4	748.8
Depreciation as of 1.1.2006	87.1	287.3	374.4
Depreciation in 2006	25.5	22.8	48.3
Disposals	-14.2	-1.1	-15.4
Depreciation as of 31.12.2006	98.4	309.0	407.4
Book values before third party contributions as of 1.1.2006	**98.0**	**251.9**	**349.8**
Book values before third party contributions as of 31.12.2006	**91.1**	**250.4**	**341.4**
Third party contributions 2006			
Acquisition / manufacturing costs as of 1.1.2006	37.6	401.6	439.2
Additions	0.0	0.8	0.8
Disposals	-1.2	-0.2	-1.4
Book transfers	-0.1	2.6	2.5
Acquisition / manufacturing costs as of 31.12.2006	36.3	404.8	441.2
Depreciation as of 1.1.2006	**4.6**	**276.5**	**281.1**
Depreciation in 2006	2.1	12.6	14.7
Disposals	-0.4	-0.1	-0.5
Depreciation as of 31.12.2006	6.3	288.9	295.2
Third party contributions as of 1.1.2006	**32.9**	**125.2**	**158.1**
Third party contributions as of 31.12.2006	**30.0**	**115.9**	**146.0**
Book values before third party contributions as of 1.1.2006	**65.0**	**126.7**	**191.7**
Book values before third party contributions as of 31.12.2006	**61.0**	**134.4**	**195.5**

in million EUR	Concessions, property rights, licenses, development costs	Cost contributions to third parties	Total
2007			
Acquisition and manufacturing costs and depreciation 2007			
Acquisition / manufacturing costs as of 1.1.2007	189.5	559.4	748.8
Additions	8.6	17.5	26.8
Disposals	-17.2	-77.3	-95.3
Book transfers	9.8	9.6	19.3
Acquisition / manufacturing costs as of 31.12.2007	190.6	509.1	699.7
Depreciation as of 1.1.2007	98.4	309.0	407.4
Depreciation in 2007	19.3	31.7	51.0
Disposals	-13.7	-49.5	-63.2
Depreciation as of 31.12.2007	104.0	291.2	395.2
Book values before third party contributions as of 1.1.2007	**91.1**	**250.4**	**341.4**
Book values before third party contributions as of 31.12.2007	**86.6**	**217.9**	**304.6**
Third party contributions 2007			
Acquisition / manufacturing costs as of 1.1.2007	36.3	404.8	441.2
Additions	0.0	0.3	0.3
Disposals	-1.5	-38.0	-39.5
Book transfers	0.0	0.1	0.1
Acquisition / manufacturing costs as of 31.12.2007	34.8	367.3	402.1
Depreciation as of 1.1.2007	**6.3**	**288.9**	**295.2**
Depreciation in 2007	2.4	17.3	19.7
Disposals	-0.9	-18.8	-19.8
Depreciation as of 31.12.2007	7.7	287.4	295.1
Third party contributions as of 1.1.2007	**30.0**	**115.9**	**146.0**
Third party contributions as of 31.12.2007	**27.1**	**79.9**	**107.0**
Book values after third party contributions as of 1.1.2007	**61.0**	**134.4**	**195.5**
Book values after third party contributions as of 31.12.2006	**59.5**	**138.0**	**197.6**

Development of intangible assets is shown in the table above. Additions in 2006 include additions from companies consolidated for the first time amounting to about 0.3 million EUR. In 2007 there were no additions from companies consolidated for the first time.

ÖBB Group received non-repayable third party contributions for intangible assets which were deducted according to IAS 16.28 and IAS 20 as reduction of acquisition costs. Investment grants are shown in the Schedule of Fixed Assets. Both the depreciation of these assets and the write-back of all third party contributions as a result of depreciation are shown to the extent affecting net income in "Depreciation".

There were no material additions of self-constructed intangible assets. Expenses for research and development amounting to about 4.4 million EUR (prior year: about 8.0 million EUR) were recognized as affecting expenses since a clear delimitation of the research phase of the projects was not possible and risk of future use of the development was surrounded by a number of uncertainties. There are no intangible assets having an indefinite useful life.

16. Investment Property (Ias 40)

Only such properties are to be classified as investment property which is not to be considered as railway assets and may therefore be rented out or sold to third parties. This is why guard houses, residential property and agricultural land are primarily recognized as investment property.

The cost method is used for valuing investment property. No impairments of value according to IAS 36 had to be recognized. This item developed as follows:

in million EUR	2006	2007
Acquisition costs		
Balance as of 1.1.	173.2	217.8
Additions to scope of consolidation	42.2	1.1
Disposals	-0.1	-1.6
Book transfers	2.5	1.0
Balance as of 31.12.	**217.8**	**218.3**
Depreciation		
Balance as of 1.1.	158.5	175.7
Depreciation	1.6	1.8
Additions through acquisition	15.2	
Disposals	-0.1	0.6
Book transfers	0.5	-1.5
Balance as of 31.12.	**175.7**	**176.6**
Acquisition and manufacturing costs as of 31.12.	217.8	218.3
Depreciation as of 31.12.	-175.7	-176.6
Net book value as of 31.12.	**42.1**	**41.7**

All investment property of ÖBB Group is rented out on the basis of operating leases. The resulting earnings from leases and rentals amounted to about 11.4 million EUR (prior year: 10.4 million EUR) which are offset against directly attributable expenses (including repair and maintenance) amounting to about 12.0 million EUR (prior year: about 9.9 million EUR). In addition to that, operating expenses amounting to about 2.5 million EUR (2006: about 1.8 million EUR) were incurred not balanced by rentals. ÖBB Group has not entered into any service agreements regarding the maintenance of its investment property. The respective fair value of investment property is about 97.1 million EUR (prior year: 97.7 million EUR). Additions result primarily from acquisition of or investments in buildings.

17. Participations Reported At Equity

The following table shows how the valuation of participations in associated companies developed:

in million EUR	2006	2007
Balance as of 1.1.	**19.2**	**20.8**
Additions	2.9	0.1
Disposals	-2.5	0.0
Share in profit for the year	1.7	4.9
Distribution of dividends and other changes	-0.5	-5.1
Balance as of 31.12.	**20.8**	**20.7**

Earnings reported in the income statement of companies consolidated at equity are the share allocated to ÖBB Group in the profit for the year of the companies listed below. In 2006 this item included contributions to earnings amounting to about 0.9 million EUR from companies consolidated at equity in 2006, but which upon acquisition of further participations as of 31.12.2006 have been fully consolidated and included in the consolidated financial statements (Asotra-Internationale Speditions- und Transport-Gesellschaft mit beschränkter Haftung, CRL Car Rail Logistics GmbH and Rail Tours Touristik Gesellschaft m.b.H.).

The following table contains a summary of financial information and data regarding associated companies. Participations held directly or indirectly by ÖBB Group are listed in the Schedule of Participations (note 36).

Financial Information 2007 (2006) In thou. EUR

Name	Assets	Outside capital	Sales	Earnings before interest and taxes	Profit for the year
Niederösterreichische Schneebergbahn GmbH	9,031	580	1,417	-21	42
	(8,450)	(842)	(1,479)	(-21)	(18)
City Air Terminal Betriebsgesellschaft m,b,H,	17,076	5,829	7,826	-467	-338
	(17,227)	(5,643)	(6,892)	(-1,211)	(-1,112)
AgroFreight Spedition CZ s,r,o, (CZ)	4,779	3,561	21,278	1,352	921
	(5,941)	(5,383)	(20,879)	(806)	(689)
INTEREUROPA FLG. Železniška špedicija d,o,o, (SLO)	3,179	2,836	24,359	268	200
	(3,307)	(3,005)	(19,539)	(227)	(165)
Trans Cargo Logistic GmbH	4,660	4,089	18,559	478	535
	(4,471)	(3,830)	(17,235)	(824)	(605)
VADECO SRL (RO)	2,166	1,358	15,308	603	452
	(3,921)	(3,256)	(9,142)	(336)	(289)
Express Slovakia „Medzinárodná preprava. a,s," (SK)	117,347	112,221	166,837	6,950	4,713
	(117,129)	(111,282)	(157,837)	(2,076)	(5,060)
Transports Terrestres Maritimes et Fluviaux – TMF SA (F)	19,984	14,215	54,030	878	1,023
	(20,911)	(15,954)	(58,298)	(40)	(237)
logMASter Nemzetközi Szállítmányozási Kft (HU)	1,127	1,014	5,342	16	1
	(1,160)	(1,117)	(5,456)	(75)	(66)
Hungarokombi Kft, (HU)	3,411	733	10,214	32	104
	(3,937)	(1,343)	(18,052)	(443)	(442)
RAABER IRODAHÁZ KFT (HU)	3,009	1,739	529	365	268
	(3,206)	(2,143)	(682)	(370)	(258)
HUNGARO-RAIL Nemzetközi Szállitm, Kft, (HU)	2,326	1,958	9,388	279	254
	(1,885)	(1,619)	(7,972)	(251)	(233)
ICA Romania s,r,l, (RO)	1,508	2,411	1,060	-152	-445
	(8,365)	(9,885)	(9,027)	(-217)	(-74)
ChemFreight Transport. Logistik & Waggonvermietung GmbH	30,117	25,965	133,138	3,462	2,236
	(24,481)	(21,867)	(109,997)	(1,730)	(1,054)
Hungaria Intermodal Gesellschaft mit beschränkter Haftung	2,584	2,323	9,032	69	71
für die Organisation des komb, Verkehrs (HU)	(2,270)	(2,079)	(4,177)	(-300)	(-256)
Weichenwerk Wörth GmbH	15,577	5,738	19,883	2,391	1,717
	(16,267)	(7,455)	(16,573)	(1,548)	(1,195)
Wellcon Gesellschaft für Prävention und	3,981	2,766	7,782	456	464
Arbeitsmedizin GmbH	(2,203)	(1,450)	(6,955)	(-186)	(-175)

18. Financial Assets

2006 in million EUR	Short-term	Long-term	Total
Participations in unconsolidated affiliated companies	0.0	5.1	5.1
Other participations	0.0	35.6	35.6
Financial assets - lease	6.2	265.6	271.8
Other financial assets	124.9	32.6	157.5
thereof vis-à-vis affiliated companies	1.8	2.4	4.2
Total	**131.1**	**338.9**	**470.0**
thereof vis-à-vis affiliated companies	1.8	2.4	4.2

2007 in million EUR	Short-term	Long-term	Total
Participations in unconsolidated affiliated companies	0.0	7.0	7.0
Other participations	0.0	42.3	42.3
Financial assets - lease	2.4	313.8	316.2
thereof vis-à-vis affiliated companies	0.0	0.1	0.1
Other financial assets	169.2	22.7	191.9
thereof vis-à-vis affiliated companies	3.5	2.4	5.9
Total	**171.6**	**385.8**	**557.4**
thereof vis-à-vis affiliated companies	3.5	2.5	5.9

The book value of financial assets corresponds to their amortized costs.

Participations in Unconsolidated Affiliated Companies and Other Participations

Participations in affiliated companies concern those subsidiaries which were not included in the scope of consolidation. Participations in the remaining companies are shown in “Other minority participations”. Please refer to note 36 for a complete schedule of all participations including those which were in the process of formation as of 31.12.2007. Pursuant to IAS 39 these participations are classified as financial assets available for sale.

Financial Assets – Lease

Financial assets consist primarily of long-term loans and security accounts and are for the most part related to CBL transactions. They serve the purpose of covering future financial obligations (lease payments and purchase price). Capital gains resulting from cumulative investments increase this item while loans used for covering financial obligations decrease the item. These financial assets are offset by financial liabilities to the same amount. Further information is given in note 30.

Other Financial Assets

Other financial assets (long-term) include the residual value of assets let on lease amounting to about 81.8 million EUR (prior year: about 36.3 million EUR) in the form of bank deposits. Furthermore, this item includes primarily short-term securities (about 34.7 million EUR [prior year: 32.3 million EUR]), investment certificates (about 40.9 million EUR [prior year: 18.3 million EUR]) and derivatives having a positive present value which have no hedging relationship of whatsoever kind.

19. Non-Current Assets Held For Sale (IFRS 5)

in million EUR	2006	2007
Balance as of 1.1.	**8.7**	**20.7**
Additions to scope of consolidation	12.3	13.2
Disposals through sale	- 0.3	- 20.7
Balance as of 31.12.	**20.7**	**13.2**

In the reporting periods assets held for sale were primarily made up of real estate in Greater Vienna. The executive board already passed a resolution regarding the sale of these properties so that these assets will be sold in all probability. The book values are all below the proceeds to be expected so that neither an impairment of value nor value make-good had to be reported. A property already recognized as asset held for sale as of 01.01.2006 (book value amounting to about 8.5 million EUR) was disposed of in 2007. In 2006 and 2007, the company reported income from assets held for sale amounting to 39.2 million EUR and 0.1 million EUR respectively reported in other operating income together with income from the disposal of other assets.

20. Trade Receivables And Other Receivables

31.12.2006 in million EUR	Term to maturity	Short-term < 1 year	Long-term 1-5 years	 > 5 years	Total
Trade receivables					
from affiliated companies		4.3	-	-	4.3
from companies in which a participation is held		13.9	0.1	-	14.0
from third parties		474.8	12.7	0.6	488.1
Net value		**493.0**	**12.8**	**0.6**	**506.4**
Services rendered, not yet chargeable		36.7	-	-	36.7
Other receivables		173.3	0.0	0.7	174.0
Other accruals and deferrals		130.6	10.0	13.3	153.9
Total		**833.6**	**22.8**	**14.6**	**871.0**

31.12.2007 in million EUR	Term to maturity	Short-term < 1 year	Long-term 1-5 years	 > 5 years	Total
Trade receivables					
from affiliated companies		3.2	-	-	3.2
from companies in which a participation is held		15.6	-	-	15.6
from third parties		502.5	1.2	0.6	504.3
Net value		**521.3**	**1.2**	**0.6**	**523.1**
Services rendered, not yet chargeable		42.0	-	-	42.0
Other receivables		248.6	0.1	-	248.7
Other accruals and deferrals		145.2	9.0	13.4	167.6
Total		**957.1**	**10.3**	**14.0**	**981.4**

Receivables amounting to about 20.4 million EUR (prior year: about 28.0 million EUR) are securitized by bills of exchange.

Trade receivables result mainly from transport services and power trade. The book value of trade receivables and other receivables is approximately the same as their respective fair value due to the short time to maturity.

Services rendered, not yet chargeable include capitalized expenses in connection with services rendered to third parties the production of which is not yet completed, as well as other services which were not completely performed as of the balance sheet date.

Receivables from companies in which a participation is held refer primarily to trade receivables.

Other receivables refer to receivables from turnover tax from the Austrian tax authority amounting to about 147.8 million EUR (prior year: about 103.5 million EUR) and receivables from the Republic of Austria amounting to about 49.9 million EUR (prior year: 39.8 million EUR) resulting from apprenticeship subsidies and energy tax refunds.

Accruals and deferrals refer primarily to prepaid commissions for liabilities (about 71.3 million EUR [prior year: about 48.6 million EUR]) and to salaries paid out in December 2007 for January 2008 amounting to about 46.9 million EUR (prior year: about 51.4 million EUR.

Should there be any doubt regarding the recoverability of receivables, receivables are recognized at the lower recoverable value, and the required individual value adjustments are made on the basis of identifiable risks. The reasons may be identifiable substantial financial difficulties of the customer or a breach of contract already occurred (e.g. delay in payment or failure to pay). Value adjustments refer primarily to trade receivables and developed as follows:

Value adjustments in million EUR	31.12.2006	31.12.2007
Trade receivables	167.1	54.9
Services rendered, not yet chargeable	2.4	0.0
Other receivables	5.4	6.9
Other accruals and deferrals	0.2	0.0
Total	**175.1**	**61.8**

1 Small amount

Individual value adjustments amounting to 118.2 million EUR refer to value adjustments of public-benefit contributions made by the Federal Government.

21. Inventories

This balance sheet item is made up as follows:

in million EUR	31.12.2006	31.12.2007
Raw materials and supplies	87.2	111.8
Finished products and goods	0.3	2.0
Advance payments	20.9	15.9
Total	**108.4**	**129.7**

Sales input reported is detailed in note 7. Expenses for materials include expenses from value adjustments of inventories amounting to about 2.2 million EUR (prior year: about 0.1 million EUR). In 2006 value make-goods amounting to about 2.6 million EUR were made. In the period under review, proceeds from manufacturing orders of about 57.8 million EUR (prior year: about 37.8 million EUR) were realized while provisions of about 0.1 million EUR (prior year: 0.5 million EUR) were set up.

22. Cash And Cash Equivalents

in million EUR	31.12.2006	31.12.2007
Cash on hand and checks	5.2	4.9
Cash in banks	124.0	145.2
Total	**129.2**	**150.1**

This balance sheet item contains deposits as well as cash in banks and cash on hand, which are all short-term (time to maturity of less than 3 months). The book value of these assets corresponds to their respective fair value. All components of liquid funds are at the company's free disposal. Liquid funds according to the cash flow statement are made up of the liquid funds listed above.

23. Capital Stock And Other Equity

Development of equity is shown in the Statement of Changes in Equity.

The capital stock totaling 1,900.0 billion EUR is specified in § 2 Abs. 1 BBG and is that of the parent company. The capital stock was raised in accordance with § 2 Abs. 2 BBG by depositing all shares of the Federal Government in Österreichische Bundesbahnen. As stated in § 224 Abs 3 UGB (Austrian Corporate Law) and in accordance with the balance sheet of Österreichische Bundesbahnen, all shares were recognized at equity. According to § 2 Abs 1 BBG, the Federal Republic of Austria holds 100% of the shares in ÖBB-Holding AG which are not publicly traded.

The item of minority interests was reported for shares in equity of fully consolidated subsidiaries not held by ÖBB Group. Development of this item and the other items of equity is shown in the Statement of Changes in Equity.

24. Reserves

in million EUR	31.12.2006	31.12.2007
Capital reserves	1,337.9	1,296.9
Revaluation reserve (from the opening IFRS balance sheet)	-402.3	-402.3
Cash flow hedge reserve	-29.8	23.9
Available-for-sale reserve	0.3	0.7
Other reserves	-74.3	-74.5
Total	**831.8**	**844.7**

Capital reserves were made up of free capital reserves amounting to about 1,229.9 million EUR (prior year: about 1,270.0 million EUR) and committed capital reserves of about 67.0 million EUR (prior year: about 67 million EUR). Free capital reserves result mainly from subsidies from the owner. In 2004 the amount of equity exceeding the amount of capital stock which resulted in the course of depositing all shares of the Federal Government in Österreichische Bundesbahnen according to § 2 Abs 2 BBG was recognized under committed capital reserves.

Differential amounts resulting from capital consolidation and accrued before the transition to IFRS are reported in other reserves.

Cash flow hedge reserves and available-for-sale reserves developed as follows:

in million EUR	Cash flow hedge reserve	Available-for-sale reserve
Balance as of 1.1.2006	**-73.9**	**0.1**
Changes affecting net income	1.0	0.0[1]
Changes not affecting net income	43.1	0.2
Balance as of 1.1.2007	-29.8	0.3
Changes affecting net income	-1.3	0.0[1]
Changes not affecting net income	55.0	0.4
Balance as of 31.12.2007	**23.9**	**0.7**

1 Small amount

25. Financial Liabilities

2006 in million EUR	Term to maturity	<1 year	1–5 years	>5 years	Total
Bonds		485.3	958.9	4,079.6	5,523.8
Liabilities to banks		223.9	411.4	285.5	920.8
Financial liabilities - lease		10.1	72.5	576.3	658.9
Other financial liabilities		138.1	279.8	1,233.5	1,651.4
thereof vis-à-vis affiliated companies		0.5	-	-	0.5
thereof vis-à-vis companies in which a participation is held		-	-	27.0	27.0
Total		**857.4**	**1,722.6**	**6,174.9**	**8,754.9**
thereof vis-à-vis affiliated companies		0.5	-	-	0.5

2007 in million EUR	Term to maturity	<1 year	1–5 years	>5 years	Total
Bonds		3.7	957.8	5,744.2	6,705.7
Liabilities to banks		161.3	321.4	480.3	963.0
Financial liabilities - lease		24.3	54.1	685.7	764.1
Other financial liabilities		233.7	786.8	1,121.2	2,141.7
thereof vis-à-vis affiliated companies		0.3	-	-	0.3
thereof vis-à-vis companies in which a participation is held		0.3	-	27.0	27.3
Total		**423.0**	**2,120.1**	**8,031.4**	**10,574.5**
thereof vis-à-vis affiliated companies		0.3	-	-	0.3

The total amount of liabilities with a term to maturity of more than five years refers primarily to bonds, loans taken out with credit institutes, liabilities from cross border lease agreements and liabilities vis-à-vis EUROFIMA. Further information on bonds is given in note 29.

Issued Bonds

Nominal value	Currency	Time to maturity	ISIN	Interest rate	Original issuer
266,785,780.17	EUR	1998–2010	XS0087640420	5.13%	SCHIG
200,000,000.00	EUR	2003–2010	AT0000171715	4.25%	ÖBB
575,000,000.00	USD	2003–2013	DE0008021759	4.75%	ÖBB
600,000,000.00	USD	2003–2013	DE000A0AABN9	4.63%	SCHIG
27,000,000.00	EUR	2003–2015	AT0000171723	EIB Poolrate	ÖBB
500,000,000.00	EUR	2004–2009	DE000A0BDMT5	3.63%	SCHIG
650,000,000.00	EUR	2004–2014	XS0206152810	3.88%	SCHIG
10,000,000.00	EUR	2004–2015	AT0000171731	EIB Poolrate	ÖBB
1,000,000,000.00	EUR	2005–2020	X50232778083	3.50%	ÖBB-Infrastruktur Bau AG
1,000,000,000.00	EUR	2006–2016	XS0271660242	3.88%	ÖBB-Infrastruktur Bau AG
100,000,000.00	EUR	2006–2036[2]	XS0243862876	3.42%	ÖBB-Infrastruktur Bau AG
100,000,000.00	EUR	2006–2036[2]	XS0244522396	3.48%	ÖBB-Infrastruktur Bau AG
100,000,000.00	EUR	2006–2035[2]	XS0252697130	[1]	ÖBB-Infrastruktur Bau AG
50,000,000.00	EUR	2006–2036[2]	XS0252721450	[1]	ÖBB-Infrastruktur Bau AG
80,000,000.00	EUR	2006–2036[3]	XS0275974599	3.49%	ÖBB-Infrastruktur Bau AG
100,000,000.00	EUR	2006–2036[3]	XS0275973278	3.49%	ÖBB-Infrastruktur Bau AG
1,300,000,000.00	EUR	2007–2022	XS0307792159	4.870%	ÖBB-Infrastruktur Bau AG
100,000,000.00	EUR	2007–2022[4]	XS0321318163	4.17%	ÖBB-Infrastruktur Bau AG
100,000,000.00	EUR	2007–2037[4]	XS0324893626	4.398%	ÖBB-Infrastruktur Bau AG
50,000,000.00	EUR	2007–2037[4]	XS0324895670	4.398%	ÖBB-Infrastruktur Bau AG
100,000,000.00	EUR	2007–2037[4]	XS0328866982	4.227%	ÖBB-Infrastruktur Bau AG
50,000,000,00	EUR	2007–2037[4]	XS0331427905	4.190%	ÖBB-Infrastruktur Bau AG
50,000,000.00	EUR	2007–2037[5]	XS0336043517	3.985%	ÖBB-Infrastruktur Bau AG

1 3,409% as long as 1 Year EURIBOR Swap Rate < 5%, otherwise 1 Year EURIBOR Swap rate -0,2%
2 premature right to call for repayment by investor in 2016,
3 premature right to call for repayment by investor in 2015
4 premature right to call for repayment by investor in 2017
5 premature right to call for repayment by investor in 2014

The bond of about 200 million EUR refers to ÖBB-Personenverkehr AG, all other bonds to ÖBB-Infrastruktur Bau AG.

ÖBB-Infrastruktur Bau AG concluded a Euro Medium Term Note (EMTN) program in 2005. Payments in connection with the bonds issued under this master plan are being guaranteed unconditionally and irrevocably by the company and the Republic of Austria. Within the framework of this program ÖBB-Infrastruktur Bau AG issued bonds amounting to about 1.55 billion EUR in 2006 and bonds amounting to about 1.75 billion EUR in 2007.

As of 31.12.2007 the company had discharged all obligations arising out of the loan and credit agreements listed.

Liabilities to Banks

Liabilities to banks are made up as follows:

in million EUR	31.12.2006	31.12.2007
European Investment Bank (EIB)	158.6	353.9
BAWAG PSK Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG	282.5	212.4
Bank Austria Creditanstalt AG	130.1	94.6
Raiffeisen Zentralbank Österreich AG	80.5	93.8
Kommunalkredit Austria AG	67.5	57.9
Raiffeisenlandesbank Niederösterreich/Wien	49.5	48.3
Erste Bank der österreichischen Sparkassen AG	44.0	42.9
Other banks	108.1	59.2
Total	**920.8**	**963.0**

Financial Liabilities - Lease

Liabilities from lease result from unlinked CBL transactions. These liabilities are offset by assets to the same amount (financial assets such as loans to banks and leasing companies or securities).

Other Financial Liabilities

Other financial liabilities are primarily made up of EUROFIMA loans of about 1,240.3 million EUR (prior year: 1,096.3 million EUR) of which an amount of about 112.2 million EUR had a remaining time to maturity of less than one year in 2007. Furthermore, this item shows the negative present values of derivative financial instruments.

Financial liabilities from lease amounting to about 273.8 million EUR (prior year: about 136.7 million EUR) and other financial liabilities of about 137.0 million EUR (prior year: about 144.6 million EUR) are mainly secured by vehicles. Information on lease transactions is given in note 30; information according to IFRS 7 is given in note 34.

A provision for increasing the balance on the trading account used within the framework of CDO management amounting to about 30.0 million EUR (prior year: 0) as well as provisions for CDO transactions of about 154.6 million EUR (prior year: about 21.3 million EUR) are reported in other financial liabilities. Further information is given in note 29.2.

Guaranty Commitments by the Federal Government

There are guaranty commitments by the Federal Government for all bonds and liabilities to banks amounting to about 6.9 billion EUR. Moreover, liabilities to EUROFIMA of about 1.5 billion EUR are also covered by guaranty commitments by the Federal Government.

26. Provisions

Determination of provisions is based on an assessment of whether the company will probably make use of the provisions and if the expected amount of the provisions can be estimated in a reliable manner. Provisions are reported at the amount expected to be made use of. In case of scenarios having the same probability, the expected value weighted according to probabilities will be accrued.

26.1. Provisions for Personnel Expenses

Provisions for Personnel Expenses

in million EUR	31.12.2006	31.12.2007
Statutory severance payments	26,7	26,1
Pensions	0,7	0,8
Anniversary bonuses	135,1	129,6
Voluntary severance payments	20,8	17,7
Other provisions for personnel expenses	3,3	3,7
Total	**186,6**	**177,9**
thereof long-term	183,9	174,6

Short-term provisions are mainly included in other provisions for personnel expenses. All changes in provisions for personnel expenses are reported under personnel expenses. Detailed information on individual provisions is given below.

Actuarial Assumptions

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

	1.1.2006	31.12.2006	31.12.2007
Discount factor	4.0%–4.3%	4.8%–5.0%	5.7%
Salary increases	3.9%	3.9%	3.9%
Staff turnover - tenured employees	0.0–7.8%	0.0–7.8%	0.0–6.11%
Staff turnover – other staff and operatives	0.0–27.0%	0.0–27.0%	0.0–8.4%

Statutory Severance Payments

Provisions for severance payments were set up to cover entitlements to severance payments of those employees who are not to be deemed employees of the Federal Government pursuant to § 21 Abs 3 BBG as amended by Bundesgesetz (federal act) BGBL I Nr. 71/2003 whose entitlements result from individual industrial law provisions or contractual stipulations. Calculation of the provisions is based on actuarial principles using the “present value of future benefits method” (projected-unit-credit method) prescribed for measurements pursuant to IAS 19. As a biometrical basis for calculation, the AVÖ 1999-P – mixed stock – bases for actuarial calculation of retirement pensions - Pagler & Pagler were used.

Obligations in connection with severance payments for employees whose employment started before 1.1.2003 are covered by defined benefit plans as described below. Due to amendments to statutory provisions, defined contributions plans apply to those employees whose employment in Austria started after 1.1.2003. In connection therewith, the company paid 1.0 million EUR and 1.7 million EUR to the defined contribution plan (VBV Vorsorgekasse AG) in 2007 and 2006 respectively.

Upon retirement, entitled employees receive a severance payment which, depending on their time of service, amounts to several times their monthly basic salary up to a maximum of twelve monthly salaries. Upon termination of employment, a maximum of three monthly salaries are paid immediately; any further amounts will be paid over a period of ten months at the most. In case of an entitled employee passing away, the heirs are entitled to 50% of the severance payment. Furthermore, provisions for voluntary severance payments were set up.

The following table shows the components of net expenses for severance payments in the period and the development of provisions for severance payments:

in million EUR	2006	2007
Service costs	2.7	2.6
Interest expenses	1.2	1.4
Actuarial losses/gains	0.2	-1.6
Net expenses for severance payments in the period	**4.1**	**2.4**

in million EUR	2006	2007
Present value of future benefits as of 1.1.	**28.3**	**26.7**
Service costs	2.7	2.6
Interest expenses	1.2	1.4
Severance payments	-5.2	-2.7
New hiring	2.1	2.8
Attrition	-2.6	-3.1
Actuarial losses/gains	0.2	-1.6
Present value of future benefits as of 31.12.	**26.7**	**26.1**

Anniversary Bonuses

Tenured employees and certain other employees (hereinafter “employees”) are entitled to anniversary bonuses. Pursuant to statutory and contractual provisions, entitled employees receive two monthly salaries after 25 years of service and four monthly salaries after 40 years of service. Employees who upon retirement have worked for at least 35 years will also receive an anniversary bonus of four monthly salaries. For those tenured employees of ÖBB who as of the balance sheet date are between 47 and 51 years old (completed years) and have been working with ÖBB Group for at least 31 years, no provisions for anniversary bonuses are set up, but provisions for voluntary severance payments. Calculation of the provisions is based on actuarial principles using the Projected-Unit-Credit method (PUC) prescribed for measurements pursuant to IAS 19. As a biometrical basis for calculation, the AVÖ 1999-P bases for actuarial calculation of retirement pensions - Pagler & Pagler were used. The provisions are set up over the term of service applying a staff turnover markdown for employees prematurely leaving the company. Actuarial gains and losses are immediately recognized in the period they accrue. For those employees for whom a voluntary severance payment is reported in the balance sheet, no provisions for anniversary bonuses to be paid after 35 and 40 years of service respectively are set up.

The following table shows the components and development of provisions for anniversary bonuses:

in million EUR	2006	2007
Service costs	7.0	7.0
Interest expenses	6.3	6.9
Actuarial gains	-14.3	-11.0
Net expenses for anniversary bonuses in the period	**-1.0**	**2.9**

in million EUR	2006	2007
Present value of future benefits as of 01.01.	**147.9**	**135.1**
Service costs	7.0	7.0
Interest expenses	6.3	6.9
Anniversary bonuses paid	-11.0	-7.2
New hiring	3.0	12.9
Attrition	-3.8	-14.1
Actuarial gains	-14.3	-11.0
Present value of future benefits as of 31.12.	**135.1**	**129.6**

Voluntary Severance Payments

For those tenured employees of ÖBB who as of the balance sheet date are between 47 and 51 years old (completed years) and have been working with the company for at least 31 years, provisions for voluntary severance payments are set up.. After 40 creditable years of service, the voluntary severance payment amounts to 400% of the monthly pay to which the employee is entitled at the beginning of the month in which the voluntary severance payment becomes due. Provisions for voluntary severance payments are also set up for those employees who upon retirement have not been working for 40 years, but at least 35 years. Upon retirement these employees receive a full voluntary severance payment.

The scope of employees encompasses all persons of the age group. Thus the scope of employees changes at each time of calculation.

in million EUR	2006	2007
Service costs	0.7	0.7
Interest expenses	0.9	1.0
Actuarial losses/gains	3.4	-0.9
Net expenses for voluntary severance payments in the period	**5.0**	**0.8**

in million EUR	2006	2007
Present value of future benefits as of 01.01.	**21.9**	**20.8**
Service costs	0.7	0.7
Interest expenses	0.9	1.0
Severance payments	-6.1	-3.8
New hiring	0.1	1.0
Attrition	-0.1	-1.1
Actuarial losses/gains	3.4	-0.9
Present value of future benefits as of 31.12.	**20.8**	**17.7**

Pensions

Only individual pension commitments are reported under provisions for pensions. Due to subordinate importance, valuation is done by means of a time-adjusted method.

Defined Contribution Plans

In Austria pensions to employees are paid by the social insurance carriers and pensions to railway employees are borne by the Versicherungsanstalt für Eisenbahn und Bergbau (social insurance for railway and mining employees). The company is obliged to make contributions to pensions and health care for active and retired tenured employees and their surviving dependents. The company is obliged by law to make an annual contribution to Versicherungsanstalt für Eisenbahn und Bergbau for active tenured employees. In addition to that, the company offers all employees of ÖBB Group in Austria a defined contribution plan. Contributions made by the company are calculated as a percentage of the remuneration and must not exceed 0.8%. Expenses for this plan amounted to about 8.5 million EUR in 2007 and to about 8.9 million EUR in 2006.

Defined Benefit Plan

The company makes payments to one former member of the executive board according to a defined benefit plan. The plan for which there is no capital cover provides for a pension amounting to a percentage of the salary depending on the years of employment. The pension amounts to a maximum of 13.2% of the last salary before retirement including the statutory retirement benefit. Provisions for pensions are calculated by means of a time-adjusted method.

26.2. Other Provisions

in million EUR	Balance as of 1.1.2007	Consumption	Reversal	Interest rate effects	Allocation	Balance as of 31.12.2007
Environmental measures	45.3	-0.7	-0.6	0.8	0.2	45.0
Project costs	26.1	-16.4	0.0	0.0	30.7	40.4
Branch lines	27.2	0.0	0.0	0.9	2.6	30.7
Provisions for restructuring	47.2	-22.2	-7.9	0.3	5.5	22.9
Accrued services	14.4	-14.0	0.0	0.0	22.1	22.5
Contingent debt	13.3	-2.0	-5.8	1.0	7.4	13.9
Litigations	9.3	-0.5	-1.7	0.0	5.3	12.4
Impending losses	2.8	-2.2	0.0	0.0	7.2	7.8
Taxes	5.4	-0.6	-0.3	0.0	2.0	6.5
Remaining other	50.5	-22.8	-7.1	-0.4	16.8	37.0
Total other provisions	**241.5**	**-81.4**	**-23.4**	**2.6**	**99.8**	**239.1**

Provisions for environmental measures include future expenses for restoring soils which were contaminated in the past.

Provisions for project costs include additional costs to be expected in connection with the planning and erection of the high-speed route between Kufstein (state border) and Innsbruck.

Provisions for branch lines refer to expenses in connection with the demolition and evacuation of assets and the restoration of sites. These assets and sites are in particular railway routes already shut down or to be shut down in the near future.

Provisions for restructuring encompass future expenses to be incurred for implementing the measures defined in connection with the restructuring of ÖBB as of 31.12.2004. They refer mainly to personnel measures and will be used up over the period required for implementing the restructuring measures. Expenses for employees affected were estimated on the basis of the restructuring plan, and the present value was accrued. Reversal of provisions reported in 2007 was mainly due to lower non-payment of benefits because of earlier-than-planned retirements of employees.

Accrued services are primarily forwarding services.

Provisions for litigations were set up for all process risks identifiable at the time of preparing the balance sheet on the basis of managerial and entrepreneurial criteria. Thee provisions are made up of a number of small litigations arising out of the company's business operations, such as law suits in connection with invention compensations, work accidents, or the redemption of servitudes.

Provisions for impending losses refer primarily to lossy agreements concluded in the field of BEX Logistics.

Remaining other provisions include mainly provisions for life annuities (about 4.5 million EUR), for refund of travel expenses (about 2.6 million EUR), for warranties (about 2.1 million EUR) and for compensations pursuant to the railway and motor vehicle third-party liability act (about 4.1 million EUR).

Expected Time of Payment for Provisions:
Long-term provisions were discounted applying an interest rate of 4.5 - 5.0% (2006: 4.0 - 4.3%). There were only insignificant changes in the discount factor.

Other provisions are to be considered long-term to an amount of about 85.9 million EUR (prior year: about 101.2 million EUR). The expected time of payment for these provisions is after the year 2008. Provisions classified as short-term are expected to result in payments in 2008 with provisions for restructuring measures, outstanding additional billing, invoices not yet received, and impending losses being mainly classified as short-term.

27. Trade Payables And Other Liabilities

31.12.2006 in million EUR	Term to maturity	Short-term <1 year	Long-term 1–5 years	Long-term >5 years	Total
Trade payables					
to affiliated companies		2.3	-	-	2.3
to companies in which a participation is held		8.5	-	-	8.5
to third parties		784.1	23.4	8.8	816.3
Total		**794.9**	**23.4**	**8.8**	**827.1**
Advance payments received		27.8	-	-	27.8
Other liabilities		289.4	6.0	203.1	498.5
thereof from taxes		55.8	0.2	-	56.0
thereof within the scope of social security		13.4	0.3	-	13.7
thereof accruals and deferrals - personnel		134.9	-	-	134.9
thereof other accruals and deferrals		41.3	76.2	132.1	249.6
Total		**1,112.1**	**29.4**	**211.9**	**1,353.4**

31.12.2006 in million EUR	Term to maturity	Short-term <1 year	Long-term 1–5 years	>5 years	Total
Trade payables					
to affiliated companies		5.0	-	-	5.0
to companies in which a participation is held		6.6	-	-	6.6
to third parties		932.8	16.8	7.5	957.1
Total		**944.4**	**16.8**	**7.5**	**968.7**
Advance payments received		68.8	-	-	68.8
Other liabilities		278.2	12.4	187.9	478.5
thereof from taxes		49.7	-	-	49.7
thereof within the scope of social security		15.6	-	-	15.6
thereof accruals and deferrals - personnel		127.9	-	-	127.9
thereof other accruals and deferrals		39.1	79.9	116.2	235.2
Total		**1,291.4**	**29.2**	**195.4**	**1,516.0**

Trade payables and other liabilities include liabilities due from services received and current expenditure. The management assumes that the book value of trade payables is approximately the attributable fair value.

Advance payments received result primarily from advance payments for services to be rendered to third parties.

The items of overtime valued at about 13.9 million EUR (prior year: about 16.7 million EUR) and holidays not yet consumed valued at about 91.7 million EUR (prior year: 89.5 million EUR) are reported in other accruals and deferrals – personnel.

Other accruals and deferrals include primarily net present value advantages resulting from CBL transactions amounting to about 163.3 million EUR (prior year: about 177.1 million EUR) as well as advance sale of tickets of about 15.8 million EUR (2006: about 14.5 million EUR).

Furthermore, trade receivables and other liabilities include currency derivatives measured at fair value (see note 29).

Detailed information on the value and form of collateralization of the liabilities:

Collateralized liabilities

in million EUR	Value of collateral	Form of collateral
Other liabilities		
31.12.2007	108.8	Pledging document regarding vehicle fleet
31.12.2006	108.8	

C. Further Information on the Consolidated Financial Statements

28. Further Contingencies And Contingent Liabilities

Contingent liabilities are made up as follows:

in million EUR	2006	2007
Contingencies from leases	2,221.1	2,191.6
CDO (note 29.2)	567.7	458.3
Guarantees for bank loans, bank guaranties	67.6	60.7
Other contingent liabilities	10.6	5.1
Total	**2,867.0**	**2,715.7**

Contingencies from Leases (CBL Transactions)

In these transactions, all purchase price and rental payments received are transferred to banking or leasing institutions with excellent credit rating by means of an irrevocable payment undertaking agreement, thereby waiving any claim or access of ÖBB Group to these monies. Pursuant to the terms of these payment undertaking agreements, the banking or leasing institutes make all future leasing payments on behalf of ÖBB Group and in due time, with the majority of these payments being made, according to contract, directly to the lenders of the parties to the cross border lease agreements. In addition, in the majority of cases there are guarantees, liabilities and letters of comfort issued by the receiving lenders in favor of ÖBB Group. Due to the continued debt obligations of ÖBB Group regarding the leasing payments under the cross border lease agreements, these obligations are reported under contingent liabilities.

Guarantees (Bank Loans)

Guarantees refer primarily to bank guarantees to collateralize a loan for the purchase of buses of an associated company and to bank guarantees for two credit agreements for the purchase of railway wagons.

Other Contingent Liabilities

Other contingent liabilities consist of joint and several liabilities for training costs of apprentices amounting to about 5.1 million EUR (prior year: 6.8 million EUR). ÖBB Group committed itself vis-à-vis Allgemeine Privatstiftung für Berufliche Bildung (privat foundation for vocational training) to assist the foundation in case of temporary shortage of liquid founds to the extent necessary.

Further details on the term of the agreements arising out of CBL transactions and CDO transactions are given in note 30.3 and 29.2. Implementation of the guarantees is not probable.

29. Financial Instruments

29.1. Risk Management

Regarding its assets and liabilities, ÖBB is exposed in particular to risks arising out of changes in exchange and interest rates. Financial risk management is considered to be the management of market risks and is the economically oriented balancing of the individual companies' portfolios regarding the development of interest rates, currencies, and commodities. ÖBB Group uses derivative financial instruments to hedge these risks. Derivative financial instruments may only be held with reference to an underlying transaction. The core task of Corporate Treasury is to identify, assess and limit financial risks. Limitation of risk does not mean the complete exclusion of any financial risk, but a reasonable control of risk positions quantifiable at any time within a specific and predefined scope of action (clearly defined limits for financial key figures such as duration, cash flow at risk and value at risk). The Monte-Carlo simulation method is used to calculate the at-risk ratios.

ÖBB-Holding AG carrying out these transactions on behalf and account of its subsidiaries has created a monitoring environment which comprises guidelines and procedures for risk assessment, approval, reporting, and supervision of the use of financial instruments.

Financial risks are defined as follows:
- Interest rate risk
- Currency risk
- Credit risk
- Liquidity risk

Interest Rate Risk
Interest rate fluctuations may put at risk the profit-earning capacity and value of ÖBB Group and may arise in the following forms:

- Interest payment risk (increasing interest costs due to market development)
- Present value risk (changes in the value of the portfolio)

The use of derivative instruments is to keep interest costs as low as possible and to reduce the impact of any interest rate fluctuations on the profit-earning capacity. For all financial risks, fluctuation margins (risk limits) and defined measures (risk strategies) are being determined to limit losses in case defined limits are reached. Outstanding financial positions are held exclusively within these limits defined by the risk strategy. The financial risk key figures which are duration, cash flow-at-risk and value-at-risk are being calculated on a monthly basis and used for portfolio management. ÖBB Group is exposed to interest rate risks mainly in the Euro zone. Taking into account the given debt structure, Corporate Treasury makes use of interest rate derivatives in order to implement as effectively as possible the risk strategy which is to be checked at least once a year.

Considering net financial liabilities (i.e. interest rate exposure after derivative hedges), an average of 87% (prior year: 89%) thereof were fixed-interest bearing.

Sensitivity Analysis of Interest Rate Risk
In order to illustrate essential market risks, IFRS 7 requires sensitivity analyses showing how hypothetical changes of relevant risk variables would affect profit or loss and equity. Effects in the period are determined by applying hypothetical changes of the risk variables to the portfolio of financial instruments as of the balance sheet date. It is assumed that the portfolio as of the balance sheet date reflects the portfolio held over the business year.

Market interest rate changes of fixed-interest bearing primary financial instruments only affect profit or loss if measured at their respective fair value. Thus all fixed-interest bearing financial instruments valued at amortized costs are not exposed to any interest rate risk.

In the case of fair value hedges used for hedging interest-rate fluctuations, interest-rate related changes in value of the underlying and the hedging transaction are offset in the same period in the income statement. Thus, these financial instruments are not exposed to any interest rate fluctuation risks either.

Market interest rate changes of financial instruments designated as hedging instruments within the framework of a cash flow hedge to hedge interest rate related cash flow fluctuations do have an impact on the cash flow hedge reserve in equity and are therefore taken into account for equity-related sensitivity calculations. Therefore, if market interest rates in 2007 had been 100 basis points higher (lower), then equity (and the cash flow hedge reserve, respectively) would have been higher (lower) by about 79.3 million EUR (prior year: 82.3 million EUR).

Market interest rate changes of primary financial instruments on a floating rate basis the interest payments of which are not hedged against interest rate fluctuation risks by means of cash flow hedges are taken into account for calculating profit-related sensitivities.

Market interest rate changes of derivative financial instruments which are not part of a hedging relationship according to IAS 39 have an impact on other financial results (measurement result from adjusting financial assets to their respective fair value) and are therefore taken into account for profit-related sensitivity calculations.

Therefore, if market interest rates in 2007 had been 100 basis points higher (lower), then the profit would have been higher (lower) by about 3.6 million EUR (prior year: 12.8 million EUR).

Currency Risk

Foreign currency risks of ÖBB Group result primarily of primary financial liabilities. The majority of these risks is being hedged. USD liabilities amounting to about 1,226 million USD (100%), JPY liabilities amounting to about 3,300 million JPY (100%) and CHF liabilities amounting to about 20.5 million CHF (15%) were hedged; there is an overall foreign currency risk in CHF of about 120 million CHF. Moreover, there is a foreign currency investment amounting to about 20 million USD swapped against EUR.

As of the balance sheet date ÖBB Group was not exposed to any substantial risk arising out of foreign currency liabilities. Cross currency swaps are used to translate foreign currency liabilities into the functional currency of the group companies. Thus exchange rate fluctuations do not have a significant impact on earnings. As of the balance sheet date, foreign currency liabilities the currency risks of which are hedged are made up primarily of USD bonds and CHF loans.

Sensitivity Analysis of Currency Risk

In the case of fair value and cash flow hedges used for hedging currency risks, exchange rate related changes in value of the underlying and the hedging transaction are offset in the same period in the income statement. Therefore these financial instruments are not exposed to any currency risk regarding profit or equity development.

Furthermore, there are derivates not included into any hedging relationship which, nevertheless, do hedge completely the foreign currency risk of the underlying transaction (basic swaps).

Therefore ÖBB Group is only exposed to currency risks in connection with unhedged foreign currency liabilities. The impact of exchange rate fluctuations in the underlying currencies is reported in the income statement.

If the Euro had been appreciated (depreciated) against CHF by 10%, earnings as of 31.12.2007 would have been higher (lower) by about 6.6 million EUR, and as of 31.12.2006 by about 9.2 million EUR.

Credit Risk

Credit risk means the default potential if contractual partners do not meet their financial commitments (primarily investments, funds, swaps with market values corresponding to present values). The exposure limits underlying the risk management for financial transactions with each and every individual business partner are based on the term to maturity and ratings, and are being checked daily for compliance. Therefore, maximum default risk as of the balance sheet date equals total investments and all indicated positive present values and contingencies (note 28).

ÖBB Group maintains business relations only with such banks which either dispose of a sufficient rating (at least investment grade) or meet the requirements determined in the group guidelines in case there is no such rating. In order to reduce the credit risk arising out of the noncompliance of contractual stipulations, swap agreements are subject to the contractual provisions of the International Swap Dealers Association (ISDA).

Financial assets of ÖBB Group encompass primarily cash on hand and in banks, trade receivables and receivables from financial lease and securities. These items represent maximum exposure of ÖBB Group to default risk in proportion to its financial assets. Thus maximum credit risk amounts to the equivalent of all assets less tangible and intangible assets, participations in associated companies, inventories and other receivables which are not financial instruments, that is about 1.3 billion EUR (prior year: about 1.2 billion EUR). Moreover, there are contingencies and contingent liabilities (note 29) amounting to about 2.7 billion EUR (prior year: about 2.9 billion EUR).

The credit risk of ÖBB Group results primarily from trade receivables and financial lease. The amounts reported in the balance sheet are less the value adjustment for probably uncollectible receivables which were estimated by the management of ÖBB Group on the basis of past experiences and the current economic environment. The credit risk of liquid funds and derivative financial instruments is limited as these are held by banks having an excellent credit rating assigned by international rating agencies. There is no significant concentration of default risks for ÖBB Group since the risks are distributed over a large number of contractual partners and customers.

Liquidity Risk

The prime goal of ÖBB Group's Treasury Management is to ensure sufficient liquid funds for the entire group. Liquidity risk means any limitation of the capacity to take up loans and/or capital (e.g. due to a lower credit rating assigned by a rating agency or bank) affecting the volume and conditions for providing sufficient liquid funds which might impair the implementation of the Group strategy or the financial scope for action. Therefore the main task is to analyze liquidity risk and to consistently ensure liquidity (in particular by means of liquidity planning, arranging of sufficient credit lines, and adequate diversification of lenders).

Guaranty Commitments by the Federal Government

As indicated in note 25, there are guaranty commitments of the Federal Government for all bonds and liabilities to banks. Moreover, liabilities to EUROFIMA of about 1.5 billion EUR are also covered by guaranty commitments by the Federal Government.

29.2. Hedging Measures

Hedge Accounting

ÖBB Group applies the rules regarding accounting of hedging relationships pursuant to IAS 39 (Hedge Accounting) to hedge balance sheet items and future payment flows. This serves the purpose of reducing the volatility of the income statement. Depending on the hedged underlying transaction, a distinction is made between fair value hedge and cash flow hedge.

A fair value hedge serves the purpose of hedging the fair value of financial assets and liabilities recognized in the balance sheet. Any change in the fair value of the derivative used as hedging instrument is to be reported as affecting net income in the income statement; the book value of the underlying transaction is to be adjusted by the gains or losses attributable to the hedged risk affecting net income.

A cash flow hedge serves the purpose of hedging future variable payment flows associated with recognized financial assets and liabilities against fluctuations. In case of a cash flow hedge, the effective portion of the change in value of the hedging instrument is recognized in equity (cash flow hedge reserve) as not affecting net income until the payment flow resulting from the hedged transaction takes place affecting net income; the ineffective portion of the change in value of the hedging instrument is to be recognized as affecting net income.

In the case of cross currency swaps designated as cash flow hedge, the pure currency risk is included as hedged risk, that is the change in value of the underlying transaction due to spot rate changes. Pursuant to IAS 39.100, the same amount as recognized as hedging reserve is transferred to the income statement.

For hedging foreign currency risks arising out of floating-rate assets and liabilities, ÖBB Group does not make use of hedge accounting according to IAS 39 regarding basic swaps since any gains or losses resulting from currency translation pursuant to IAS 21 to be realized as affecting net income are shown in the income statement together with gains and losses from derivatives used as hedging instruments. Nevertheless, designation as cash flow hedge is made use of for hedging fixed-rate underlying transactions in foreign currency.

ÖBB Group complies with the requirements according to IAS 39 concerning the application of hedge accounting as follows:

When implementing a hedging measure, both the relationship between the financial instruments used as hedging instrument and the underlying transaction, and the goal of hedging are to be documented. Part thereof is the specific allocation of the hedging instruments to the relevant assets/liabilities as well as an assessment of the effectiveness of the hedging instruments used. Effectiveness of existing hedging measures is checked on a regular basis; if a hedge becomes ineffective, the hedging relationship has to be terminated. ÖBB Group also takes hedging measures not complying with the formal requirements of IAS 39 which, however, contribute to hedging the financial risks in an economically effective way according to the principles of risk management.

Fair Value Hedges

In order to hedge the fair value and present value risk of fixed-rate liabilities, ÖBB Group made use of receiver interest rate swaps ("receive on fixed-rate basis - pay on a floating rate basis") in EUR in 2007. Fixed-rate EUR and USD bonds as well as loans in EUR were designated as underlying transactions. Changes in the value of the underlying transactions resulting from changes in market interest rates and exchange rates are offset by changes in the value of interest rate or cross currency swaps. These hedging measures aim at transforming fixed-rate bonds into floating-rate financial liabilities thus hedging the respective fair value of the financial liabilities.

Effectiveness of the hedging relationship is checked prospectively by means of the Critical Terms Match Method pursuant to IAS 39.AG108. Retrospectively, effectiveness is checked as of each balance sheet date using an effectiveness test according to the dollar offset method. The dollar offset method compares the cumulative changes in the value of the underlying transaction expressed in monetary units to the cumulative changes in the value of the interest rate swap expressed in monetary units. Changes in the value of both transactions are calculated on the basis of outstanding cash flows at the beginning and end of the test period and adjusted by accrued interest. All hedging relationships were effective within the range of fluctuations defined by IAS for the quotient of the cumulative value changes (between 80% and 125%). Changes in credit spreads (component depending on credit rating) were not taken into account for determining changes in the value of the underlying transaction when evaluating effectiveness.

The following table shows the maturity structure of existing fair value hedges:

Maturity date	Number of swaps	Nominal volume in million EUR
Portfolio according to balance sheet as of 31.12.2006	1	293.6
thereof maturity date 2011 or later	1	293.6

Maturity date	Number of swaps	Nominal volume in million EUR
Portfolio according to balance sheet as of 31.12.2007	1	343.6
thereof maturity date 2012 or later	1	343.6

As shown in the table of fair values of derivative financial instruments (see table of derivative financial instruments), as of 31.12.2007 interest rate derivatives amounting to about 293.6 million EUR (prior year: about 343.6 million EUR) were designated as hedging instruments within the framework of fair value hedges. In 2007 losses of about 12.2 million EUR (prior year: gains of about 2.8 million) resulting from book value adjustments of the underlying transaction (interest rate portion) were reported under other financial results; gains amounting to about 11.2 million EUR (prior year: expenses of about 2.7 million EUR) were reported under other financial results resulting from changes in the respective fair value (interest rate portion) of the hedging transactions.

Cash Flow Hedges – Interest Rate / Currency Risks

In 2007 ÖBB Group concluded payer interest rate swaps ("receive on a floating rate basis – pay on a fixed-rate basis") to hedge interest payment risk in connection with floating-rate underlying transactions. Changes in cash flows of the underlying transaction resulting from changes in EURIBOR are offset by changes in cash flows of interest rate swaps. These hedging measures aim at transforming floating-rate bonds into fixed-rate financial liabilities thus hedging the cash flow from the financial liabilities.

The following table shows the maturity structure of existing cash value hedges:

Maturity date	Number of swaps	Nominal volume in million EUR
Portfolio according to balance sheet as of 31.12.2006:	36	2,019.5
thereof maturity date 2009	2	48.0
thereof maturity date 2011 or later	34	1,971.5

Maturity date	Number of swaps	Nominal volume in million EUR
Portfolio according to balance sheet as of 31.12.2007:	49	1,959.0
thereof maturity date 2009	2	48.0
thereof maturity date 2011	1	10.0
thereof maturity date 2012 or later	46	1,901.0

Effectiveness of the hedging relationship is checked prospectively by means of the Critical Terms Match Method pursuant to IAS 39.AG108. Retrospectively, effectiveness is checked as of each balance sheet date using an effectiveness test according to the dollar offset method. The underlying transaction is a hypothetical derivative. All hedging relationships of this kind were effective as of the balance sheet date. As shown in the table of present values of derivative financial instruments (see table of derivative financial instruments), as of 31.12.2007 derivatives amounting to about 1,959 million EUR (prior year: about 2,019 million EUR) were designated as hedging instruments within the framework of cash flow hedges. In 2007 amounts of about 51.2 million EUR (prior year: 53.8 million EUR) were reported in the cash flow hedge reserve resulting from recognition of changes in value of hedging transactions as not affecting net income.

Changes in the market value of interest rate swaps representing hedging transactions for future interest payments of floating-rate liabilities are recognized as not affecting net income in accumulated other changes in equity (see Schedule of Changes in Equity). These amounts are reported as finance expenditure in the period when the corresponding interest payments from the underlying transaction become due affecting net income. In 2007 amounts from foreign currency hedges amounting to about -56.3 million EUR (prior year: about -73.6 million EUR) were carried in the income statement as affecting expenses. Moreover, ineffective portions of hedge accounting relationships amounting to about 1.1 million EUR (2006: 1.2 million EUR) were recognized as affecting net income. As of the balance sheet date an amount of about 5.3 million EUR (prior year: about 2.5 million EUR) from the termination of hedging instruments (cash flow hedges) is reported in equity which is distributed as follows: 2008: about 0.5 million EUR; 2009 – 2012: about 2.1 million EUR; 2013 and later: about 2.7 million EUR.

Portfolio Credit Default Swap/Collateralized Debt Obligation

Apart from primary derivative financial instruments, security deposit accounts, payment undertaking agreements and swaps were concluded in connection with cross border lease transactions in order to make the lease payments during the term and to pay the purchase price at the end of the term. To hedge the risk arising out of business partners not complying with their financial obligations, portfolio credit default swaps have been used since 2005.

Against payment of a premium, credit risks are being exchanged between Deutsche Bank and ÖBB-Infrastruktur Bau AG. The contracting party vis-à-vis third parties is ÖBB-Infrastruktur AG while at intra-group level chances and risks are distributed depending on the nominal value apportioned to each company. ÖBB-Infrastruktur Bau AG concluded 17 hedging agreements with Deutsche Bank by which Deutsche Bank undertakes to assume the default risk of the contracting parties in favor of the company. All in all, Deutsche Bank has assumed a default risk amounting to about 612.9 million EUR; ÖBB-Infrastruktur Bau AG accounts for about 229.4 million EUR thereof, ÖBB-Personenverkehr AG for about 287.6 million EUR, and Rail Cargo Austria AG for about 95.9 million EUR. Deutsche Bank received upfront a commission of about 3.2 million EUR for assuming the risk apportioned to ÖBB-Infrastruktur Bau AG and Rail Cargo Austria AG while for assuming the risk apportioned to ÖBB Personenverkehr AG a commission amounting to about 2.4 million EUR and distributed over a period of 10 years was agreed upon. This commission is recognized in other receivables and assets and distributed over the contractual period until 2015.

ÖBB-Infrastruktur Bau AG has assumed the risk of one tranche of a collateralized debt obligation (CDO). Total volume of the collateralized debt obligations is about 30,545 million EUR. The reference obligation on which the collateralized debt obligation is based (underlying) is made up to 75% of asset backed securities (AAA rating) and to 25% of six collateralized debt obligation tranches (AA rating). The collateralized debt obligation is based on four credit default swaps (CDS) which the company concluded with Deutsche Bank; ÖBB-Infrastruktur Bau AG accounts for about 229.4 million EUR thereof, ÖBB-Personenverkehr for about 287.6 million EUR, and Rail Cargo Austria AG for about 95.9 million EUR (thus all in all about 612.9 million EUR).

The CDO tranche is designed in a way that any defaults in the reference portfolio of up to about 1,6661.8 million EUR ("first loss tranche") will have no financial consequences for ÖBB-Infrastruktur Bau AG. Only if additional defaults exceed the amount mentioned above, which means that there is an additional default in the reference pool, ÖBB-Infrastruktur Bau AG and its sister companies are obliged as guarantors to compensate Deutsche Bank as fixed rate payer for the loss incurred. The maximum loss ÖBB-Infrastruktur Bau AG and its sister companies may suffer is limited to about 612.9 million EUR (at internal level, ÖBB-Infrastruktur Bau AG accounts for about 229.4 million EUR thereof, ÖBB-Personenverkehr AG for about 287.6 million EUR and Rail Cargo Austria AG for about 95.9 million EUR). For assuming these risks, ÖBB-Infrastruktur Bau AG and Rail Cargo Austria AG received from Deutsche Bank AG an upfront premium of about 13.4 million EUR and about 4.7 million EUR respectively. ÖBB-Personenverkehr AG agreed regular premium payments distributed over a period of 10 years and has so far received about 4.3 million EUR. These premium payments are reported in financial liabilities.

The management of the reference pool was transferred to Montana Capital AG on the basis of investment advisory agreements made and entered into in 2006. This is to ensure that the portfolio is being actively managed with the primary goal of maintaining the stability and security of the tranche taken on. At this point it is to be noted that despite the massive turbulences on the capital markets registered last year there was not a single default in the portfolio and S&P has confirmed the AAA rating for the tranche taken on. In addition to the active management by Montana Capital AG, ÖBB set up an internal structure in close cooperation with Montana Capital AG in the period under review in order to ensure that the relevant know-how and high level of information and communication is also available within ÖBB.

A valuation of the collateralized debt obligation was obtained from a renowned credit institute. The valuation is based on approved valuation models. The method of valuation is based on market data to the greatest extent possible using as little company-specific data as possible. The method of valuation used is being realigned at regular intervals and checked as to its validity by applying the prices of observable current market transactions or prices based on available, observable market data to the same financial instrument. The method of valuation takes into account those factors market operators would consider for price setting and is in line with approved economic methods used for setting the price of financial instruments. The factors relevant for this valuation were taken into account.

Loss distribution within the portfolio and transaction structure has a decisive influence on the valuation. The loss distribution within the portfolio results from CDS spreads (credit spreads), the default risk of the reference entities included in the portfolio, the recovery rate, the default scenarios and the default correlation of reference titles, leverage of the tranche, the number of defaults occurred, and the remaining time to maturity of the transaction. The default leg is defined as the present value of the expected portfolio loss at the time of valuation, discounted by applying the Euro yield curve. The transaction structure is determined by the tranche volume, the attachment and detachment point of the tranche, and the general structure of the transaction.

Additional factors having an influence on the valuation are the conditions agreed upon regarding payment of premiums and the relative demand for CDO tranches on the market.

A correlation model was used for determining the loss distribution within the portfolio, and default scenarios were calculated by means of the Monte-Carlo simulation method.

When evaluating a CDO tranche, the expected loss of a tranche is determined taking into consideration the loss distribution within the portfolio and the structure of the transaction. An increase and/or decrease in the expected loss of a tranche results in a decrease and/or increase in the valuation of this tranche. Should the spreads of the reference entities be on the rise, this result in an increased probability of loss and vice versa.

The trading account set up within the framework of the transaction was not included in the valuation. Moreover, according to the documentation, there is an exposure to ABS (asset-backed securities) with an AAA rating for which a recovery rate of 90% was fixed. Because of the high ABS rating and the fixed recovery rate, the influence of these assets on the valuation may be ignored and thus has not been taken into account when carrying out the valuation.

The valuations obtained by the companies reveal a negative market value amounting to about 63.4 million EUR (prior year: about 22.7 million EUR) of the tranche allocated to ÖBB-Infrastruktur Bau AG as of the balance sheet date; a negative market value amounting to about 68.0 million EUR (prior year: about 14.4 million EUR) of the tranche allocated to ÖBB-Personenverkehr AG as of the balance sheet date; and a negative value amounting to about 23.2 million EUR (prior year: about 8.1 million EUR) of the tranche allocated to Rail Cargo Austria AG as of the balance sheet date.

The negative market value is carried as liability in financial liabilities. Provision of funds required in 2007 amounting to about 40.1 million EUR (prior year: about 3.5 million EUR) for ÖBB-Infrastruktur Bau AG, amounting to about 51.5 million EUR (prior year: about 4.7 million EUR) for ÖBB-Personenverkehr AG and amounting to about 14.9 million EUR (prior year: about 1.0 million EUR) for Rail Cargo Austria AG was charged to income from interest and calculated as follows:

31.12.2007 in million EUR	ÖBB-Infrastruktur Bau AG	Rail Cargo Austria AG	ÖBB-Personen-verkehr AG	ÖBB-Konzern
Market value (negative)	-63.4	-23.2	-68.0	-154.6
less balance of financial liabilities as of 01.01.2007	8.0	2.8	10.5	21.3
less premiums received including interest	14.1	5.0	4.4	23.5
less trading account	1.2	0.5	1.6	3.3
Increase in financial liabilities in 2007	**40.1**	**14.9**	**51.5**	**106.5**

The turbulent development of the credit markets during the first months of 2008 leads to further changes in the market values of these products. As of the cutoff dates 29.2.2008 and 14.4.2008, the negative market value increased by a total of about 87 million EUR and about 77 million EUR respectively for all companies involved in the transaction compared to the negative market value reported as of 31.12.2007.

In addition to the financial liabilities of the three companies involved, a provision of 30 million EUR was set up by ÖBB-Holding AG for increasing the funds available on the trading account used for active CDO management in order to minimize the risks arising out of the CDO and to avoid the occurrence of a default affecting liquidity resulting in an obligation to cover unexpected losses.

Furthermore, ÖBB-Infrastruktur Bau AG as the direct contracting party of Deutsche Bank reports contingent liabilities amounting to the maximum obligations resulting from the entire tranche taken on by ÖBB of about 458.3 million EUR. Based on internal agreements, there are rights of recourse vis-à-vis ÖBB-Personenverkehr AG and Rail Cargo Austria amounting to 292.3 million EUR.

Power Derivatives

Power derivatives are concluded to hedge power deliveries for power supply. Dealing in futures is done on the stock exchange (futures) and on the OTC market (forwards). They are recognized in the balance sheet in the same way as derivative financial instruments. Forwards closed before maturity by means of matching open positions are measured at market value affecting net income as of the balance sheet date.

A sensitivity analysis of the power trades shows that a price increase of 10% results in an additional loss of about 3.6 million EUR arising out of the valuation of the power derivatives and that a price reduction of 10% would decrease by about 0.3 million EUR the loss currently reported. There are no further changes as all other forwards are closed trades.

In addition to that, diesel hedges are concluded to a very small extent.

29.3. Information Pursuant to IFRS 7

Financial assets are measured at fair value when being recognized for the first time. Transaction costs directly attributable to acquisition are to be taken into consideration for all financial assets measured at their respective fair value as not affecting net income. In principle, the fair values reported in the balance sheet correspond to the market value of the financial assets.

Financial assets and liabilities held for trading (FAHfT) are measured at fair value. These assets and liabilities encompass primary derivative financial instruments not included in an effective hedging relationship pursuant to IAS 39 so that it is mandatory to classify them as held-for-trading. Any gain or loss resulting from a subsequent valuation is to be recognized through profit or loss in the income statement.

Loans and receivables (LaR) mean financial assets with fixed or determinable payments which are not traded on an active market and were not acquired for the purpose of sale.

Financial assets available for sale (AfS) are financial assets not assigned to another category. It is mandatory to include in this category outside equity instruments as well as shares in investment funds if they are not classified as at fair value through profit or loss. In principle, shares in investment funds are always to be assigned to this category unless short-term trading activities can be proved, as well as participations in affiliated companies which are not fully consolidated due to subordinate importance.

Financial liabilities (FLAC) are measured at fair value upon initial recognition and at amortized costs upon subsequent valuation.

Derivative financial instruments are used by ÖBB Group to hedge interest rate risks, credit risks and currency risks resulting from financial transactions. Pursuant to IAS 39 all derivative financial instruments are to be recognized as asset or liability in the balance sheet and to be measured at fair value. Changes in the market value of derivative financial instruments designated as hedging instruments according to IAS are reported in equity (as cash flow hedge reserve) either affecting net income or not, depending on whether the derivate instrument is used for hedging the market value of balance sheet items (fair value hedge) or for hedging cash flows (cash flow hedge). Should there be no hedge accounting, the derivative financial instruments has to be classified as held for trading and is to be recognized at fair value through profit or loss.

Financial Liabilities

The following tables show the contractual (undiscounted) interest and redemption payments from primary financial liabilities and derivative financial instruments at fair value:

		Cash flows 2008		Cash flows 2009–2012		Cash flows 2013 onwards	
in million EUR	Book value 31.12.2007	Interest 2008	Redemption 2008	Interest 2009–2012	Redemption 2009–2012	Interest 2013 onwards	Redemption 2013 onwards
Primary financial liabilities							
Bonds	6,705.7	278.8	3.7	1,014.6	980.8	1,313.6	5,721.2
Liabilities to banks and similar liabilities	963.0	40.4	160.6	115.1	321.8	243.2	480.5
Liabilities from financial lease	262.7	10.3	9.3	38.0	38.0	38.0	215.4
Other interest-bearing liabilities	1,997.7	80.1	133.3	301.6	467.2	652.7	1,397.3
thereof vis-à-vis affiliated companies	0.3	0.0	0.3	0.0	0.0	0.0	0.0
Other non-interest-bearing liabilities	1,206.5	0.0	1,160.5	0.0	18.8	0.0	27.1
thereof vis-à-vis affiliated companies	8.5	0.0	8.5	0.0	0.0	0.0	0.0
Derivative financial liabilities and assets							
Derivative financial receivables							
- Interest derivatives with hedging relationship	2.7	0.9	0.2	3.5	0.6	2.8	0.0
- Power derivatives in relation with fair value hedge	49.2	0.0	35.3	0.0	13.9	0.0	0.0
- Interest derivatives in relation with cash flow hedges	12.9	0.4	0.0	0.3	0.0	0.2	0.0
Derivative financial liabilities							
- Interest derivatives with hedging relationship excluding CDO	38.6	-4.3	-0.5	-18.4	-5.2	-5.3	-4.8
- Power derivatives in relation with fair value hedge	65.7	11.5	0.0	45.8	0.0	11.5	-31.3
- Power derivatives in relation with fair value hedge	59.3	0.0	41.6	0.0	17.7	0.0	0.0
- Interest derivatives in relation with cash flow hedges	150.4	1.3	0.0	-3.7	0.0	-6.8	-188.1

The table includes all instruments held as of 31.12.2007 for which payments had been agreed upon by contract. Foreign currency amounts were translated at the spot rate as of the balance sheet date. Variable interest payments from financial instruments were determined applying the last interest rate fixed before the balance sheet date.

Additional Information on Financial Instruments

Cash, trade receivables and other receivables have mostly short remaining times to maturity. Therefore their book values correspond approximately to the fair value as of the balance sheet date. Fair values of other long-term receivables are the present values of payments arising in connection with these assets taking into account current interest parameters.

Trade payables and other liabilities have short remaining times to maturity; the values reported are approximately the current fair values. The fair values of liabilities to banks and other financial liabilities are determined as the present value of payments arising in connection with the liabilities on the basis of the yield curve valid at the time.

Category according to IAS 39 in million EUR	Classification	Book value 31.12.2006	Recognition according to IAS 39 Amortized costs	Acquisition costs	Fair value not affecting income	Fair value affecting income	Recognition Balance sheet acc. to IAS 17	Fair value 31.12.2006
Assets								
Cash and cash equivalents	LaR	124.2	98.0	26.2	0.0	0.0	0.0	124.2
	FAHfT	5.0	0.0	0.0	0.0	5.0	0.0	5.0
thereof vis-à-vis affiliated companies	LaR	1.3	1.3	0.0	0.0	0.0	0.0	1.3
Trade receivables	LaR	506.3	465.7	40.6	0.0	0.0	0.0	506.3
thereof vis-à-vis affiliated companies		4.8	4.8	0.0	0.0	0.0	0.0	4.8
Other receivables	LaR	48.7	47.4	1.3	0.0	0.0	0.0	48.7
Other primary financial assets	LaR	157.2	112.3	44.9	0.0	0.0	0.0	157.2
thereof vis-à-vis affiliated companies		48.4	4.2	44.2	0.0	0.0	0.0	48.4
Investments held-to-maturity	HtM	206.9	206.9	0.0	0.0	0.0	0.0	219.3
Financial assets available-for-sale	AfS	49.1	0.0	0.1	49.0	0.0	0.0	49.1
Financial assets held-for-trading	FAHfT	1.2	0.0	0.0	0.0	1.2	0.0	1.2
Derivative financial assets								
Derivatives without hedging relationship	FAHfT	3.0	0.0	0.0	0.0	3.0	0.0	3.0
Derivatives with hedging relationship	n.a.	32.5	0.0	0.0	3.4	29.1	0.0	32.5
Liabilities								
Trade payables	FLAC	827.1	628.2	198.9	0.0	0.0	0.0	827.1
thereof vis-à-vis affiliated companies		2.7	2.7	0.0	0.0	0.0	0.0	2.7
Bonds	FLAC	5,523.8	5,523.8	0.0	0.0	0.0	0.0	5,365.7
Liabilities to banks	FLAC	920.8	920.8	0.0	0.0	0.0	0.0	928.4
Other interest-bearing liabilities	FLAC	1,620.3	1,620.3	0.0	0.0	0.0	0.0	1,622.8
thereof vis-à-vis affiliated companies		0.1	0.1	0.0	0.0	0.0	0.0	0.1
Other non-interest-bearing liabilities	FLAC	212.3	173.4	38.9	0.0	0.0	0.0	212.3
thereof vis-à-vis affiliated companies		0.3	0.3	0.0	0.0	0.0	0.0	0.3
Liabilities from financial lease	FLAC	268.2	256.1	0.0	0.0	0.0	12.1	268.2
Derivative financial liabilities								
Derivatives without hedging relationship (held-for-trading)	FLHfT	77.5	0.0	0.0	5.0	72.5	0.0	77.5
Derivatives with hedging relationship (hedge accounting)	n.a.	198.2	0.0	0.0	36.9	161.4	0.0	198.2

Category according to IAS 39 in million EUR	Classification	Book value 31.12.2007	Recognition according to IAS 39 Amortized costs	Acquisition costs	Fair value not affecting income	Fair value affecting income	Recognition Balance sheet acc. to IAS 17	Fair value 31.12.2007
Assets								
Cash and cash equivalents	LaR	140.1	139.3	0.8	0.0	0.0	0.0	140.1
	FAHfT	10.0	0.0	0.0	0.0	10.0	0.0	10.0
thereof vis-à-vis affiliated companies		1.0	1.0	0.0	0.0	0.0	0.0	1.0
Trade receivables	LaR	521.3	469.6	51.7	0.0	0.0	0.0	521.3
thereof vis-à-vis affiliated companies		6.9	6.9	0.0	0.0	0.0	0.0	6.9
Other receivables	LaR	27.6	26.2	1.4	0.0	0.0	0.0	27.6
Other primary financial assets	LaR	198.6	157.8	40.8	0.0	0.0	0.0	198.6
thereof vis-à-vis affiliated companies		46.6	5.8	40.8	0.0	0.0	0.0	46.6
Investments held-to-maturity	HtM	208.3	208.3	0.0	0.0	0.0	0.0	220.5
Financial assets available-for-sale	AfS	67.6	0.1	0.0	67.5	0.0	0.0	67.6
Financial assets held-for-trading	FAHfT	6.6	0.0	0.0	0.0	6.6	0.0	6.6
Derivative financial asset								
Derivatives without hedging relationship	FAHfT	2.7	0.0	0.0	0.0	2.7	0.0	2.7
Derivatives with hedging relationship	n.a.	62.1	0.0	0.0	62.1	0.0	0.0	64.6

Category according to IAS 39 in million EUR	Classification	Book value 31.12.2007	Recognition according to IAS 39: Amortized costs	Acquisition costs	Fair value not affecting income	Fair value affecting income	Recognition: Balance sheet acc. to IAS 17	Fair value 31.12.2007
Liabilities								
Trade payables	FLAC	968.7	878.9	89.8	0.0	0.0	0.0	968.7
thereof vis-à-vis affiliated companies		8.6	8.6	0.0	0.0	0.0	0.0	8.6
Bonds	FLAC	6,705.7	6,705.7	0.0	0.0	0.0	0.0	6,483.7
Liabilities to banks	FLAC	963.0	963.0	0.0	0.0	0.0	0.0	948.8
Other interest-bearing liabilities	FLAC	1,997.7	1,997.7	0.0	0.0	0.0	0.0	1,991.3
thereof vis-à-vis affiliated companies		0.3	0.3	0.0	0.0	0.0	0.0	0.3
Other non-interest-bearing liabilities	FLAC	234.4	196.1	38.3	0.0	0.0	0.0	234.4
Liabilities from financial lease		262.7	252.7	0.0	0.0	0.0	10.0	262.7
Derivative financial liabilities								
Derivatives without hedging relationship (held-for-trading)	FLHfT	228.3	0.0	0.0	0.0	228.3	0.0	228.3
Derivatives with hedging relationship (hedge accounting)	n.a.	275.4	0.0	0.0	2.7	272.7	0.0	275.4

Notes to the Consolidated Balance Sheet and Income Statement

Accrued interest payments from derivative financial instruments (interest rate swaps) designated as hedging instruments in fair value and cash flow hedges according to IAS 39 are recognized at net value and reported as income from interest or interest expenses respectively. Income from interest is assigned to a category on the basis of the underlying transaction; in the reporting period only financial liabilities were hedged.

Net income from interest according to categories is made up as follows:

31.12.2006 in million EUR	From interest	From subsequent recognition: At fair value	Currency translation	From disposal	Valuation adjustment	Net income 2006
Loans and Receivables (LaR)	19.8	0.3	-0.2	0.2	0.0	20.1
thereof vis-à-vis affiliated companies	0.2	0.0	0.0	0.0	0.0	0.2
Investments held-to-maturity (HtM)	8.2	0.0	0.0	0.0	0.0	8.2
Financial assets available-for-sale (AfS)	2.4	0.0	-1.8	0.0	1.9	2.5
Financial instruments held-for-trading (FAHfT and FLHfT)	0.2	-61.4	0.0	-1.0	0.0	-62.2
thereof vis-à-vis affiliated companies	0.0	-1.8	0.0	0.0	0.0	-1.8
Financial liabilities measured at amortized cost (FLAC)	-305.0	-0.2	111.5	-0.4	0.1	-194.0
Total	**-274.4**	**-61.3**	**109.5**	**-1.2**	**2.0**	**-225.4**
thereof vis-à-vis affiliated companies	0.2	-1.8	0.0	0.0	0.0	-1.6

31.12.2007 in million EUR	From interest	From subsequent recognition: At fair value	Currency translation	From disposal	Valuation adjustment	Net income 2007
Loans and Receivables (LaR)	37.6	0.4	0.6	1.0	0.0	39.6
thereof vis-à-vis affiliated companies	0.3	0.0	-0.1	0.0	0.0	0.2
Investments held-to-maturity (HtM)	8.6	0.0	0.0	0.0	0.0	8.6
Financial assets available-for-sale (AfS)	2.8	0.0	-1.6	-2.2	0.3	-0.7
Financial instruments held-for-trading (FAHfT and FLHfT)	0.1	-200.0	0.0	0.0	0.0	-199.9
Financial liabilities measured at amortized cost (FLAC)	-388.4	-0.7	88.3	0.1	0.0	-300.7
Total	**-339.3**	**-200.3**	**87.3**	**-1.1**	**0.3**	**-453.1**
thereof vis-à-vis affiliated companies	0.3	0.0	-0.1	0.0	0.0	0.2

Interest from financial instruments is reported under income from interest. ÖBB Group reports all other components of net income from interest in other financial results.

Income from interest from financial liabilities belonging to the category of financial liabilities measured at amortized costs (expenses amounting to about 388.4 million EUR net [prior year: about 305.0]) includes primarily interest expenses from bonds and loans. Furthermore, this item encompasses income from interest resulting from compounding and discounting trade payables.

At the end of 2007, measurement gains amounting to about 0.7 million EUR (prior year: measurement gains of about 0.3 million EUR) are reported in equity resulting from the recognition, as not affecting net income, of changes in value of financial assets classified as available for sale (assets). All in all, in 2007 gains (losses) of about -0.3 million EUR (prior year: 0) were transferred from amounts reported in equity to the income statement. Impairments of value amounting to about 2.1 million EUR (2006: 0) were carried out in the period under review.

29.4. Derivative Financial Instruments

The following table shows the reported fair values of all derivative financial instruments. A distinction is made according to whether they are included in an effective hedging relationship pursuant to IAS 39 (fair value hedge, cash flow hedge) or not.

in million EUR	Book values as of 31.12.2006	Book values as of 31.12.2007
Assets		
Interest rate swap – without hedging relationship	1.2	2.0
– in connection with cash flow hedging	3.4	12.9
Cross currency swaps – without hedging relationship	1.2	0.6
Power futures and forwards – In connection with fair value hedging	29.1	49.2
Total	**34.9**	**64.7**
Liabilities		
Interest rate swap – without hedging relationship	20.8	27.0
– in connection with cash flow hedging	23.3	5.6
Cross currency swaps – without hedging relationship	7.5	11.2
– in connection with fair value hedging	39.1	65.7
– in connection with cash flow hedging	105.0	144.7
Power futures and forwards – In connection with fair value hedging	30.7	59.3
Total	**226.4**	**313.5**

The reported fair values of all other derivatives are as follows:

in million EUR	31.12.2006	31.12.2007	Instrument
Assets			
Derivatives without hedging relationship	0.6	0.2	options
Liabilities			
Derivatives without hedging relationship	7.2	5.6	other derivatives

These transactions are mainly options, futures, and other hedging transactions. Further details regarding the market values of CDOs are given in note 29.2.

30. Leases

30.1. Lessor

Assets included in tangible assets and reported as investment property which are rented out through operating lease are measured at amortized costs as of the balance sheet date:

Net book value of financial lease assets according to asset category in million EUR	31.12.2006	31.12.2007
Real estate and buildings	5.3	4.8
Technical equipment and machinery	167.7	41.7
Investment property	42.1	41.7
	215.1	**88.2**

The company leases assets which are either classified as operating lease or financial lease or cross border lease respectively. The lease agreements have different contractual periods depending on the lease object.

As of the balance sheet date, ÖBB Group had agreed with lessees the following minimum lease payments arising out of non-terminable operating leases, financial leases and cross border lease agreements:

31.12.2006 in million EUR	Total	up to 1 year	1–5 years	more than 5 years
Real estate and buildings	0.3	0.2	0.1	
Vehicle fleet	1,176.4	443.3	733.1	
Other tools, furniture and fixtures	0.3	0.3		

31.12.2007 in million EUR	Total	up to 1 year	1–5 years	more than 5 years
Real estate and buildings	18.7	2.4	11.2	5.1
Vehicle fleet	31.9	27.0	4.9	
Other tools, furniture and fixtures	0.4	0.4		

Contingent rents were reported as income in the period: Real estate and buildings about 16.1 million EUR (2006: 0); vehicle fleet about 1.8 million EUR (2006: about 0.2 million EUR); other tools, furniture and fixtures about 0.1 million EUR (2006: 0).

In the reporting period income from contingent rents amounting to about 0.1 million EUR (prior year: 0.0) was reported. Further details on cross border lease transactions are given in note 30.3.

30.2. Lessee

ÖBB Group purchases certain parts of its tangible assets through financial lease agreements. The terms are up to 18 years while the terms for the vehicle fleet are normally short. As of 31.12.2007 average effective interest rate was in line with 6-month EURIBOR plus a contractual markup. On average, effective interest rate was about 6.5% Interest rates are determined upon conclusion of the agreement. All leases are based on contractual periods agreed upon in writing. There are no agreements regarding contingent rents. The obligations of ÖBB Group arising out of financial lease agreements are collateralized by the retention of title to the leased assets by the lessor.

Net book values of financial lease assets according to asset category and their development are shown in the Schedule of Fixed Assets (note 14).

As of the balance sheet date, ÖBB Group had agreed with lessees the following minimum lease payments arising out of non-terminable operating and financial lease agreements:

As of 31.12.2006 in million EUR	Minimum lease payments	Interest expenses included
2007	14.0	6,5
2008–2011	59.3	23,4
after 2011	316.0	68,4
Total minimum lease payments	**389.3**	**98,3**
Less interest	98.3	
Present value of lease payments	**291.0**	

As of 31.12.2007 in million EUR	Minimum lease payments	Interest expenses included
2008	15.4	6.4
2009–2012	55.1	22.1
after 2012	307.1	63.5
Total minimum lease payments	**377.6**	**92.0**
Less interest	-92.0	
Present value of lease payments	**285.6**	

No contingent rents were agreed.

In the reporting periods minimum lease payments amounting to about 65.3 million EUR (prior year: about 76.9 million EUR), about 13.6 million EUR (prior year: about 38.3 million EUR) thereof vis-à-vis affiliated companies, and payments from sublease agreements amounting to about 4.7 million EUR (prior year: 2.4 million EUR) were expensed as incurred.

Future minimum lease payments based on non-terminable operating lease agreements are made up as follows for each of the periods:

2006 in million EUR	up to 1 year	1–5 years	more than 5 years
Real estate and buildings	41.2	153.7	29.7
thereof vis-à-vis affiliated companies	27.0	29.7	0.0
Vehicle fleet	17.3	24.5	1.0
Other machinery and equipment	1.3	5.3	0.0
thereof vis-à-vis affiliated companies	0.8	3.9	0.0
Other tools, furniture and fixtures	0.1	0.3	0.0
Intangible assets	2.6	10.3	0.0
thereof vis-à-vis affiliated companies	2.6	10.3	0.0
Total	**62.5**	**194.1**	**30.7**
thereof vis-à-vis affiliated companies	30.4	122.4	0.0

2007 in million EUR	up to 1 year	1–5 years	more than 5 years
Real estate and buildings	22.2	58.9	11.8
thereof vis-à-vis affiliated companies	7.1	19.9	0.0
Vehicle fleet	31.9	44.6	2.5
thereof vis-à-vis affiliated companies	6.9	0.2	0.0
Other machinery and equipment	1.2	4.0	0.0
thereof vis-à-vis affiliated companies	0.7	2.9	0.0
Other tools, furniture and fixtures	0.2	0.3	0.0
Intangible assets	1.8	1.9	0.0
thereof vis-à-vis affiliated companies	0.0	0.2	0.0
Total	**57.3**	**109.7**	**14.3**
thereof vis-à-vis affiliated companies	14.7	23.2	0.0

Minimum lease payments from non-terminable sublease agreements amounting to about 2.3 million EUR (prior year: about 2.4 million EUR) fall due for leased real estate and buildings.

30.3. Cross Border Lease Agreements

In the period from May 1995 to June 2006, Österreichische Bundesbahnen (now ÖBB-Infrastruktur Bau AG) made and entered into 17 cross border lease (CBL) transactions; Österreichische Post AG (now ÖBB-Postbus GmbH concluded two such transactions; and Rail-Equipment GmbH & Co KG, ÖBB-Traktion Gesellschaft mbH and ÖBB-Personenverkehr made and entered into one CBL transaction each, with all these transactions being in force as of 31.12.2007. Favorable tax provisions in the countries of the corresponding investors made it possible for ÖBB as the contracting party to achieve net present value advantages of about 274.6 million EUR by concluding these transactions. Two major types of transactions were made use of:

– **Sale and Lease back:** An investor (normally a US trust) buys the assets and leases them back to the corresponding companies of ÖBB Group.
– **Lease and Lease back:** The companies of ÖBB Group lease the assets legally owned by them to the investor leasing them back at the same time. The investor makes prepayments of rent in connection therewith.

The amounts earned by Österreichische Bundesbahnen at the beginning of the lease transactions (purchase price or prepayments of rent) are being invested by means of specially structured products so that these investments (taking into account the interest earned) can be used for serving future payment obligations. The CBL agreements grant the companies of ÖBB Group the right to buy back the assets (early buyout option) at a fixed price and at fixed dates, normally after 13 to 27 years, and in the case of buses after 8 years. There is only one CBL transaction amounting to about 31.5 million EUR regarding rolling stock with an early buyout option stipulated for 2019 for which no fixed repurchase price was agreed.

Part of the lease payment obligations were transferred to banking or leasing institutions with excellent credit rating by means of payment undertaking agreements. Pursuant to the terms of these agreements, the banking and leasing institutions engaged to make all contractual payments at due date on behalf of the corresponding companies of ÖBB Group.

The assets subject to CBL transactions have to be maintained at regular intervals as stipulated in the relevant contracts and must not be disposed of, leased, pledged or shut down.

Accounting

General Principles Applying to All CBL Transactions:

- **ÖBB group reserves economic title to the assets:** Due to the continued economic title to the tangible assets sold and leased back, these assets continue to be recognized in tangible assets of ÖBB Group.
- **Ratable write back of the achieved net present value advantages:** The net present value advantage achieved at the beginning of the transaction is reported in other liabilities and written back pro rata temporis as affecting net income over the term. As of 31.12.2007, the net present value advantage not yet written back was about 170.7 million EUR (prior year: 185.1 million EUR). Income from write back of net present value advantages in 2007 amounting to about 17.0 million EUR (prior year: about 14.7 million EUR) are reported as income from interest.

Classification of Leases According to Substance

Detailed information on the classification of leases is given in IAS 17 (Leases). The decisive point is whether the lease is of substance or not.

CBL transactions were classified based on the provisions of SIC 27 (Evaluating the substance of transactions involving the legal form of a lease). IAS 17 applies when the substance of an arrangement includes the transfer of the right to use an asset for an agreed period of time. Pursuant to the provisions of SIC 27, a large number of financial assets owned by ÖBB Group (securities and deposits) as well as lease payment obligations do not meet the definitions of an asset or a liability ("linked transactions") and are therefore not recognized ("off balance"). These assets include all payment undertaking agreements. Only seven transactions have to be (partially) recognized ("on balance") ("non-linked transactions"). These transactions have in common that the assets affected are not pledged.

Transactions that are recognized "on balance" in their entirety:
- 1. Canadian-Lease
- 2. Canadian-Lease
- 1. French Tax Lease

Transactions which are in part recognized "on balance and in part "off balance":
- 9. US lease (portion Bank of America)
- 11. US lease (portion Philip Morris)
- 1. Japanese Operating Lease
- 2. Japanese Operating Lease
- 1. Partnership German Operating Lease

Recognition of Assets and Lease Payment Obligations (non-linked transactions)

In case of recognition being mandatory, assets were classified as held-to-maturity and measured at amortized costs. Financial assets are offset by lease payment obligations to the same amount. Only one credit linked note is valued at market value (about 32.4 million EUR as of 31.12.2007) resulting in slight differences compared to the corresponding lease payment obligation reported at amortized costs.

Foreign currency amounts are translated at the spot rate as of the balance sheet date. Any exchange rate related increase or decrease in value is offset by changes in the valuation of the lease payment obligations to the same extent.

In the consolidated financial statements as of 31.12.2007, financial assets in connection with non-linked lease transactions amounted to about 316.2 million EUR (prior year: about 271.8 million EUR). Financial liabilities in connection therewith amounted to about 313.8 million EUR (prior year: 265.6 million EUR) as of 31.12.2007.Income from interest from financial assets in connection with CBL transactions amounted to about 20.8 million EUR (prior year: 14.1 million EUR) in 2007. Such income from interest is offset by interest expenses to about the same amount.

Accounting of Transaction without Substance (linked transactions)

Pursuant to SIC 27 no assets and liabilities are recognized for these transactions. Deposits and securities paid or acquired in connection with the payment undertaking agreements as well as advance payments received based on the principal lease agreement are therefore not carried in the balance sheet. The legal obligations resulting from the leases in case the banking or credit institutions do not meet their payment obligations vis-à-vis the investors assumed on behalf of the corresponding companies of ÖBB Group against payment of a one-time premium are reported as contingent liabilities. As of 31.12.2007, contingent liabilities arising out of CBL transactions amounted to about 2,176.9 million EUR (prior year: about 2,206.6 million EUR).

31. Service Concession Arrangements (SIC 29)

The following explications refer to the requirements according to SIC 29 (service concession arrangements). These are arrangements entered into between companies in order to render services that give the public access to major economic and public facilities. This applies in particular to ÖBB-Personenverkehr AG and its subsidiaries which perform passenger transport services.

Service Concession Arrangements
Pursuant to SIC 29 Regarding Railway Infrastructure

Austria

As a railway infrastructure company, ÖBB-Infrastruktur Betrieb AG is in charge of providing, operating, and maintaining (including maintenance, inspection and repair) a demand-oriented and safe railway infrastructure. It is also responsible for business planning and shunting operations (§ 26 BBG). ÖBB-Infrastruktur Bau AG has to put at the disposal of ÖBB-Infrastruktur Betrieb AG its railway infrastructure (§ 10a railway act 1957) including all facilities and equipment required for rendering all services incumbent on it as a railway infrastructure company, to the extent necessary for complying with its tasks as a railway infrastructure company (§ 35 BBG). ÖBB-Infrastruktur Bau AG is in charge of planning and erecting (including replacement investments exceeding maintenance and repair) railway infrastructure including high-speed routes, of planning and implementing projects or parts of projects in connection therewith and of making available railway infrastructure (§ 31 BBG). Pursuant to Eisenbahngesetz 1957 (railway act) (§ 51 BBG) neither ÖBB-Infrastruktur Betrieb AG nor Infrastruktur Bau AG need a concession for fulfilling its statutory tasks in Austria.

Concessions – Liechtenstein

As of 13.6.1977 ÖBB-Infrastruktur Bau AG was granted the concession to operate the railway in the Principality of Liechtenstein, which was in force as of 31.12.2007. Thus ÖBB-Infrastruktur Bau AG is entitled and obliged to ensure the uninterrupted and proper operation of the railway serving the purpose of providing public transport services in Liechtenstein during the entire term of the concession. The concession operator takes on the transport of passengers, luggage, and freight. At present, the aim is to obtain a renewal of the concession for 99 years.

Service Concession Arrangements
Pursuant to SIC 29 Regarding Railway Transport Services

ÖBB-Personenverkehr AG disposes of service concession arrangements; these are concessions in connection with the performance of passenger transport services by rail. ÖBB-Personenverkehr AG renders transport services in public short-distance and regional passenger transport (ÖPNRV: öffentlicher Personennah- und Regionalverkehr) on the basis of orders.

Pursuant to § 7 ÖPNRV Act 1999, the Federal Government is responsible for ensuring basic transport services in public short-distance passenger transport and regional traffic to the extent of the services ordered or rendered in the timetable year 1999/2000. These services do not include services rendered to maintain basic services paid by the provinces to the extent stipulated in the public transport contracts concluded before ÖPNRV-G 1999 came into force, as well as services aimed at ensuring basic short-distance transport provided by transport companies to which Regulation (EEC) No. 1191/69 as amended by No. 1893/91 does not apply.

Apart from the provinces, which are the customers at province level, also organizations related to the provinces (traffic associations) may be the customer. The resulting transport service contracts (VDV = Verkehrsdienstevertrag) are explained below:

By means of a transport service contract, a certain amount of transport services is ordered and defined in detail regarding scope and quality of the services to be rendered. The majority of the payments received out of transport service contracts are classified as affecting net income (in the reporting period about 69.0 million EUR). Some transport service contracts include contributions to vehicles reported in the balance sheet as reducing expenses (about 12.0 million EUR). Normally, the period of a transport service contract is limited from one to 22.5 years. In principle, transport service contracts can be terminated by the contracting parties subject to corresponding terms applying to the termination of the contract. In the years 2008 to 2012, transport service contracts with an overall volume of about 29.2 million EUR (that is about 36% of all transport service agreements) will expire. All other transport service contracts will remain in force beyond the mid-term planning base. Furthermore, most of the transport service contracts (about 65% of contracts) include a stable-value clause guaranteeing the stable value of the payments made by the customers.

New transport service contracts amounting to about 18.2 million EUR were entered into in the period under review. Most of them will become effective only in 2008.

Service Concession Arrangements
Pursuant to SIC 29 Regarding Further Short-Distance Transport Services

Bus Line Concessions

Throughout Austria, ÖBB-Postbus GmbH disposes of about 850 bus line concessions granted pursuant to the Kraftfahrliniengesetz (bus line act) with terms of 8 to 15 years. These concessions entitle Postbus to render regular transport services on the authorized routes. Apart from the rights granted by the concession, there are certain obligations to be fulfilled, such as the obligation to operate, to render transport services, and to comply with certain price limits. There is no financial compensation for the transport services because of the concessions.

Transport Service Contracts

Based on the ÖPNRV Act mentioned above, ÖBB-Postbus GmbH was commissioned by municipalities, associations of municipalities, and the provinces with rendering transport services exceeding the services offered according to timetable on the authorized routes. The contracts vary considerably due to the heterogeneous structure of customers. On average, they are concluded for a five years' period of time and provided with an indexation clause. Both the form of indexation and the payments are stipulated differently in these contracts. In principle there are two forms of payment which are either based on the number of kilometers operated independent from the number of passengers carried or a payment dependent on the number of passengers carried. As of the balance sheet date, about 200 transport service contracts amounting to about 98.0 million EUR were in force. All contracts lay down exact quality requirements, in particular regarding noise and exhaust emissions, accessibility, and advertising regulations. The rights of termination vary from contract to contract normally providing, however, for a one-year period of notice at timetable change

32. Related Party Transactions

Services Rendered to or Received from Related Parties

Related parties include affiliated but not fully consolidated companies of ÖBB Group, associated companies, the shareholder of ÖBB-Holding AG (Republic of Austria), as well as the most important subsidiaries and the members of the management holding key positions (members of the executive and supervisory boards of ÖBB-Holding AG).

Within the scope of services rendered by ÖBB Group, there are business relations, on the basis of the same conditions as applying to third parties, with companies in which the Republic of Austria holds, directly or indirectly, a participation (e.g. Österreichische Industrieholding AG, ÖMV Aktiengesellschaft, AUA Austrian Airlines Österreichische Luftverkehrs-Aktiengesellschaft) which pursuant IAS 24 are to classified as related party. Accounts payable by these companies as of the balance sheet date are reported in trade receivables and are not being dealt with separately.

Goods and services are sold to related parties on the basis of arm's length transactions. Purchases were made at market prices less customary quantity discounts or other deductions granted based on the business relations. The volume of transactions carried out between group companies included in the consolidated financial statements and related parties as well as any receivables and accounts payable arising out of these transactions are as follows at the end of the business year:

Rounded off in million EUR	Affiliated, not fully consolidated companies 2006	2007	Associated Companies 2006	2007	Members of the supervisory board 2006	2007
Sale of goods/services (share in total revenues)	6.6	9.9	149.9	203.6	12.8	17.1
Purchase of goods/services (share in total expenses)	9.7	10.1	58.5	86.8	21.7	20.4
Total receivables as of 31.12	5.5	4.9	30.2	40.0		
Total accounts payable as of 31.12	2.6	3.1	51.1	78.2		

1 Excluding Dr. Sevelda (see comment on pages 139-140)

Neither guarantees nor investment subsidies were granted to not fully consolidated companies nor taken from them. There were no reportable transactions carried out with members of the executive board in the two business years.

Transactions with members of the supervisory board are sales with companies in which the members of the supervisory board of ÖBB hold an office in an executive body of the company. Transactions done with Raiffeisen Bankgruppe are not reported. They encompass financial liabilities, money market investments, liabilities from bond issues and other financial transactions. A complete summary of all business transactions including the business relations with Raiffeisen Bankengruppe is contained in the annual Corporate Governance report.

Transactions and Services to be Rendered by Order of the Republic of Austria;
Master Plan Regarding Infrastructure Investments and Liability assumed by the Republic of Austria

Pursuant § 42 BBG, subgroup ÖBB-Infrastuktur Betrieb has to bear the costs for the provision and operation of the railway infrastructure. The Federal Government pays an annual compensation for that as long as proceeds from the users do not cover the expenses incurred. On the basis of a six-year business plan, a contract is concluded with the Federal Ministry in charge on the form and amount of this compensation. The business plan encompasses the measures for a demand-oriented and safe provision of the railway infrastructure, time and cost plans, as well as rationalization measures, and gives a forecast on infrastructure rentals and other payments. In each of the periods under review, payments amount to about 1,006 million EUR.

As stipulated in §§ 6 and 10 BBG, ÖBB-Personenverkehr and Rail Cargo Austria render public-benefit services. The respective proceeds charged to the Republic of Austria amount to about 577.4 million EUR (prior year: about 574.9 million EUR). On the basis of public transport contracts, services are being rendered by order of the provinces and municipalities for which about 315.3 million EUR (prior year: about 285.6 million EUR) were charged.

In 2007 subgroup ÖBB-Infrastruktur Bau invested about 1,897.4 million EUR (without third party contributions) (prior year: about 1,590.7 million EUR) in intangible and tangible assets. Individual projects are implemented in accordance with a six-year master plan which has to be approved by the Federal Ministry of Transport, Innovation and Technology and the Federal Ministry of Finance pursuant to § 43 BBG. This master plan is to be revised on an annual basis and to be renewed for another year. It encompasses those planning and building projects which are to be implemented over the next six years. The Republic of Austria assumes the liability for the investment volume agreed upon. The following assumptions were defined regarding the implementation of the approved master plan by means of an agreement signed by BMVIT, the Federal Ministry of Finance, ÖBB-Holding AG, and ÖBB-Infrastruktur Bau AG on 20.12.2007 as an amendment to the approved master plan 2007–2012.

– Agreement on annual investment grants
– Preparation of ways to implement cost savings
– Pursuant to § 43 Abs 1 Bundesbahnstrukturgesetz the Republic of Austria grants ÖBB-Infrastruktur Bau AG government subsidies for erecting infrastructure facilities.

By this agreement and pursuant to § 43 Abs. 2 BBG, the Republic of Austria grants ÖBB-Infrastruktur Bau AG subsidies for providing the railway infrastructure amounting to the proceeds which cannot be achieved through infrastructure rentals paid by third parties and other assets. Financing of railway infrastructure facilities to be newly erected was restructured on the basis of the Budgetermächtigungsgesetz 2007 (budget authorization act). So far, ÖBB has taken over the costs for new infrastructure facilities; as from now, the Republic of Austria will bear indirectly about 70% of the construction costs. ÖBB will continue to raise the funds necessary for erecting new projects on the capital market through subgroup ÖBB-Infrastruktur Bau; however, as from 2007 the Republic of Austria will pay 70% of the amortization installments and interest expenses distributed over a period of 30 years. With respect to 2008, this modification means that the Republic of Austria will take over about 1.05 billion EUR plus the corresponding interest expenses, distributed over a period of 30 years, from the planned investment volume of about 1.8 billion EUR. The subsidy to be granted, which from today's perspective will amount to 70% of annual capital expenditure, will be constantly reviewed and adjusted according to current requirements depending on future infrastructure rentals, if necessary. In 2007 subsidies amounting to about 65.0 million EUR were granted.

Pursuant to § 47 BBG, the Republic of Austria has to make sure that ÖBB-Infrastruktur Bau AG disposes of the funds required for implementing the master plan.

The Republic of Austria assumes the liability for the investment volume agreed upon; however, these investments are made directly by ÖBB-Infrastruktur Bau AG, which are financed in part by means of proceeds such as the infrastructure rentals paid by ÖBB-Infrastruktur Betrieb AG or income from letting and leasing, and the use and exploitation of real estate by ÖBB-Immobilienmanagement GmbH. A large part of the financing is done by means of issuing bonds on the capital market. In 2007 a straight bond amounting to 1.3 billion EUR was issued which was two times oversubscribed. Due to the liability assumed by the Federal Government, ÖBB-Infrastruktur Bau AG has an excellent credit rating (AAA/Aaa rating).

The master plan for the period 2008-2013 has already been adapted by ÖBB-Infrastruktur Bau AG and the companies involved and approved by the supervisory board as well as taken note of by the Council of Ministers held on 05.03.2008.

In addition to that, different kinds of contributions to investment projects (purchase of buses adapted to the needs of handicapped people, trailer buses) were granted by the Republic of Austria, the provinces and municipalities which are reported in the balance sheet as reducing acquisition costs. Please refer to the Schedule of Fixed Assets regarding the development of these contributions. Furthermore, there are numerous agreements referring to the maintenance or repair of infrastructure facilities (such as roads, bridges, cycle ways, traverses of waterways and water pipes, bicycle stands, etc.) and service agreements referring to protection, repair, and maintenance of infrastructure (e.g. to ensure tunnel safety). Details on these third party contributions are given in note 14.

Remuneration of the Members of the Executive Board

As of the balance sheet date, the executive board of ÖBB-Holding AG was made up of four members. Remuneration of the members of the executive board borne by ÖBB-Holding AG in the reporting periods amounted to about 1.5 million EUR. Remuneration of the 41 (2006: 42) members of the executive boards and managing directors of fully consolidated Austrian companies amounted to about 9.3 million EUR in 2007 (prior year: about 9.4 million EUR).

In the period under review, expenses for severance payments and pensions for members of the executive boards and senior staff of ÖBB Group were as follows:

	2006		2007	
Entire Group in thou. EUR	Severance payments	Pensions	Severance payments	Pensions
Members of the executive boards (entire group)	483.9	222.1	323.7	197.1
Senior staff	73.6	33.5	218.7	35.9

The remuneration of the members of the executive board consists of a fixed and a variable component. The annual variable component depends on whether the objectives defined together with the presidium of the supervisory board at the beginning of the business year are achieved.

The employment contracts of top executives (members of the executive boards of the parent companies and managing directors of comparable companies) include a performance-linked component so that the remuneration reflects the success of the company to a considerable extent. In general, 2/3 of the remuneration paid to top executives is a fixed base salary and 1/3 a variable performance-linked component. At the beginning of the business year, a score card is determined for each company in order to agree upon clearly defined quantitative target figures. The target figures are in line with the group's overall results, its strategy and the focus of its activities.

The members of the executive board of ÖBB-Holding AG participate in an external pension fund, which is a defined contribution plan. The company assumes no pension commitments of whatsoever kind. When withdrawing from office or terminating the employment, the relevant provisions of the appointment act apply to the vested rights to future pension payments of the members of the executive board. Any other claims of whatsoever kind are excluded.

Remuneration of the Members of the Supervisory Board

According to the internal rules of procedure applying to the supervisory board of ÖBB-Holding AG and the resolution adopted by the general meeting, the company shall reimburse the expenses incurred by the members of the supervisory board in connection with the pursuance of their function against rendering of accounts and pay remuneration to the members of the supervisory board.

The base compensation for a supervisory board seat amounts to 9,000 EUR annually. The chairman of a supervisory board receives the double amount of the base compensation, a deputy chairman one and a half times the amount of the base compensation. If the member also holds a seat in the supervisory board of another group company, it will receive a further 50% of the above mentioned amounts. The maximum amount of 22,500 EUR may not be exceeded in case of holding several supervisory board seats. Members of the supervisory board who are employees of ÖBB Group do not receive any compensation.

The emoluments paid to the members of the Supervisory Board for their activities within ÖBB Group totaled 182,000 EUR (2006: about 228,000 EUR) .The emoluments paid to further members of the Supervisory Boards of group companies totaled about 81,000 EUR (2006: about 106,000 EUR).

33. Operating Segments And Geographical Segments

Segment Reporting
An operating segment is a group of assets and business activities providing products or services which differ from those of other business divisions regarding the risks and rewards related therewith. A geographical segment provides products or services within a certain economic environment the risk and rewards of which differ from those of other economic environments.

Primary Reporting – Operating Segments
Primary segment reporting is based on the structure of ÖBB subgroups. Apart from that, there is the area of others where the direct subsidiaries of ÖBB-Holding AG are presented. These areas are the basis of primary segment reporting. The geographical focus of the activities of ÖBB Group is presented in the secondary segment reporting.

ÖBB Group encompasses the following segments (=subgroups):

ÖBB-Personenverkehr
This subgroup combines all activities in the area of passenger transport services. The business divisions are long-distance and short-distance transport by rail, bus transport, and the travel agency activities of Rail Tours Touristik GmbH, and the performance of traction services (ÖBB-Traktion Gesellschaft mbH).

Rail Cargo Austria
Subgroup Rail Cargo Austria is in charge of transporting freight and rendering technical services.

ÖBB-Infrastruktur Betrieb
The subgroup has to ensure the use of the Austrian railway infrastructure in a reliable, safe and cost-effective manner for all railway companies and without discriminating against any of them.

ÖBB-Infrastruktur Bau
This subgroup is responsible for erecting the Austrian railway infrastructure by order and for the benefit of the owner, the Republic of Austria, and to manage, develop, and exploit real estate belonging to ÖBB Group.

Holding Company / Other Activities
This segment includes the numerous controlling, financing and servicing functions of ÖBB-Holding AG and its participations (e.g. ÖBB-Dienstleistungs Gesellschaft mbH, ÖBB-Finanzierungsservice GmbH, ÖBB-Werbecenter GmbH).

Capital Expenditure

Capital expenditure is reported before deducting any third party contributions received.

2007 in million EUR	ÖBB-Personen-verkehr	Rail Cargo Austria	ÖBB-Infra-struktur Betrieb	ÖBB-Infra-struktur Bau	Others unconsolidated	Eliminations	Consolidated
Total Revenues							
Total revenues unconsolidated	2,395.0	2,988.8	1,608.2	1,710.7	204.3	4.8	8,911.8
Elimination of income in the segment	-398.8	-571.9	-63.3	-31.2	0.0	-2,325.2	-3,390.4
Segment income	**1,996.2**	**2,416.9**	**1,544.9**	**1,679.5**	**204.3**	**-2,320.4**	**5,521.4**
Elimination of income between the segments	-430.8	-286.0	-472.1	-958.8	-172.7	2,320.4	0.0
Income vis-à-vis third parties	**1,565.4**	**2,130.9**	**1,072.8**	**720.7**	**31.6**	**0.0**	**5,521.4**
Earnings							
Earnings before interest and taxes	34.8	24.7	10.5	436.7	-1.2	8.1	513.6
Income from companies included at equity	7.7	4.3	0.6	0.0	0.0	-7.7	4.9
Earnings before interest and taxes[1]	**42.5**	**29.0**	**11.1**	**436.7**	**-1.2**	**0.4**	**518.5**
Income from financial investments	109.1	40.7	24.2	279.3	137.2	-292.8	297.7
Costs of finance	-173.3	-56.3	-9.0	-652.5	-163.6	282.9	-771.8
Earnings before taxes on income	**-21.7**	**13.4**	**26.3**	**63.5**	**-27.6**	**-9.5**	**44.4**
Taxes on income	0.6	-2.8	-0.1	-0.1	-2.2	2.6	-2.0
Profit for the year	**-21.1**	**10.6**	**26.2**	**63.4**	**-29.8**	**-6.9**	**42.4**
Further Information							
Capital expenditure	683.2	87.1	56.7	1,878.9	9.1	-186.2	2,528.8
Depreciation	-102.8	-59.8	-34.8	-297.5	-8.4	2.7	-500.6

1 plus income from companies included at equity

31.12.2007 in million EUR	ÖBB-Personen-verkehr	Rail Cargo Austria	ÖBB-Infra-struktur Betrieb	ÖBB-Infra-struktur Bau	Others unconsolidated	Eliminations	Consolidated
Assets							
Segment assets	2,687.0	506.7	150.0	10,301.1	30.2	-78.4	13,596.6
Participations in companies included at equity	102.5	372.7	3.0	0.0	0.3	-457.8	20.7
Consolidated assets	**2,789.5**	**879.4**	**153.0**	**10,301.1**	**30.5**	**-536.2**	**13,617.3**
Liabilities							
Segment liabilities	3,230.4	1,076.1	297.3	11,030.8	2,296.4	-5,422.4	12,508.6
Consolidated liabilities	**3,230.4**	**1,076.1**	**297.3**	**11,030.8**	**2,296.4**	**-5,422.4**	**12,508.6**

2006 in million EUR	ÖBB-Personen-verkehr	Rail Cargo Austria	ÖBB-Infra-struktur Betrieb	ÖBB-Infra-struktur Bau	Others unconsolidated	Eliminations	Consolidated
Total Revenues							
Total revenues unconsolidated	2,297.2	2,696,4	2,082.3	1,208.8	0.2	198.8	8,483.7
Elimination of income in the segment	-384.7	-458.2	-89.9	-23,2	0.0	-2,537.5	-3,493.5
Segment income	**1,912.5**	**2,238.2**	**1,992.4**	**1,185.6**	**0.2**	**-2,338.7**	**4,990.2**
Elimination of income between the segments	-426.8	-288.5	-839.5	-813.1	29.2	2,338.7	0.0
Income vis-à-vis third parties	**1,485.7**	**1,949.7**	**1,152.9**	**372.5**	**29.4**	**0.0**	**4,990.2**
Earnings							
Earnings before interest and taxes	29.5	53.5	-28.5	319.5	9.5	-30.3	353.2
Income from companies included at equity	8.2	8.3	0.5	0.0	0.0	-15.3	1.7
Earnings before interest and taxes[1]	**37.7**	**61.8**	**-28.0**	**319.5**	**9.5**	**-45.6**	**354.9**
Income from financial investments	101.0	32.2	15.6	303.5	133.8	-281.6	304.5
Costs of finance	-98.4	-32.4	-4.3	-573.5	-106.9	254.9	-560.6
Earnings before taxes on income	**40.3**	**61.6**	**-16.7**	**49.5**	**36.4**	**-72.3**	**98.8**
Taxes on income	3.6	-6.1	0.0	-0.2	0.3	0.1	-2.3
Profit for the year	**43.9**	**55.5**	**-16.7**	**49.3**	**36.7**	**-72.2**	**96.5**
Further Information							
Capital expenditure	343.0	57.7	66.8	1,590.7	5.5	-11.4	2,052.3
Depreciation	-94.7	-60.6	-48.9	-262.5	-7.5	0.6	-473.6
Impairment loss reported as affecting net income	-9.9	0.0	0.0	0.0	0.0	0.0	-9.9

1 plus income from companies included at equity

31.12.2006 in million EUR	ÖBB-Personen-verkehr	Rail Cargo Austria	ÖBB-Infra-struktur Betrieb	ÖBB-Infra-struktur Bau	Others unconsolidated	Eliminations	Consolidated
Assets							
Segment assets	2,120.4	499.8	275.2	8,901.4	30.1	-65.6	11,761.3
Participations in companies included at equity	96.4	373.9	2.7	0.0	0.3	-452.5	20.8
Consolidated assets	**2,216.8**	**873.7**	**277.9**	**8,901.4**	**30.4**	**-518.1**	**11,782.1**
Liabilities							
Segment liabilities	2,906.3	1,132.1	529.2	9,952.7	2,844.9	-6,827.6	10,537.6
Consolidated liabilities	**2,906.3**	**1,132.1**	**529.2**	**9,952.7**	**2,844.9**	**-6,827.6**	**10,537.6**

Secondary Reporting – Geographical Segments

The following table shows group sales classified according to geographical markets regardless of the origin of the goods / services:

Segment ÖBB-Personenverkehr

in million EUR	Bus transport	Passenger transport by rail	Additional income Passenger and luggage transport	Traction services	Other income	Total 2007	Total 2006
Domestic	326.9	479.3	43.3	778.6	74.8	1,702.9	1,613.3[1]
Foreign	10.7	53.5	22.5	25.0	34.0	145.7	149.2
thereof Germany		24.1	8.2	22.5	18.1	72.9	66.7
thereof Switzerland		9.2	5.1		2.4	16.7	14.9
thereof Italy		3.5	5.0		3.2	11.7	10.3
thereof Eastern Europe	10.7	10.7	2.5	1.6	8.6	34.1	20.3
remaining Europe		4.6	1.7	0.9	1.7	8.9	37.0
Rest		1.4				1.4	
Total	**337.6**	**532.8**	**65.8**	**803.6**	**108.8**	**1,848.6**	**1,762.5**
Income from public-benefit services						468.0	465.8
less intra-company sales						-396.7	-382.3
Segment sales						**1,919.9**	**1,846.0**
Other operating income including other own work capitalized						76.3	66.5
Total segment revenues						**1,996.2**	**1,912.5**

Segment Rail Cargo Austria

in million EUR	Domestic transport	Additional income	Road freight transport	Sales-forwarding business	Inter-national traffic	Technical services	Other income	Total 2007	Total 2006
Domestic	305.4	26.4	31.6	560.0	433.6	347.8	128.4	1,833.2	1,752.9[1]
Foreign	51.8	7.6	8.6	687.3	86.0	43.3	92.6	977.2	750.0
thereof Germany	8.9	2.9	1.7	187.5	56.4	11.7	37.9	307.0	249.1
thereof Switzerland	0.4	1.0	0.7	18.2	5.8	4.7	1.5	32.3	37.2
thereof Italy		0.3	0.1	40.5	8.4	0.1	17.6	67.0	46.8
thereof Eastern Europe	39.8		5.7	269.0	1.1	2.6	46.9	365.1	297.6
remaining Europe	2.5	3.1	0.4	156.6	14.3	0.9	8.3	186.1	119.3
Rest	0.2	0.3		15.5	0.0	23.3	-19.6	19.7	
Total	**357.2**	**34.0**	**40.2**	**1,247.3**	**519.6**	**391.1**	**221.0**	**2,810.4**	**2,502.9**
Income from public-benefit services								109.5	109.1
less intra-company sales								-547.3	-422.7
Segment sales								**2,372.6**	**2,189.3**
Other operating income including other own work capitalized								44.3	48.9
Total segment revenues								**2,416.9**	**2,238.2**

Segment ÖBB-Infrastruktur Betrieb

in million EUR	Infrastructure charges	Rentals	Maintenance, repair, investments	Other income	Total 2007	Total 2006
Domestic	413.6	71.5	36.4	47.3	568.8	1,034.1[1]
Foreign	4.6			0.1	4.7	
thereof Germany	4.6			0.2	4.8	
thereof Eastern Europe				-0.1	-0.1	
Total	**418.2**	**71.5**	**36.4**	**47.4**	**573.5**	**1,034.1**
Compensation by Federal Gov. acc. to § 42 BBG					1,006.0	1,006.0
less intra-company sales					-61.5	-88.9
Segment sales					**1,518.0**	**1,951.2**
Other operating income including other own work capitalized					26.9	41.2
Total segment revenues					**1,544.9**	**1,992.4**

1 incl. services rendered, not yet chargeable

Segment ÖBB-Infrastruktur Bau

in million EUR	Infrastructure rentals	Rentals	Power	Maintenance and repair	Other services	Total 2007	Total 2006
Domestic	451.4	174.1	365.8	101.4	143.2	1,235.9	1,076.4[1]
Foreign			66.1		0.3	66.4	
thereof Germany			8.6		0.1	8.7	
thereof Eastern Europe					0.1	0.1	
remaining Europe			57.5			57.5	
Rest					0.1	0.1	
Total	**451.4**	**174.1**	**431.9**	**101.4**	**143.5**	**1,302.3**	**1,076.4**
less intra-company sales						-42.3	-25.4
Segment sales						**1,260.0**	**1,051.0**
Other operating income including other own work capitalized						419.5	134.6
Total segment revenues						**1,679.5**	**1,185.6**

Segment Holding company and other companies

in million EUR	Training services	Information services	Personnel services	Income from advertising & webshop	Other income	Total 2007	Total 2006
Domestic	53.8	53.8	40.9	14.4	27.8	190.7	179.3[1]
Segment sales	**53.8**	**53.8**	**40.9**	**14.4**	**27.8**	**190.7**	**179.3**
Other operating income including other own work capitalized						13.6	19.7
Total segment revenues						**204.3**	**199.0**

1 incl. services rendered, not yet chargeable

The following table shows the book values of segment assets and additions to tangible and intangible assets classified according to geographical areas where the assets are located. Segment assets encompass tangible assets, intangible assets and investment property.

	Book value of segment assets		Additions to tangible and intangible assets	
in million EUR	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Segment ÖBB-Personenverkehr				
Domestic	2,678.1	2,112.0	679.8	339.4
Foreign	8.9	8.4	3.4	3.6
thereof Eastern Europe	8.9	8.4	3.4	3.6
	2,687.0	**2,120.4**	**683.2**	**343.0**
Segment Rail Cargo Austria				
Domestic	469.1	470.5	71.8	42.8
Foreign	37.6	29.3	15.3	14.9
thereof Germany	0.6	2.9	0.5	1.2
thereof Italy	0.1	0.1		0.1
thereof Eastern Europe	29.6	22.8	11.3	10.9
remaining Europe	6.7	2.8	3.5	2.7
Rest	0.6	0.7		
	506.7	**499.8**	**87.1**	**57.7**
Segment ÖBB-Infrastruktur Betrieb				
Domestic	150.0	275.2	56.7	65.4
	150.0	**275.2**	**56.7**	**65.4**
Segment ÖBB-Infrastruktur Bau				
Domestic	10,301.1	8,901.4	1,897.4	1,590.7
	10,301.1	**8,901.4**	**1,897.4**	**1,590.7**
Segment Holding company and other companies				
Domestic	30.2	30.1	9.1	5.5
	30.2	**30.1**	**9.1**	**5.5**
Subtotal segments	**13,675.0**	**11,826.9**	**2,733.5**	**2,062.3**
Consolidation	-78.4	-65.6	-186.2	-48.9
according to consolidated financial statements	13,596.6	11,761.3	2,547.3	2,013.4
thereof domestic	13,550.1	11,723.6	2,528.6	1,994.9
thereof foreign	46.5	37.7	18.7	18.5

34. Information Pursuant to IFRS 1

Application of IFRS 1

January 1, 2006, was fixed as the date of transition to IFRS. Up to now, the consolidated financial statements were prepared according to the Austrian Corporate Code (UGB: Unternehmensgesetzbuch). Pursuant to IFRS 1 ("First-time Adoption of International Financial Reporting Standards"), the company applies the same accounting and valuation principles in its first IFRS financial statements and for all reference periods presented in the first IFRS financial statements. The reporting and valuation principles used comply with all IFRS in force as of the closing date of the first financial statements prepared according to IFRS. In accordance with IFRS 1 the company has made use of the following exemptions and exceptions from these principles:

a) Business combinations: IFRS 3 "Business combinations" shall not apply with retroactive effect to business combinations implemented before the date of transition. Therefore goodwill so far carried in equity according to the accounting principles used up to now is not reported in the opening IFRS balance sheet.

b) Fair value or revaluation replacing acquisition or manufacturing costs: The company decided to recognize tangible and intangible assets in the opening IFRS balance sheet at their acquisition or manufacturing costs according to IFRS less depreciation and impairment of value. Only some power plants and real estate are reported in the opening balance sheet on the basis of a revaluation carried out before the date of transition to IFRS according to the accounting principles used up to now, instead of acquisition or manufacturing costs.

c) Employee benefits: All actuarial gains and losses accumulated until the date of transition to IFRS are reported as affecting net income. Any resulting actuarial gains or losses are recognized in the revaluation reserve (opening IFRS balance sheet).

d) Changes in existing decommissioning, restoration and similar liabilities contained in the acquisition costs of tangible assets: As of the date of transition to IFRS, the company measured the reserve pursuant to IAS 37. Thus the company estimated the amount which would have been contained in the acquisition costs of the relevant asset as of first occurrence of the obligation if the provision were discounted at that time applying the best estimate of the historical risk-free discount rate that would have been used for this provision in the periods in between. The amount of accumulated depreciation was determined based on the current estimated useful life of the assets as of the date of transition.

e) Leases: The company applied the transitional provisions pursuant to IFRIC 4 ("Determining whether an arrangement contains a lease").

f) Measurement of financial assets and financial liabilities at fair value: The company applies the provisions of IAS 39 paragraph AG76 and AG76A last two sentences prospectively to transactions realized after October 25, 2002.

Essential Deviation from Austrian Accounting Regulations

The objective of financial accounting pursuant to IFRS is to provide equity investors and lenders with information on which to base their decision. Thus IFRS differentiates between corporate and tax-based reporting, the time of sales realization is defined differently in some cases, accounting and valuation options are limited, and the demands imposed on the information to be contained in the notes are significantly higher. Furthermore, these two accounting standards have different objectives. Pursuant to IFRS, the main goal is the provision of information while according to UGB the balance sheet shall be the basis for assessing taxes and dividend.

For the first time in 2007, the company prepared its consolidated financial statements according to IFRS. Comparative figures pursuant to IFRS are reported for 2006, thus the date of transition to IFRS being January 1, 2006. The following tables and notes are to illustrate the factors which had an impact on equity as of 1.1.2006 (date of transition) and as of 31.12.2006, as well as on the consolidated income statement for 2006.

These consolidated financial statements contain the following material accounting principles deviating from Austrian Corporate law; in order to increase the clarity of the presentation, maturities were left out of consideration.

in million EUR	UGB 31.12.2005		Adjustments to IFRS	1	IFRS 01.01.2006
Intangible assets	347.7		-156.0	(A)	191.7
Tangible assets	16,683.9		-6,560.9	(A)	10,123.0
Financial assets (only UGB)	1,502.0		-1,502.0	(B)	-
Financial assets (only IFRS)	-		604.5	(B)	604.5
Investment property (only IFRS)	-		14.8		14.8
Assets held-for-sale (only IFRS)	-		8.7		8.7
Inventories	138.5		-31.3	(F)	107.2
Receivables and other assets	777.3		-8.0		769.3
Securities and current asset securities	49.8		-49.8		-
Prepayments and accrued income	133.8		-133.8		-
Cash on hand and in banks, checks (cash and cash equivalents)	86.5		11.2		97.7
Total assets	**19,719.5**		**-7,802.6**		**11,917.0**
Third party contributions (only UGB)	6,186.0		-6,186.0	(A)	-
Untaxed reserves (only UGB)	4.7		-4.7		-
Provisions	1,155.7		-707.6		448.0
Liabilities	8,963.3		-7,536.2		1,427.1
Financial liabilities (only IFRS)	-		7,340.0		7,340.0
Accruals and deferred income	238.0		-238.0		-
Total liabilities	**16,547.7**		**-7,332.6**		**9,215.1**
Total assets less liabilities	**3,171.8**		**-470.0**		**2,701.8**
Capital stock	1,900.0		-		1,900.0
Capital reserves	1,337.9		0.0		1,337.9
Differential amount	- 83.2	a)	1.8		-81.4
Revaluation and hedging reserve	-	c)	-476.1		-476.1
Retained earnings	0.0	b)	4.7		4.7
Currency differences	0.2	a)	0.1		0.3
Net income	12.6	a)	- 0.9		11.7
Minority interests	4.3	a)	0.4		4.6
Total equity	**3,171.8**		**-470.0**		**2,701.8**

1 See notes below

in million EUR	UGB 31.12.2005	Adjustments to IFRS	[1]	IFRS 1.1.2006
Notes to the changes in equity:				
Change in capital consolidation as of 31.12.2005		a) 1.8		
Reclassification of untaxed reserves (UGB)		b) 4.7		
Change in revaluation and hedging reserve		c) -476.1		
thereof changes in provisions			(C)	
Change in provisions for social capital		-41.1		
Non-recognition of restructuring provisions (expenditure provisions)		501.9		
Non-recognition of other expenditure provisions		57.3		
Non-recognition of lump-sum provisions		33.3		
Effects from return on long-term provisions		1.9		
thereof changes in fixed assets				
Impairment of value pursuant to IAS 36		-840.2	(D)	
thereof changes in financial instruments				
Measurement in foreign currency of financial instruments		-8.2		
Measurement of derivative financial instruments		-110.9	(E)	
thereof other changes				
Financial Lease		-76.4		
Reversal of lump-sum impairments of value		6.6		
Remaining other changes		-0.3		

1 See notes below

Consolidated Income Statement 2006

in million EUR	2006 UGB	Other provisions	Personnel provisions	Fixed assets (financial lease, impairment etc.)	Power trade / valuation of inventories	Valuation of derivatives	Adjustment interest rate	Further changes	2006 IFRS
1. Sales	4,538.9	-	-	-	-	-	-	25.1	4,564.0
2. Increase or decrease in services not yet chargeable and other operating income	926.8	-61.5	-	-21.6	-	-	-	-417.5	426.2
3. Total revenues (subtotal from no. 1 to 3)	**5,465.7**	**-61.5**	**-**	**-21.6**	**-**	**-**	**-**	**-392.4**	**4,990.2**
4. Expenses for materials and services received	-1,943.2	-27.6	-	24.9	9.0	-	-	348.9	-1,588.0
5. Personnel expenses	-2,111.0	-32.2	10.4	-	-	-	-	-	-2,132.8
6. Depreciation	-594.7	-	-	111.2	-	-	-	-	-483.5
7. Other operating expenses	-502.5	16.4	-	12.8	-	-2.7	-	43.3	-432.7
8. Total expenses (subtotal from no. 4 to 7)	**-5,151.4**	**-43.4**	**10.4**	**148.9**	**9.0**	**-2.7**	**-**	**392.2**	**-4,637.0**
9. Earnings before interest and taxes (subtotal Z3 plus Z8)	**314.3**	**-104.9**	**10.4**	**127.3**	**9.0**	**-2.7**	**-**	**-0.2**	**353.2**
10. Dividend income from associated companies	1.6							0.1	1.7
11. Financial results	-283.6	5.4	-	-	-	24.6	-2.5	-	-256.1
12. Earnings before taxes on income	**32.3**	**-99.5**	**10.4**	**127.3**	**9.0**	**21.9**	**-2.5**	**-0.1**	**98.8**
13. Extraordinary profit or loss	-23.8	-	23.8	-	-	-	-	-	0.0
14. Taxes on income	-2.3	-	-	-	-	-	-	-	-2.3
15. Profit for the year without taking into account minority interests	**6.2**	**-99.5**	**34.2**	**127.3**	**9.0**	**21.9**	**-2.5**	**-0.1**	**96.5**

Transition of Equity as of 31.12.2006 (date of the last consolidated financial statements according to UGB)

in million EUR	UGB 31.12.2005	Adjustments to IFRS	1	IFRS 1.1.2006
Intangible assets	334.0	- 138.5		195.5
Tangible assets	17,855.5	-6,331.8	(A)	11,523.7
Financial assets (only UGB)	1,629.1	-1,629.1	(B)	-
Financial assets (only IFRS)		490.8	(B)	490.8
Investment property (only IFRS)		42.1		42.1
Assets held-for-sale (only IFRS)		20.7		20.7
Inventories	148.2	- 39.8		108.4
Receivables and other assets	779.4	92.1		871.5
Securities and current asset securities	49.4	-49.4		
Prepayments and accrued income	178.9	-178.9		-
Cash on hand and in banks, checks (cash and cash equivalents)	120.3	8.8		129.1
Total assets	**21,094.8**	**-7,713.0**		**13,381.8**
Third party contributions (only UGB)	5,976.7	-5,976.7	(A)	-
Untaxed reserves (only UGB)	4.3	-4.3		-
Provisions	1,141.1	-712.9		428.2
Liabilities	10,537.4	-9,054.0		1,483.4
Financial liabilities (only IFRS)		8,626.0		8,626.0
Accruals and deferred income	258.7	-258.7		-
Total liabilities	**17,918.2**	**-7,380.6**		**10,537.6**
Total assets less liabilities	**3,176.6**	**-332.4**		**2,844.2**
Capital stock	1,900.0	-		1,900.0
Capital reserves	1,337.9	-		1,337.9
Differential amount	-85.0	5.3		-79.7
Revaluation and hedging reserve	-	-431.7		-431.7
Retained earnings	1.0	4.3		5.3
Currency differences	0.7	0.2		0.9
Net income	17.0	88.8		105.8
Minority interests	5.0	0.7		5.7
Total equity	**3,176.6**	**- 332.4**		**2,844.2**

1 See notes below

Differences between Accounting Pursuant to IFRS and Austrian Corporate Law as well as Further Notes on the Transition of Equity as of 1.1.2006 and 31.12.2006

Classification of the Balance Sheet

Pursuant to IFRS, the balance sheet is classified in accordance with maturities. Accruals and deferrals are reported in other receivables or other liabilities. "Assets held-for-sale" and "investment property" are carried as separate item and no longer form part of fixed assets. Pursuant to IAS 40, investments in land and buildings held by the company to earn rentals or to achieve an increase in value, but not for the use in production or sale of goods or services, or the sale in the ordinary course of business, are to be recognized separately as "investment property". According to Austrian UGB, such real estate need not be reported separately.

(A) Regulations according to IFRS give preference to not report separately third party contributions. Therefore, in the financial statements pursuant to IFRS, these contributions are no longer recognized as separate item on the liabilities side after equity, but are directly deducted from fixed assets. Thus the balance sheet total decreases by 5,976.7 million EUR as of 31.12.2006 (1.1.2006: about 6,186.0 million EUR).

Tenancy and Lease Agreements

The framework to IFRS defines the principle of substance over form. Thus IFRS are in accordance with the principle of economic ownership. In contrast to IFRS which deal exhaustively with the accounting of leases, Austrian Corporate Law (UGB) does not provide for any provisions regarding the accounting of leases. Procedure in Austria is based on tax regulations laid down in tax ordinances (EStR [Austrian income tax law] 2000, section 2 § 2.5 leasing, 135 onwards).

An essential difference compared to IFRS is that the definition of financial lease agreements pursuant to the income tax directive and the definition of financial leases according to IAS 17 do not coincide. According to IAS 17, in case a lease is classified as financial lease, the asset will be automatically allocated to the lessee while pursuant to EStR (Austrian income tax law) the asset will be normally allocated to the lessor in accordance with the substance-over-form principle.

Furthermore, under certain circumstances, more than half of the cross border lease transactions are classified as linked transactions pursuant to IFRS, and in accordance with SIC 27 ("Evaluating the substance of transactions involving the legal form of a lease") and the framework. It may be assumed that these linked and thus insignificant transactions from the accounting point of view concluded between the CBL contracting parties, have no valid business purpose. Normally no assets or liabilities regarding the leased assets and the lease payment obligations are recognized for these transactions. These include deposits and securities paid or acquired in connection with CBL transactions as well as advance payments received based on the principal lease agreement. Lease payment obligations are reported as contingent liabilities. Pursuant to Austrian Corporate Law (UGB) linked transaction were carried in the balance sheet.

B) Due to the revaluation of tenancy and lease agreements and in particular due to the non-recognition of linked CBL transactions (deposits and securities on the one hand, and lease payment obligations on the other hand), financial assets (UGB) and thus the balance sheet total as of 1.1.2006 decreased by about 897.5 million EUR. Pursuant to IFRS, only remaining assets are to be reported under the new item of financial assets. Certain other receivables and other financial assets are also reported in this item according to IFRS.

Provisions

Pursuant to IAS 37, a provision is a present obligation arising from past events the occurrence of which is deemed to be probable and the amount of which can be calculated in a reliable manner. The obligation has to be enforceable from the legal and economic point of view with the likelihood of outflow of resources being estimated at more than 50%. Pursuant to Austrian Corporate Law (UGB), a provision is based on the concept of prudence. Therefore, based on the same facts, a provision is more likely to be set up according to the Austrian accounting principles than pursuant to IFRS.

Other provisions

As already mentioned, pursuant to IFRS it is not allowed to set up certain provisions for internal obligations or expenses incurred for starting an entrepreneurial activity in the future, such as provisions for deferred maintenance or future operating losses. Furthermore, there are special limitations imposed on the accounting of provisions for restructuring, such as the closure of a site or the reorganization of an enterprise causing special costs, as for example severance payments to employees.

(C) The above table shows that provisions which are no longer recognized pursuant to IFRS increased equity by a total of about 553.3 million EUR as of 1.1.2006. In addition to that, provisions were reported as liabilities if the probability of an outflow of resources is higher than 90%.

Impairment of assets pursuant to IAS 36

The provisions of IAS 36 for identifying an asset that may be impaired go far beyond the concept of prudence as defined in § 201 Abs. 4 Austrian Corporate Law (UGB). Pursuant to IAS 36, the value relevant for an impairment of value is the higher of net realizable value and value in use while according to Austrian Corporate Law (UGB) the replacement cost or reproduction value is used as the criterion for measuring non-scheduled depreciation, and the impairment has to be permanent according to § 204 Abs. 2 UGB.

(D) When preparing the opening IFRS balance sheet as of 1.1.2006, impairments of value amounting to about 840.2 million EUR had to be made.

Financial instruments

Pursuant to IFRS, all financial instruments including derivatives are to be carried in the balance sheet as asset or liability and are to reported at amortized costs or market value according to their classification into one of the categories defined by IAS 39. Pursuant to Austrian Corporate Law (UGB), if there is no separate valuation unit, provisions are set up for negative market values; unrealized profit is not reported due to its positive market value.

The derivative financial instruments result primarily from currency and interest rate hedging transactions in connection with financial liabilities. Moreover, credit risks arising from CBL transactions were hedged, too. Changes in value are recognized as affecting net income or in case of a cash flow hedge (effective portion) as not affecting net income in equity.

Pursuant to IFRS, monetary items in foreign currency, which include monetary assets as well as financial liabilities, are to be recognized at the spot rate as of the balance sheet date when being measured subsequent to initial recognition. Translation differences are reported immediately as affecting net income. According to Austrian Corporate Law (UGB), this is admissible only to a limited extent since assets in foreign currency may not be measured higher than acquisition costs due to the principle of the lower of cost or market while foreign currency liabilities may never be measured lower than acquisition costs due to the principle of the higher of cost or market. Austrian Corporate Law (UGB) considers the underlying transaction and the derivative to form an economic unity (e.g. swap of a foreign currency financing in EUR). If there is no economic unity, a provision is set up in case of payment obligations in connection therewith. IFRS, however, requires derivatives to be valued at market value with changes in market value or changes in fair value being reported as not affecting net income only in case of cash flow hedge accounting relationships.

(E) Due to the valuation of power derivatives and other financial instruments at market value, equity decreased by about 110.9 million EUR as of 1.1.2006.

Increase/Decrease in Inventory; Return on Long-term Balance Sheet Items; Lump-sum Value Adjustments

Other changes encompass primarily the effects of non-recognition of lump-sum value adjustments, the measurement of foreign currency amounts at the spot rate as of the balance sheet date, and the return on long-term balance sheet items. Pursuant to IFRS, value adjustments of accounts receivable are limited to individual and portfolio value adjustments. Lump-sum value adjustments are not allowed since assets the value of which has not been adjusted on an individual basis are to be classified into risk categories (e.g. according to age and stage of demand for payment) in order to set up portfolio value adjustments. Furthermore, according to IFRS, it is mandatory to discount long-term non-interest-bearing liabilities. Pursuant to Austrian Corporate Law (UGB), liabilities are always reported at the amount repayable due to the principle of the higher of cost or market, and receivables in accordance with the principle of the lower of cost or market.

(F) Increase or decrease in inventory amounting to about 22.7 million EUR result from reclassifying the item of "services rendered, not yet chargeable" into trade receivables. The remaining difference is due to the different measurement of raw materials and supplies pursuant to IFRS and UGB.

Other Reclassifications

On the liabilities side, IFRS provide for the item of financial liabilities, apart from liabilities (UGB), which includes the majority of liabilities reported. Untaxed reserves (UGB) less any effects resulting from taxes on income and earnings were recognized in equity since, pursuant to IFRS, they are no longer to be reported as separate balance sheet item.

Notes to the Transition of the Consolidated Income Statement 2006

When preparing the opening IFRS balance sheet, provisions amounting to about 553.3 million EUR did not comply with the criteria imposed by IFRS. Moreover, provisions could only be set up to a very limited extent in 2006. Thus, due to the different recognition of provisions, earnings before interest and taxes decreased by about 104.9 million EUR in 2006 when being determined pursuant to IFRS. Further differences of about 10.4 million EUR concern personnel expenses, and result mainly from changes in the parameters used for calculating provisions for personnel expenses and the non-accrual of extraordinary profit or loss. Extraordinary expenses according to UGB resulted from allocation to other provisions for future personnel expenses.

In the course of transition from UGB to IFRS, as of 1.1.2006 the following useful lives were adjusted to the actual economic lives based on the findings of the past years thus better reflecting the expected consumption of the future economic life of the asset.

Increased useful life	from	to
Tunnels	80	150 years
Rail track	80	100 years
Certain power plants	50	80 years
Buildings – lightweight construction	30	50 years
Vehicle fleet for passenger transport by rail	25	30 years
Through tracks, main tracks, other superstructure	25 or 30	30 or 35 years
Buses	8	12 years

Depreciation decreased by about 111.2 million EUR due to the effects resulting from changes in the recognition of leased assets and due to the reduced depreciation requirements for fixed assets after impairments of value.

All other changes in the income statement not affecting net income are reported in other reclassifications. A material change results from expenses for material for self-constructed assets not being recognized in own work capitalized but in the corresponding expense item.

Transition of the Consolidated Cash Flow Statement

in million EUR	Acc. to UGB	Difference	Acc. to IFRS 2006
Cash flow from operating activities	518.8	-159.5	359.3
Cash flow from investment activities	-1,840.3	-10.5	-1,850.8
Cash flow from financing activities	1,355.3	167.7	1,523.0

The difference in the cash flow from operating activities amounting to about -159.5 million EUR is made up as follows:

in million EUR	
Profit for the year	91.4
Fixed assets	-52.5
Other non-cash expenses / income	184.2
Working capital	-382.6
Changes in cash flow from operating activities	-159.5

Lower depreciation pursuant to IFRS which is due to impairments of value reported in the opening balance sheet as of 1.1.2006 as well as longer useful lives according to IFRS result in a decrease in allocation to fixed assets amounting to about 52.5 million EUR. An increase in allocation to “other non-cash expenses / income“ amounting to about 184.2 million EUR stems from a modified form of representation compared to 2006 regarding provisions. While pursuant to UGB all changes in provisions are to be reported in working capital, IFRS provide for a more detailed recognition. Changes in provisions are only reported in working capital if related to cash transactions. Non-cash changes in provisions are recognized separately. Furthermore, this item includes changes in the cash flow reserve if affecting net income, and income from measurement in connection with a declining USD exchange rate of USD liabilities. The differences in working capital are primarily due to the modified form of representation of provisions and the changes in the cash flow reserve not affecting net income.

35. Notes To The Income Statement

The income statement shows how cash and cash equivalents of ÖBB Group developed due to inflow and outflow of liquid funds over the period under review. The income statement is being drawn up using the indirect method. Within the income statement, a distinction is made between cash flows from operating activities, from investment activities, and from financing activities. Liquid funds reported in the income statement encompass cash on hand and in banks, and checks.

36. Subsidiaries

Information on Subsidiaries of ÖBB Group as of 31.12.2007:

In August 2007, Express Romania s.r.l. was merged with S.C. Lackner & Schwarz Romania s.r.l. and renamed Express-Interfracht Romania srl. Three companies which are BRNO Trans EURAIL, s.r.o., Express – Interfracht Internationale Spedition CZ s.r.o. and EXPRESS MORAVIA Internacionální spedice, s.r.o. merged as of 1.10.2007. The successor company is BRNO Trans EURAIL, s.r.o., which is also the universal successor of the companies Express – Interfracht Internationale Spedition CZ s.r.o. and EXPRESS MORAVIA Internacionální spedice, s.r.o. At the same time, the shareholders' meeting of the successor company BRNO Trans EURAIL, s.r.o. passed a resolution on changing the name of the company to EXPRESS-INTERFRACHT mezinárodní spedice CZ s.r.o. Furthermore, BURGYLOGISTICA S.L. was merged with BURGYSPED S.L. All other changes (acquisition of participations and new businesses) are shown in the Schedule of Participations.

As of the balance-sheet date, ÖBB-Holding AG held investments in the following companies, either directly or indirectly through other affiliated companies (excluding participations in short-term consortiums): Information on equity and profit for the year is reported as in the corresponding financial statements prepared according to national accounting rules.

Parent Company	Registered office / type of consolidation		Equity in thou. EUR	Profit for the year in thou. EUR
100% Österreichische Bundesbahnen-Holding Aktiengesellschaft	A-1100 Wien	V	3,197,919	-59,210

Subgroup ÖBB-Personenverkehr	Registered office / type of consolidation		Equity in thou. EUR	Profit for the year in thou. EUR
100% ÖBB-Personenverkehr Aktiengesellschaft	A-1220 Wien	V	1,283,879	-52,321
100% BD Gastservice GmbH	A-1220 Wien	V0	188	107
100% Österreichische Postbus Aktiengesellschaft	A-1220 Wien	V	3,562	-166
100% ÖBB-Postbus GmbH	A-1220 Wien	V	86,418	548
100% Koch Busverkehr GmbH	A-1220 Wien	V0	122	0
100% „KÖB" Kraftwagenbetrieb der Österreichischen Bundesbahnen Gesellschaft m.b.H	A-1220 Wien	V	2389,5	30
97.75% ČSAD AUTOBUSY České Budějovice a.s.	CZ-37027 České Budějovice	V	5,868	903
44% (44%) BUS Sarganserland Werdenberg AG (Kauf Okt. 2007)	CH-7320 Sargans	E0	n.s.	n.s.
12% BUS Ostschweiz AG (Kauf Okt. 2007)	CH-9450 Altstätten	0	63	0
51% (44%) BUS Sarganserland Werdenberg AG (Kauf Okt. 2007)	CH-7320 Sargans	E0	n.s.	n.s.
100% Rail Tours Touristik Gesellschaft m.b.H.	A-1220 Wien	V[7]	861	172
98.57% FZB Fahrzeugbetrieb GmbH (Gründung Jänner 2007)	A-1010 Wien	V[5]	45,738	8
51% (100%) ÖBB-Traktion Gesellschaft mbH	A-1150 Wien	V	850,732	8,449
50% Niederösterreichische Schneebergbahn GmbH	A-2734 Puchberg/Schneeberg	E	8,451	42[2]
49.9% City Air Terminal Betriebsgesellschaft m.b.H.	A-1300 Wien-Flughafen	E	11,247	-338[2]
49% (100%) ÖBB-Technische Services-Gesellschaft mbH	A-1110 Wien	V	190,820	8,978
7.4% Bureau central de clearing s.c.r.l.	B-1060 Bruxelles	0	140	6[1]

Subgroup Rail Cargo Austria	Registered office / type of consolidation		Equity in thou. EUR	Profit for the year in thou. EUR
100% Rail Cargo Austria Aktiengesellschaft	A-1010 Wien	V	904,073	20,193
100% Speditions Holding GmbH	A-1040 Wien	V	21,075	10,490
100% Express-Interfracht Internationale Spedition GmbH	A-1040 Wien	V	38,555	9,890
100% Dolphin Shipping Transportagentur GmbH	A-1040 Wien	V	1,064	41
100% Express Italia s.r.l.	I-20121 Milano	V	6,648	87
80% (100%) Express RSA ooo	RU-620026 Ekaterinburg	V0	-1	14
58.4% Alfa Trans s.r.l.	I-28100 Novara	V0	20	5
100% (Vj: 50%) Magazzini del Veneto Orientale S.R.L. (Kauf von 50% im Nov. 07)	I-30029 Santo Stino di Livenza	E0	579	-426
50% M.D.B. – Magazzini Desio Brianza S.p.A. (Kauf im Nov. 07)	I-20033 Brianza	E0	762	-85
100% Express-Interfracht Romania S.R.L.	RO-75100 Otopeni	V	3,406	-2,003
51% RAIL LINK CO S.R.L.	RO-75100 Otopeni	V0	-8	-23[2]
100% Express Hungária Kft.	HU-1037 Budapest	V0	shut down	
100% Express Polska sp. zo. o.	PL-02737 Warzawa	V	2,372	212
100% Express-Interfracht Bulgaria Speditionsgesellschaft EOOD	BG-1000 Sofia	V0	-297	-146
100% Express Scandinavia AB	S-23145 Trelleborg	V	307	-265
100% Express-Interfracht Deutschland GmbH	D-65185 Wiesbaden	V	-314	-382
100% Express-Interfracht Hellas S.A. (früher: BalconRail Logistics S.A.)	GR-54625 Thessaloniki	V	3,848	288
100% BURGYSPED S.L.	E-20302 Irún	V[6]	1,172	634
80% (100%) Express-Interfracht mezinárodná spedice CZ s.r.o. (Fusion und Umbenennung Okt.2007)	CZ-61400 Brno	V[6]	2,331	653

Subgroup Rail Cargo Austria Continued

	Registered office / type of consolidation		Equity in thou. EUR	Profit for the year in thou. EUR
100% Express-Interfracht Internationale Spedition GmbH (Fortsetzung)	A-1040 Wien	V	38,555	9,890
75% AgroFreight Spedition GmbH	A-1040 Wien	V	2,095	1,151
50% AgroFreight Spedition CZ s.r.o.	CZ-61200 Brno	E	1,218	921
74.6% Express-Interfracht Internationale Spedition AG	FL-9494 Schaan	V	338	201
60% Express-Interfracht Uluslararasi Tasimacilik Ticaret Limited Sirketi	TR-34303 Halkali-Kücükcekmece	V[6]	-1,569	-1,757
60% SKAT – Express Ltd.	UA-3150 Kiew	V0	-90	-186
51% Asotra – Internationale Speditions- und Transport-Gesellschaft mit beschränkter Haftung	A-2000 Stockerau	V[7]	607	543
50% INTEREUROPA FLG. Železniška špedicija d.o.o.	SLO-1000 Ljubljana	E	343	200
50% Trans Cargo Logistic GmbH	A-1040 Wien	E	568	532
100% Trans Cargo Logistic d.o.o.	SCG-11000 Beograd	0	245	153
75% SPEDAL PLUS d.o.o.	SCG-11000 Beograd	0	88	87
51% Rail Cargo Logistic promet i usluge d.o.o.	SCG-21000 Novi Sad	0	136	68
46.5% VADECO SRL	RO-900733 Constanta	E	809	452
34% Express Slovakia „Medzinárodná preprava. a.s."	SK-82109 Bratislava	E	5,125	4,713
100% Express Agrotrade a.s.	SK-82109 Bratislava	0	-454	8[2]
100% Express Truck Slovakia. s.r.o.	SK-82109 Bratislava	0	800	-214
25% Zeleznicné opravovne a strojárne Zvolen. a.s.	SK-96003 Zvolen	0	n.s.	n.s.
26% Viator & Vector TIR. services and trade d.o.o.	SLO-1000 Ljubljana	E0	-84	-68[2]
25% Transports Terrestres Maritimes et Fluviaux - TMF SA	F-92817 Puteaux Cedex	E	5,770	1,023[2]
20% (100%) Express RSA ooo	RU-620026 Ekaterinburg	V0	-1	14
100% EC LOGISTIK GmbH	A-1040 Wien	V	670	-773
100% Papier & Recycling Logistik GmbH	A-1040 Wien	V	1,809	286
100% Schwarzinger & Co. Speditions-. Transport- und Frachtberatungsgesellschaft m.b.H.	A-1040 Wien	V	500	270
100% ProRail Internationale Speditionsgesellschaft m.b.H.	A-9587 Riegersdorf	V	2,553	1,191
100% Schier. Otten & Co. Gesellschaft m.b.H.	A-1220 Wien	V	2,554	309
100% TRANSEUROPA d.o.o.	HR-10000 Zagreb	V0	349	166
100% SLOVAKTEAM s.r.o.	SK-83104 Bratislava	V0	48	12
85% TEAMTRANS D.O.O.	SLO-2000 Maribor	V0	8	-71
62.8% TRANSPED-SOC spol.s.r.o.	CZ-50002 Hradec Králové	V	631	353
51% 6.OKTOBAR d.o.o	SCG-11000 Beograd	V[6]	103	21
51% BIHATEAM d.o.o.	BiH-71000 Sarajevo	V0	504	6
50% BUDACARGO Kft.	HU-1138 Budapest	E0	shut down	
45% logMASter Nemzetközi Szállítmányozási Kft .	HU-2151 Fót	E	113	1
100% Entsorgungslogistik Austria GmbH	A-1040 Wien	V	1,546	709
51% E.L.A. Slovakia s.r.o.	SK-81101 Bratislava	V0	-314	-74
50% HAELA Abfallverwertung GmbH	A-4470 Enns	E0	156	32
100% ÖKOMBI GmbH	A-1200 Wien	V	2,580	1,335
25.1% Adria Kombi d.o.o.	SLO-1000 Ljubljana	E0	555	122[1]
25% Hungarokombi Kft.	HU-1011 Budapest	E	2,677	104[2]
7% Bulkombi Co.Ltd	BG-1000 Sofia	0	136	-21[1]
6.7% Union International des Sociétés de Transport Combine Rail-Route s.c.	B-1000 Bruxelles	0	699	0[1]
1.5% Combilux S.A	L-2981 Luxembourg	0	265	-1[1]
0.02% Société Anonyme Belge de Transport par le System Combine Route-Wagon (T.R.W) s.a.	B-1000 Bruxelles-ville	0	7,994	-555[1]
100% Kadmos s.r.o. (Neugründung 2007)	SK-82109 Bratislava	V0	no business activity	
100% ECS Eurocargo Spedycyjna Spólka z.o.o. Szczecin	PL-70603 Szczecin	V	33	-6
100% Eurocargo Katowice Spólka z.o.o.	PL-42500 Będzin	V	735	532
100% (Vj: 90%) ECS Eurocargo Spedycyjna Spólka z.o.o. Gdynia (Erwerb restlicher Anteile Februar 2007)	PL-81332 Gdynia	V[6]	106	20
100% (Vj: 70%) ECS Eurocargo Spedycyjna Spólka z.o.o.Gdánsk (Erwerb restlicher Anteile Februar 2007)	PL-80562 Gdánsk	V	41	-35
70% Eurocargo Shipping Spólka z.o.o.	PL-70603 Szczecin	V0	98	32
80% Eurocargo Survey Spólka z.o.o.	PL-70603 Szczecin	V0	33	2
75% RAABERSPED Speditionsgesellschaft m.b.H.	A-1040 Wien	V	3,132	1,288
100% RAABERSPED d.o.o.	HR-10000 Zagreb	V[6]	55	26
51% RAABERSPED Kft.	HU-1037 Budapest	V	2,884	1,233
30% RAABER IRODAHÁZ KFT	HU-1037 Budapest	E	1,270	268
34% HUNGARO-RAIL Nemzetközi Szállitm. Kft.	HU-1023 Budapest	E	368	254

Subgroup Rail Cargo Austria Continued

	Registered office / type of consolidation		Equity in thou. EUR	Profit for the year in thou. EUR
54% Intercontainer Austria GesmbH	A-1040 Wien	V	1,715	-789
79.68% (98.25%) (Vj: 97.6%)				
Česká a slovenská kombinovaná doprava - INTRANS a.s.	CZ-13000 Praha 3	V	2,815	168
100% Slovenská kombinovaná doprava INTRANS a.s.	SK-01236 Žilina	V0	2,370	495
90% INTRANS Port/Rail Services GmbH	D-20459 Hamburg	V0	-27	4
39% ICA Romania s.r.l.	R-020572 Bucuresti	E	-903	-445[2]
20% Bohemiakombi spol. s.r.o.	CZ-11000 Praha 1	E0	849	-218[1]
50% ChemFreight Transport. Logistik & Waggonvermietung GmbH	A-1040 Wien	E	4,148	2,235
45.35% Eurocargo Rail sp. z.o.o.	PL-00687 Warszawa	E0	199	30
30% Hungaria Intermodal Gesellschaft mit beschränkter Haftung für die Organisation des kombinierten Verkehrs	HU-1239 Budapest	E	261	71
20% (100%) EXPRESS-INTERFRACHT mezinárodní spedice CZ s.r.o. (Fusion und Umbenennung Okt. 2007)	CZ-61400 Brno	V	2,331	653
18.57% (98.25%) (Vj: 17.9%) Česká slovenská kombinovaná doprava - INTRANS a.s.	CZ-130 00 Praha 3	V	2,815	168
6.6% Györ-Sopron-Ebenfurti Vasút Zártkörüen Müködö Részvénytársaság	HU-9400 Sopron	0	n.s.	n.s.
KD-Anteil Kombiverkehr Deutsche Gesellschaft für kombinierten Güterverkehr mbH & Co. Kommanditgesellschaft	D-60486 Frankfurt am Main	0	n.s.	n.s.
100% Industriewaggon GmbH	A-1010 Wien	V	47,081	8,772
100% ÖKOMBI Waggonbetriebsgesellschaft m.b.H.	A-1200 Wien	V	2,356	269
100% CRL Car Rail Logistics GmbH	A-1050 Wien	V[7]	5,102	803
100% RCA Terminal s.r.o.	CZ-130 00 Praha 3	V[6]	493	-85
100% (Vj: 80%) Sakera Beteiligungsverwaltungs GmbH (Kauf restliche 20% März 2007)	A-1010 Wien	V0	18	-7
51% (100%) ÖBB-Technische Services-Gesellschaft mbH	A-1110 Wien	V	190,820	8,978
51% FR Logistik-Betriebs GmbH	A-8141 Zettling	V0	16	-3
51% FR Logistik-Betriebs GmbH & Co KG	A-8141 Zettling	V0	612	19
50% Terminal Graz Süd GmbH	A-8402 Werndorf	E0	34	-1[1]
50% Terminal Graz Süd GmbH & Co KG	A-8402 Werndorf	E0	-1,801	-499[1]
49% (100%) ÖBB-Traktion Gesellschaft mbH	A-1150 Wien	V	850,732	8,449
3.53% Intercontainer-Interfrigo (ICF) SA	B-1060 Bruxelles	0	15,676	2,875[1]

Subgroup ÖBB-Infrastruktur Betrieb

	Registered office / type of consolidation		Equity in thou. EUR	Profit for the year in thou. EUR
100% ÖBB-Infrastruktur Betrieb Aktiengesellschaft	A-1010 Wien	V	240,909	17,072
100% Austrian Rail Construction & Consulting GmbH	A-1040 Wien	V	125	6
100% Austrian Rail Construction & Consulting GmbH & Co KG	A-1040 Wien	V	221	16
100% Rail Equipment GmbH	A-1040 Wien	V	16,098	57
100% Rail Equipment GmbH & Co KG	A-1040 Wien	V	33,833	3,444
100% Mungos Sicher & Sauber GmbH	A-1150 Wien	V	33	-2
100% Mungos Sicher & Sauber GmbH & Co KEG	A-1150 Wien	V	2,023	612
50% (100%) Netz- und Streckenentwicklung GmbH	A-1020 Wien	V[6]	77	63
30% Weichenwerk Wörth GmbH	A-3151 St Georgen am Steinfeld	E	9,839	1,717[2]

Subgroup ÖBB-Infrastruktur Bau

	Registered office / type of consolidation		Equity in thou. EUR	Profit for the year in thou. EUR
100% ÖBB-Infrastruktur Bau Aktiengesellschaft	A-1120 Wien	V	834,103	25,044
100% ÖBB-Immobilienmanagement Gesellschaft mbH	A-1100 Wien	V	5,336	138
100% Brenner Eisenbahn GmbH	A-6020 Innsbruck	V	354	-2
100% Hans Hechenbichler Erdölprodukte Gesellschaft m.b.H.	A-6020 Innsbruck	V0	389	32[1]
100% ÖBB Telekom Service GmbH	A-1120 Wien	V	1,644	78
[3]EURATEL-European Railway Telecommunications EWIV	A-1150 Wien	0	245	0
100% ÖBB-Projektentwicklung GmbH (vormals: Gauermanngasse 2-4 Projektentwicklung GmbH)	A-1100 Wien	V0	15	0
100% Gauermanngasse 2-4 Projektentwicklung GmbH & Co KEG	A-1100 Wien	V0	-1	0
50% (100%) Netz- und Streckenentwicklung GmbH	A-1020 Wien	V[6]	77	63
8% HIT Rail B.V.	NL-3500 HA Utrecht	0	3,164	206[1]

The following companies of subgroup ÖBB-Infrastruktur Bau were in the process of being set up as of 31.12.2007 except for HBF Eins Holding GmbH and Hauptbahnhof Zwei Holding GmbH (both companies were entered into the commercial register as of 8.12.2007). The companies were entered into the commercial register in January 2008:

Subgroup ÖBB-Infrastruktur Bau

Subgroup ÖBB-Infrastruktur Bau	Registered office / type of consolidation			Equity in thou. EUR	Profit for the year in thou. EUR
100% HBF Eins Holding GmbH	A-1100 Wien	V0	b)	83	-4
100% HBF Eins Alpha Projektentwicklungs GmbH	A-1100 Wien	V0	b)	in the process of being set up	
100% HBF Zwei Beta Projektentwicklungs GmbH	A-1100 Wien	V0	b)	in the process of being set up	
100% HBF Drei Gamma Projektentwicklungs GmbH	A-1100 Wien	V0	b)	in the process of being set up	
100% HBF Vier Delta Projektentwicklungs GmbH	A-1100 Wien	V0	b)	in the process of being set up	
100% Hauptbahnhof Zwei Holding GmbH	A-1100 Wien	V0	b)	48	-4
100% HBF Fünf Epsilon Projektentwicklungs GmbH	A-1100 Wien	V0	b)	in the process of being set up	
100% HBF Sechs Gamma Projektentwicklungs GmbH	A-1100 Wien	V0	b)	in the process of being set up	
100% ÖBB-Realitätenbeteiligungs GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% Businesscenter Linz Entwicklungs- und Verwertungs GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% Westbahnhof A3 GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% BahnhofCity WBHF Alpha GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% BahnhofCity WBHF Beta GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% Praterstern 5 Entwicklungs- und Verwertungs GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% InterCity WHBF Alpha GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% InterCity WHBF Beta GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% InterCity WHBF Gamma GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% InterCity WHBF Delta GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	
100% InterCity WHBF Epsilon GmbH & Co KG	A-1100 Wien	V0	b)	in the process of being set up	

ÖBB-Dienstleistungs Gesellschaft mbH and other companies

ÖBB-Dienstleistungs Gesellschaft mbH and other companies	Registered office / type of consolidation		Equity in thou. EUR	Profit for the year in thou. EUR
100% ÖBB-Dienstleistungs Gesellschaft mbH	A-1100 Wien	V	18,678	2,964
100% ÖBB-Stiftungs Management Gesellschaft mbH	A-1100 Wien	V0	53	12
100% Allgemeine Privatstiftung für berufliche Bildung	A-1100 Wien	0	185	33
100% ÖBB-Versicherungsmanagement Gesellschaft mbH	A-1100 Wien	V	29	-1
34% Wellcon Gesellschaft für Prävention und Arbeitsmedizin GmbH	A-1030 Wien	E	1,216	464[2]
100% ÖBB-Netting GmbH	A-1100 Wien	V	197	-1,741
100% ÖBB-Finanzierungsservice GmbH	A-1100 Wien	V	379	-1,534
100% CI & M Werbeagentur GmbH	A-1100 Wien	V	341	200
100% ÖBB-Werbecenter GmbH	A-1100 Wien	V	3,239	1,378
100% Scope Consulting Unternehmensberatung GmbH (acquisition Dec. 2007)	A-1010 Wien	V0	602.7	567.7
2% EUROFIMA Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial AG	CH-4001 Basel	0	1,872,405.2	27,104.1[2]

The equity capital and the profit for the year of foreign companies have been translated into EUR at the spot rate as of the balance sheet date.
% in brackets show the participations held by various companies within ÖBB Group as a whole.
V Affiliated fully consolidated company
V0 Affiliated company not fully consolidated due to subordinate importance
E Associated company included at equity
E0 Associated company not included at equity due to subordinate importance
0 Other companies in which a participation is held

Abbreviations and footnotes:
i.L. In liquidation
Vj. Prior year
1 Equity and profit for the year as of 31.12.2006
2 Preliminary results as of 31.12.2007
3 Shareholding EWIV
4 Results as of 31.3.2007
5 First consolidation as of 31.12.2007
6 First consolidation as of 31.12.2006
7 Change of form of consolidation from consolidation at equity to full consolidation (2006)

Information on the Business Purpose of Subsidiaries

The company Rail Cargo Austria AG, which is part of subgroup Rail Cargo Austria, is responsible for traditional freight transport by rail. An important part of the subgroup are the subsidiaries of Speditions Holding which are operating in almost all countries in Central, Eastern, and Southeast Europe as a national and international logistics and forwarding services provider. In addition to Rail Cargo Austria AG focusing on complete load transport, Speditions Holding GmbH disposes of specialized companies for almost every kind of cargo to be transported for the different sectors (agricultural products, chemicals, mining produce, paper, and waste disposal). Moreover, Speditions Holding GmbH encompasses companies specializing in intermodal traffic, for both unaccompanied combined rail-and-road traffic and piggyback services, and companies providing storage and contract logistics (LCL transport and food logistics).

Information on the business activities of all other subgroups is given in note 33.

37. Declaration Of Commitment To The Austrian Code Of Corporate Governance

The Austrian Code of Corporate Governance addresses primarily Austrian stock corporations listed on the Stock Exchange. Nevertheless, ÖBB Group which consists of companies not listed on the stock exchange follows the recommendation of the Austrian Working Group for Corporate Governance that companies not listed on stock exchanges should adhere to the Code to the extent applicable. In September 2006, the executive and supervisory boards of ÖBB-Holding AG passed a resolution on the compliance with the Code of Corporate Governance as amended in 2006. The declaration of commitment to the Austrian Code of Corporate Governance, the Code in the version applicable to the group companies of ÖBB-Holding AG as well as deviations there from and the reasons therefore can be found on the company website at http://www.oebb.at/vip8/oebb/de/Konzern/OeCGK_im_OeBB-_Konzern/. The Corporate Governance report for 2007 is published as part of the Annual Report.

38. Events After The Balance Sheet Date

New Businesses

As of the balance sheet date, 17 real estate development companies were in the process of being set up as described in the Schedule of Participations in note 36 which were entered into the commercial register in January 2008.

Master Plan 2008–2013

Pursuant to § 43 Abs 1 Bundesbahnstrukturgesetz (railway structure act), the Republic of Austria grants ÖBB-Infrastruktur Bau AG government subsidies for erecting infrastructure facilities. The master plan for the period 2008–2013 has already been adapted by ÖBB-Infrastruktur Bau AG and the companies involved and approved by the supervisory board and the Council of Ministers held on 05.02.2008. Upon approval of the master plan by the Council of Ministers the Federal Ministry of Transport, Innovation and Technology (BMVIT), the Federal Ministry of Finance (BMF) and the executive boards of ÖBB-Infrastruktur Bau AG and ÖB-Holding AG signed an agreement regarding the master plan on 1.4.2008.

Business Combinations after the Balance Sheet Date

In 2007 Rail Cargo Austria AG and Raab-Ödenburg-Ebenfurter Eisenbahn Aktiengesellschaft formed a consortium to participate in the privatization of the freight transport company of the Hungarian railway company, MÁV Cargo Zrt. The consortium was determined as the best bidder in November 2007. On January 2, 2008, the respective stock purchase agreement was signed with the seller, MÁV. This stock purchase agreement is still subject to approval by the cartel authorities; this approval is expected to be granted by summer 2008.

Changes in the Executive Board

As of 22.4.2008, Mag. Martin Huber, CEO and chairman of the executive board, resigned from all his functions. Until the end of October 2009, he will continue to put his expertise at the disposal of ÖBB Group. Mag. Erich Söllinger, member of the executive board, offered the supervisory board to withdraw from office. At the request of the supervisory board of ÖBB-Holding AG, he is prepared to remain in office until 31.10.2008 in order to guarantee orderly handing over of his responsibilities.

39. Executive Bodies Of The Parent Company Of ÖBB Group

In 2007 the following ladies and gentlemen were appointed members of the Executive or Supervisory Boards of ÖBB-Holding AG:

Members of the Executive Board

Mag. Martin HUBER	until 16.11.2007	Spokesman of the executive board
	since 16.11.2007	
	until 22.4.2008	Chairman of the executive board and CEO
DI Peter KLUGAR	since 1.12.2007	
KR Gustav POSCHALKO	since 1.12.2007	
Mag. Erich SÖLLINGER		

Members of the Supervisory Board

DI Horst Pöchhacker	since 29.5.2007	Chairman
Dr. Wolfgang Reithofer	until 29.5.2007	Chairman
Dr. Eduard Saxinger	since 29.5.2007	1. Deputy chairman
Franz Rauch	until 26.6.2007	1. Deputy chairman
	since 26.6.2007	2. Deputy chairman
Dr. Siegfried Dillersberger	until 11.5.2007	2. Deputy chairman
Dr. Johannes Strohmayer	until 29.5.2007	3. Deputy chairman
Wilhelm Haberzettl[1]	until 26.6.2007	4. Deputy chairman
	since 26.6.2007	3. Deputy chairman
Dr. Dieter Böhmdorfer	until 14.5.2007	
Norbert Bacher-Lagler[1]	until 29.5.2007	
Univ.-Doz. DI Dr. Hermann Egger		
DI Herbert Kasser	since 27.4.2007	
Mag. Maria Kubitschek	since 27.4.2007	
Dr. Leopold Specht	since 27.4.2007	
Ing. Mag. Rudolf Fischer	until 14.5.2007	
Werner Harrer[1]		
Dr. Kari Kapsch	until 13.4.2007	
Prof. Dr. Fredmund Malik	until 03.4.2007	
Mag. Dr. Karl Sevelda		
Gottfried Winkler[1]		
Mag. Andreas Martinsich[1]		

1 Staff representative

State Commissioners

MR Dr. Karl-Johann Hartig	until 31.8.2007	State Commissioner
MR Mag. Dr. Gerhard Gürtlich		State Commissioner
Dipl.-Ing. Georg Parrer		Deputy state commissioner

A summary of the remunerations, advance payments or loans granted in the period under review, or contingencies assumed in favor of these persons is to be found in note 32 (“Related party transactions”).

Vienna, 5.5.2008

Executive Board

DI Peter Klugar KR Gustav Poschalko Mag. Erich Söllinger

Independent Auditors' Report[1]

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements prepared by **Österreichische Bundesbahnen-Holding Aktiengesellschaft, Wien,** regarding the business year from January 1 to December 31, 2007. These consolidated financial statements encompass the balance sheet as of December 31, 2007, the consolidated income statement, cash flow statement and equity development for the business year ending on December 31, 2007, and a summary of the relevant reporting and valuation methods as well as further information.

Responsibility of the Legal Representatives for the Consolidated Financial Statements

The legal representatives of the company are responsible for the preparation of the consolidated financial statements which are to give as true and fair as possible a view of the group's assets and financial situation as well as of the earnings position in accordance with the International Financial Reporting Standards (IFRS) applicable within the EU. This responsibility includes: designing, implementing and maintaining an internal control system to the extent necessary for the preparation of the consolidated financial statements and the giving of as true and fair as possible a view of the group's assets and financial situation as well as its earnings position, so as to ensure that the consolidated financial statements be free from material misstatements, due to intentional or unintentional mistakes; furthermore choosing and applying adequate reporting and valuation methods; and making estimates which seem appropriate taking into account the business environment.

Auditors' Responsibility

It is our responsibility to express an opinion on these consolidated financial statements on the basis of our audit. Our audit was conducted in accordance with the Austrian auditing standards and the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that an audit be planned and performed in order to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

The audit comprises auditing activities aimed at obtaining evidence regarding the amounts and other information given in the consolidated financial statements. The auditor is to choose the relevant auditing activities with discretion and in duty bound based on his estimation of the risk of any material misstatements due to intentional or unintentional mistakes. In his risk evaluation the auditor takes into account the internal control system to the extent relevant for preparing the consolidated financial statement and giving as true and fair as possible a view of the assets and financial situation and the earnings position, so as to determine the adequate auditing activities considering the business environment, but not to express an opinion on the efficiency of the internal control system. Furthermore, it includes an assessment of the accounting and valuation principles used and the most significant estimates made by the management, as well as of the overall presentation of the consolidated financial statements.

We believe that our audit provides a sufficient and reasonable basis for our opinion.

1 When publishing or distributing the consolidated financial statements in a form other than the certified version (unabridged version in German) (such as an abridged version or translation), our audit certificate may not be quoted nor may be reference made to our audit without our prior approval.

Auditors' Opinion

On the basis of our audit, there is no reason to raise any objection of whatsoever kind. In our opinion, the consolidated financial statements of **Österreichische Bundesbahnen-Holding Aktiengesellschaft, Wien,** comply with all relevant statutory provisions and give as true and fair as possible a view of the group's assets and financial situation as of December 31, 2007, as well as of the earnings position and the cash flow for the 2007 business year, in accordance with the International Financial Reporting Standards (IFRS) applicable within the EU.

Report on the Group Status Report

Pursuant to Austrian statutory provisions the group status report is to be examined on whether it is in accord with the consolidated financial statements and whether the information given in the group status report gives as true and fair as possible a view of the group's position.

In our opinion the group status report is in agreement with the consolidated financial statements.

Vienna, May 5, 2008

CONFIDA
Wirtschaftstreuhandgesellschaft m.b.H.
Auditing Company

Dr, Karl-Heinz Moser
Auditor

Mag, Christoph Luger
Auditor

Income Statement ÖBB AG

in EUR	2007	2006
1. Sales	**30,776,583.42**	**30,602,357.06**
2. Other operating income		
a) Income from reversal of provisions	1,415,324.00	174,859.55
b) Remaining other operating income	4,784,585.78	1,403,211.35
	6,199,909.78	1,578,070.90
3. Total revenues (subtotal from no. 1 to 2)	**36,976,493.20**	**32,180,427.96**
4. Expenses for materials and services received		
a) Services received	-1,310,820.08	-3,079,265.83
	-1,310,820.08	-3,079,265.83
5. Personnel expenses		
a) Salaries	-10,236,380.55	-7,307,978.76
b) Expenses for severance payments and retirement benefit plans	-323,483.38	-235,259.74
c) Expenses for retirement pensions	-111,954.91	-92,396.12
d) Expenses for statutory social contributions And wage-related taxes and compulsory contributions	-2,274,510.64	-1,672,875.04
	-12,946,329.48	-9,308,509.66
6. Depreciation		
a) of intangible fixed assets and tangible assets thereof non-scheduled depreciation 0.00 EUR (2006: 0.00 EUR)	-333,169.72	-297,789.52
	-333,169.72	-297,789.52
7. Other operating expenses		
a) Taxes other than those reported under Z 16	-457,600.49	-122,006.81
b) Other	-24,313,004.74	-21,206,191.70
	-24,770,605.23	-21,328,198.51
8. Earnings before interest and taxes (subtotal from no. 3 to 7)	**-2,384,431.31**	**-1,833,335.56**
9. Dividend income from participations thereof from affiliated companies 22,271,268.14 EUR (2006: 25,284,098.09 EUR)	**22,526,353.37**	**25,547,551.01**
10. Other interest and similar income thereof from affiliated companies 564,274.06 EUR (2006: 328,867.69 EUR)	**567,121.74**	**333,537.59**
11. Income from appreciation of financial assets	**0.00**	**1.40**
12. Expenses incurred for financial assets a) thereof concerning depreciation 56,341,283.83 EUR (2006: 0.00 EUR) b) thereof concerning affiliated companies 56,341,283.83 EUR (2006: 0.00 EUR)	**-56,341,283.83**	**0.00**
13. Interest and similar expenses thereof concerning affiliated companies 22,725.82 EUR (2006: 178,590.09 EUR)	**-21,935,638.10**	**-8,276,651.96**
14. Financial results (subtotal from no. 9 to 13)	**-55,183,446.82**	**17,604,438.04**
15. Income from ordinary activities	**-57,567,878.13**	**15,771,102.48**
16. Taxes on income and earnings	**-1,641,894.33**	**3,379,405.30**
17. Profit / loss for the year	**-59,209,772.46**	**19,150,507.78**
18. Reversal of capital reserves	**41,023,033.57**	**0.00**
19. Allocation to retained earnings	**0.00**	**-995,000.00**
20. Profit carried forward from previous years	**18,186,738.89**	**31,231.11**
21. Net income	**0.00**	**18,186,738.89**

Balance Sheet ÖBB AG

as of December 31, 2007

Assets in EUR	31.12.2007	31.12.2006
A. Fixed assets		
I. Intangible assets		
1. Concessions, industrial property rights and similar rights and benefits and related licenses	556,056.43	445,524.32
Total I	**556,056.43**	**445,524.32**
II. Tangible assets		
1. Real estate, rights equivalent to real property and buildings on third parties' land	26,790.11	29,941.89
2. Other tools, furniture and fixtures	343,655.78	407,274.93
3. Advance payments and construction in progress	483,537.30	0.00
Total II	**853,983.19**	**437,216.82**
III. Financial assets		
1. Participations in affiliated companies	3,200,266,636.93	3,243,107,920.76
2. Minority participations	40,823,537.10	44,246,627.03
Total III	**3,241,090,174.03**	**3,287,354,547.79**
Total A	**3,242,500,213.65**	**3,288,237,288.93**
B. Current assets		
I. Receivables and other assets		
1. Trade receivables	9,543.60	0.00
2. Receivables from affiliated companies	80,278,031.30	74,554,642.99
3. Other receivables and assets	106,989,741.39	61,825,691.26
Total I	**187,277,316.29**	**136,380,334.25**
II. Cash on hand and in banks		
1. Cash on hand	1,131.11	2,005.76
2. Cash in banks	141,323.85	156,378.37
Total II	**142,454.96**	**158,384.13**
Total B	**187,419,771.25**	**136,538,718.38**
C. Prepayments and accrued income	**210,912,65**	**218,336.26**
Total Assets	**3,430,130,897.55**	**3,424,994,343.57**

Liabilities in EUR	31.12.2007	31.12.2006
A. Equity		
I. Capital stock	1,900,000,000.00	1,900,000,000.00
II. Capital reserves		
1. Committed capital reserves	66,970,555.93	66,970,555.93
2. Free capital reserves	1,229,948,727.28	1,270,971,760.85
III. Legal reserves	1,000,000.00	1,000,000.00
IV. Net income thereof profit or loss carried forward 18,186,738.89 EUR (2006: 31,231.11 EUR)	0.00	18,186,738.89
Total A	**3,197,919,283.21**	**3,257,129,055.67**
B. Provisions		
1. Provisions for severance payments	500,937.00	244,136.00
2. Other provisions	32,211,804.33	11,091,957.23
Total B	**32,712,741.33**	**11,336,093.23**
C. Liabilities		
1. Liabilities to banks	0.00	8.86
2. Trade payables	3,335,752.64	1,309,945.90
3. Accounts payable to affiliated companies	166,314,620.20	125,718,858.01
4. Accounts payable to companies in which a participation is held	27,027,027.03	27,027,027.03
5. Other liabilities thereof taxes 2,480,909.15 EUR (2006: 2,308,455.24 EUR) thereof within the scope of social security 151,601.40 EUR (2006: 78,080.41 EUR)	2,820,947.80	2,473,354.87
Total C	**199,498,347.67**	**156,529,194.67**
D. Accruals and deferred income	**525.34**	**0.00**
Total Liabilities	**3,430,130,897.55**	**3,424,994,343.57**

The balance sheet as of 31.12.2007 and the income statement 2007 of ÖBB-Holding AG to be found on pages 297 and 298-299 as well as the notes to the financial statements and the status report not published here was provided with the following audit certificate by the auditors.

Comment on the Financial Statements

We have audited the financial statements prepared by Österreichische Bundesbahnen-Holding Aktiengesellschaft, Wien, regarding the business year from January 1 to December 31, 2007. These financial statements encompass the balance sheet as of December 31, 2007, the income statement for the business year ending on December 31, 2007, and a summary of the relevant reporting and valuation principles as well as further information.

Responsibility of the Legal Representatives for the Annual Financial Statements

The legal representatives of the company are responsible for the preparation of annual financial statements which are to give as true and fair as possible a view of the group's assets and financial situation as well as of the earnings position in accordance with the principles of Austrian corporate law and supplementary provisions of the articles of incorporation. This responsibility includes: designing, implementing and maintaining an internal control system to the extent necessary for the preparation of the annual financial statements and the giving of as true and fair as possible a view of the group's assets and financial situation as well as its earnings position, so as to ensure that the annual financial statements be free from material misstatements, due to intentional or unintentional mistakes; furthermore choosing and applying adequate reporting and valuation methods; and making estimates which seem appropriate taking into account the business environment.

Auditors' Responsibility

It is our responsibility to express an opinion on these financial statements on the basis of our audit. Our audit was conducted in accordance with the Austrian standards and principles of adequate and orderly auditing and the International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that an audit be planned and performed in order to obtain reasonable assurance about whether the financial statements are free from material misstatements.

The audit comprises auditing activities aimed at obtaining evidence regarding the amounts and other information given in the annual financial statements. The auditor is to choose the relevant auditing activities with discretion and in duty bound based on his estimation of the risk of any material misstatements due to intentional or unintentional mistakes. In his risk evaluation the auditor takes into account the internal control system to the extent relevant for preparing the financial statement and giving as true and fair as possible a view of the assets and financial situation and the earnings position, so as to determine the adequate auditing activities considering the business environment, but not to express an opinion on the efficiency of the internal control system. Furthermore, it includes an assessment of the accounting and valuation principles used and the most significant estimates made by the management, as well as of the overall presentation of the annual financial statements.

We believe that our audit provides a sufficient and reasonable basis for our opinion.

Auditors' Opinion

On the basis of our audit, there is no reason to raise any objection of whatsoever kind. In our opinion, the financial statements comply with all relevant statutory provisions and give as true and fair as possible a view of the group's assets and financial situation as of December 31, 2007, as well as of the earnings position for the business year from January 1, to December 31, 2007, in accordance with the Austrian standards of adequate and orderly accounting.

Comment on the Status Report

Pursuant to Austrian statutory provisions the status report is to be examined on whether it is in accord with the financial statements and whether the information given in the status report gives as true and fair as possible a view of the group's position.

In our opinion the status report is in agreement with the financial statements.

Vienna, April 4, 2008

Grant Thornton
Wirtschaftsprüfungs- und Steuerberatungs-GmbH
Member Firm of Grant Thornton International

Univ.Doz. Dr. Walter Platzer
Auditor

For Your Information

Financial Glossary

AAA-Rating	Best possible credit rating assigned by rating agencies
Equity-to-fixed-assets ratio I	own funds / fixed assets
Equity-to-fixed-assets ratio II	own funds (equity, third party contributions, untaxed reserves) + long-term outside capital (liabilities with a term to maturity of more than 1 year, provisions for severance payments and pensions) / fixed assets
Fixed-assets-to-net-worth ratio	own funds (equity, third party contributions, untaxed reserves) x 100 / fixed assets
Capitalization	ratio fixed assets / total assets
External sales	sales revenues with external customers
EBIT	earnings before interest and taxes
EBIT margin	EBIT / total revenues
Equity ratio	own funds / total capital
Equity Return	Income from ordinary activities/own funds
EMTN program	Euro Medium Term Note program; internationally recognized framework documentation for the issuing of bonds
Free Cash Flow	cash earnings + cash flow from investment activities
Total revenues per employee	total revenues pursuant to income statement / average number of employees
PBC by the Federal Government	Contributions by the Federal Government for public-benefit services rendered
Income ratio vs. book values	investments into tangible and intangible assets / book values IAV and SAV
Income ratio vs. total revenues	investments into tangible and intangible assets / total revenues
Third party contributions	non-repayable investment subsidies received by companies of the ÖBB Group which will be capitalized in the balance sheet and written off over their respective useful life after commissioning
Material intensity	expenses for materials and services received / total revenues
Personnel intensity	personnel expenses/total revenues
Working Capital	assets + Trade receivables + advance payments made for fixed assets - trade payables - advance payments made
Payments pursuant to § 42 Federal Railways Act	contributions by the Federal Government for the operation, maintenance, inspection, and repair of railway infrastructure

Railway Glossary

Traction power	while the public super grids normally use three-phase current with a voltage of 220 kV or 380kV and a frequency of 50 hertz, almost everywhere traction current grids use alternating current of only one phase, which have a frequency of 16.7 hertz and a voltage of 110 kV in Germany, Austria and Switzerland.
Barrel	(abbreviation: bbl) measure of capacity used by the mineral oil industry for a quantity of about 159 liters. One ton of North Sea oil is about 7.5 barrels.
BBG	Federal Railways Act (Bundesbahngesetz)
BMVIT	Federal Ministry of Transport, Innovation and Technology
Gross ton kilometer	(freight weight + unloaded weight of train set) x train kilometers
COTIF	Convention relative aux transports internationaux ferroviaires; Convention concerning International Carriage by Rail
EUROFIMA	European Company for the Financing of Railroad Rolling Stock
Passenger kilometers	passengers carried x tariff kilometers
Complete trains	trains transporting uniform goods
GSM-R	Global System for Mobile Communication-Railway; European standard based on the international GSM mobile radio service standard serving as the platform for a uniform process control and safety technique in railway traffic at European level
GW	one gigawatt (giga = one billion) is 1,000 megawatt or one million kilowatt or one billion watt.
ICE	Intercity-Express
Intermodal competition	competition between different transport operators
ISO	International Organization for Standardization
Combined traffic	combined transport of containers or trucks by road and rail
kW	unit for power measurement; 1 kW = 1,000 watt
kWh	measuring unit for electrical work performed by 1,000 watt (1 kW) in one hour (h) Example: A light bulb of 100 watt remains switched on for 10 hours. Power consumption is 1 kW.
Mobile technology	traffic combination of road and rail
OHSAS	Occupational Health and Safety Assessment Series; system of standards developed by the British Standards Institution in cooperation with international certification agencies focusing on workplace-related issues
Master plan	the scope and periods fixed for implementing the individual ÖBB investment projects are defined in the master plan which is drawn up In cooperation with the Federal Ministry of Transport, Innovation and Technology and the Federal Ministry of Finance. It is in force for periods six years each and is being adapted every year.

ROLA (Rollende Landstrasse)	transport of motor vehicles by rail using low-platform cars with continuous loading areas while the drivers are carried in special carriages
Ton kilometers	chargeable weight of freight in tons x tariff distance in km
Traction	traction of trains by means of railcars
Train path	path of a train defined in the timetable
Frequency converter	interface between the public super grid and the traction current grid
VCÖ	Verkehrsclub Österreich (Austrian transport association)
Train kilometer	length of path run by a train on the railway network

Information Regarding the Subgroups

Besides the information on ÖBB Group as a whole, the different sections of this Annual Report give details about the development of the four subgroups as well. Below you will find a summary giving the page reference which will lead you directly to the relevant sections dealing with the subgroups.

Page reference	Subgroup ÖBB-Personenverkehr	Subgroup Rail Cargo Austria	Subgroup ÖBB-Infrastruktur Betrieb	Subgroup ÖBB-Infrastruktur Bau
Profile and Schedule of Participations	68	80	92	104
Development of sales	160	162	163	165
Earnings position	169	170	171	172
Assets and Financial Situation	176	177	178	179
Capital expenditure	181	182	182	183
Employees	190	191	192	193
Risks	198	198	198	198
Outlook	186	187	188	188
Research and development	61	62	63	63

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In order to ensure readability of this annual report, the consistent use of female and male terms was waived. Nevertheless, the terms and definitions include always both sexes.

The annual report was printed on paper manufactured without bleach and whitening agent. The paper used is 100% recycling paper which was awarded the Austrian environmental prize and the environmental prizes Blauer Engel and Weißer Schwan.