

Financial Results Media Conference: Hupac Strategy 2016-2020

Improved market opportunities on the Gotthard line starting in 2020

Zurich, 12.5.2016 Swiss combined transport operator Hupac ended the 2015 financial year with a slight increase in volume. The results were impacted by the change in the CHF/EUR exchange rate. Hupac's 2016-2020 strategy includes investments for the Gotthard flat track and to enter new segments and new geographic markets.

Positive financial results in a difficult market

In the 2015 financial year, Hupac was able to slightly expand its market position with a 0.2% increase in volume. The volume in transalpine transports through Switzerland stagnated (down by 0.6%), while the volume in non-transalpine traffic increased by 5.9%. The Hupac Group's profit for the year fell by 19.7% to just under CHF 6.1 million. The development of the CHF/EUR exchange rate and its serious effects on Swiss companies engaged in exports should be noted in relation to this. Hupac Ltd.'s revenue declined by 10.3%, while production costs decreased by 11.8%. This resulted in gross profits of CHF 100 million, representing a 4.2% decrease from the prior year. The cash flow of the Hupac Group remained virtually unchanged at CHF 41.3 million, while capital expenditures in fixed assets rose by 46.3% to CHF 24.6 million.

Hupac returning to growth

The growth of Hupac's transports was modest in recent years. The reasons for this include the stagnation of the European economy, the strengthening of the Swiss currency relative to the euro and the drop in fuel prices. Nevertheless, Hupac sees great opportunities for combined transports through Switzerland. The upcoming opening of the Gotthard base tunnel is a monumental event and will significantly improve the market opportunities on the Gotthard line in the long term. The supplemental measures – Ceneri base tunnel, 4-meter corridor up to Italy, expansion of the terminal capacity in Italy – will be completed by 2020. "With our new 2016-2020 strategy, we are setting the course for growth", explained Hans-Jörg Bertschi, Chairman of the Board of Hupac Ltd., at the presentation of the company's annual results to the media in Zurich. "In the coming years, we will prepare for the flat track via the Gotthard. With respect to the investment programme for the next five years, we have earmarked approximately CHF 280 million for terminals, rolling stock and IT systems."

The objectives are to win back market share through Switzerland and to acquire new business, especially in the trailer transport and consumer goods segments. At the same time, the geographic developments are expected to be advanced. In the Russian market, Hupac will continue its growth strategy with its own rolling stock for the Russian broad gauge track. In early 2016 a branch was opened in Shanghai for the market in China. Other target markets are southeast Europe with transports to Turkey, the Iberian Peninsula and France.

The Company Shuttle business unit, established in early 2015, has achieved initial success with several new trains. For 2016 Hupac expects significant growth in this segment. The port to hinterland connections with containers is an interesting growth market where Hupac intends to position itself in the years ahead to use synergies with the core markets.

Hupac's growth strategy is supported by a number of terminal projects. Noteworthy examples include the projects Basel North, Milan, Piacenza, Brescia, and Düsseldorf-Holthausen jointly with partners, while the Brwinów project near Warsaw is managed by Hupac alone. Completion of the terminals is anticipated within the 2018-2020 timeframe.

Gotthard base tunnel: quick wins for modal shift

The preparations for the opening of the Gotthard base tunnel in December 2016 are progressing at full speed. The first test runs with Hupac trains have been successful. Day-to-day operations will benefit in many respects:

- > More reliable routes regardless of weather conditions
- > Decrease of the route by 30 kilometres
- > Fewer stops to change locomotives and to use bank engines
- > Lower energy consumption
- > Less rolling stock maintenance due to the elimination of the mountain route
- > New operating concept with ETCS for greater timetable stability and punctuality
- > Sufficient capacity for future growth.

By the end of 2020, the Ceneri base tunnel and the 4-meter corridor between Basel and northern Italy will be completed. "With improved production parameters, such as a 750-meter train length, profiles up to 4 meters in height and a train weight of up to 1600 tonnes with one locomotive, we are able to produce more efficiently and thus compensate the reduction in operating subsidies", according to Hupac Managing Director Bernhard Kunz. First, however, the sector has to get ready for several years of intensive construction. The greatest challenge is a 6-month total closure of the Luino line in 2017. "We are currently working with our partners among the infrastructure operators and railway companies to develop alternatives and detours so that the infrastructures of the future can be built with a minimum impact on today's operational activities."

The major challenge of the future is to maintain the ability of the railways in Europe to compete with road transports. "Road transports are benefiting from falling energy prices, while the government-regulated traction current is not part of this development in all countries", Bertschi remarks. The rail system suffers from a number of hurdles and obstacles that grew over time, burdening especially international transports. "If we want to keep up with the road, standards have to be simplified and harmonised throughout Europe. This involves qualification procedures for rolling stock, train-path price systems, safety and operating requirements, language regulations for train drivers, and much more."

All low-noise wagon fleet

In late 2015 Hupac successfully completed the programme imposed by the Federal Office of Transport regarding the reduction of noise generated by freight wagons. As a result, Hupac is the only company in Europe with an entire low-noise fleet of approximately 5000 wagons. In 2015 Hupac started operating a first series of pocket wagons with disk brakes. This new technology allows a further decrease of the noise level by around 3 dB.

Hupac Group profile

Hupac is the leading combined transport operator through Switzerland and one of the market leaders in Europe. The company works to ensure that an increasing volume of goods can be transported by rail and not by road, thus making an important contribution to modal shift and environmental protection. Hupac operates 100 trains every day between Europe's main economic areas and as far away as Russia and the Far East. In 2015, the traffic volume was around 662,000 road consignments.

The Hupac Group is composed of 16 companies with locations in Switzerland, Italy, Germany, the Netherlands, Belgium, Poland, Russia and China and employs around 400 persons. Hupac Ltd. was founded in 1967 in Chiasso. The company has approximately 100 shareholders. The share capital amounts to CHF 20 million, 72% belongs to logistics and transport companies, while 28% is held by rail companies, thus guaranteeing closeness to the market and independence from the railway companies.

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