

EDITORIAL



“ In times of crisis, the importance of **experienced and committed employees** becomes particularly evident. The Board of Directors thanks all employees for their great commitment in the Corona crisis. ”

In the financial year just ended, the Hupac Group transferred more than one million truck consignments from road to rail for the first time in its history. Despite relatively moderate economic growth, Hupac was able to increase the number of combined transport consignments by 10.5% to 1,024,089 road consignments and Group sales by 5.4% to CHF 611 million. The growth was partly due to the acquisition of ERS Railways in June 2018, which last year was consolidated in the Hupac Group for a full year for the first time.



The Hupac Group gains market share

While the first half of 2019 was still relatively strong in terms of growth, demand in the second half of the year was rather limited due to the weakening of the economy in Europe. In 2019 the Hupac Group again managed to gain market share. This both in the core market of transalpine transport and in the non-transalpine markets, as well as in inland maritime container transport, which, thanks to the successful integration of ERS, is now an important pillar of Hupac's activities.

The 2019 financial year's result could not keep pace with revenue performance due to the slowdown in the economy, the strong Swiss franc and the reduction in subsidies. Although EBITDA increased by 4.6% or CHF 55.4 million, the operating result of CHF 5.1 million was 35% or CHF 2.8 million lower than the previous year. The factors that contributed were negative currency effects of CHF 1.0 million in 2019 and an extraordinary capital gain of CHF 1.9 million from the sale of an investment in 2018.

Investments in terminals, rolling stock and IT secure the future

In 2019 the Hupac Group has again invested significantly in the future. The investment sum of CHF 75 million reflects our long-term growth strategy. CHF 32 million of this amount has been invested in rolling stock. At the end of 2019 the Hupac Group operated a fleet of 7,297 wagon modules. This corresponds to an increase of 5.9% compared to the previous year. In addition, Hupac uses 21 own mainline and shunting locomotives.

A central focus in 2019 was the investment in transshipment terminals in Italy, the Netherlands, Germany and Poland, which amounted to CHF 38 million. Terminals are today the Hupac Group's central strategic investments. In many regions of Europe they are the bottleneck for the further shift of transports over long distances from road to rail.

In addition to the new facilities in Milano Smistamento, Piacenza and Brescia to be developed in collaboration with Mercitalia Logistics, Hupac was able to take over the majority of the terminal company CIM SpA Interporto Novara in October 2019. Last year Hupac also acquired the majority of the terminal company Geleen RTC (near Maastricht). In addition, in summer 2019 Hupac was able to conclude letters of intent for participation in the construction of new terminals on the European part of the Silk Road in the former coal port of Duisburg and in Minsk (Belarus).

Motivated and long-time employees

At the end of 2019 the Hupac Group had 557 employees, an increase of 31. Of these, 227 people are employed in Switzerland, 256 in the various branches in Italy and 74 in Germany, Belgium, Holland, Poland, Russia and China. The percentage of women is 21%. The average length of service of almost 11 years is a good indicator of employee motivation in their daily commitment to eco-friendly transport concepts in Europe and beyond.

The importance of experienced and committed employees is particularly evident in times of crisis. In the COVID-19 crisis, employees reorganized important processes within a short time. The necessary social distancing and the hygiene and safety measures were effectively implemented through home office and a reorganization of terminal handling. At the same time, they ensured that the services offered to customers continued to function perfectly. In addition, politics and institutions were made aware that Hupac's infrastructure is systemically relevant and must not be closed in a lockdown.

The Board of Directors thanks the Executive Board and all employees for their great commitment in overcoming the crisis. Thanks to the extraordinary commitment of the employees, Hupac was able to gain market share during the crisis.

Switzerland's relocation policy requires subsidies until 2030

Transalpine combined transport through Switzerland is significantly influenced by Swiss transport policy, whose constitutionally anchored goal is to shift transalpine transit traffic from road to rail. With a transport volume of 10.5 million net tonnes of goods in combined transport through Switzerland, Hupac is – together with other operators – an important player in modal shift. Hupac supports Switzerland's sustainable modal shift policy, among other things, with the targeted construction of terminal infrastructures abroad for these transport potentials.

Swiss transport policy supports the transalpine modal shift of heavy goods traffic with operating contributions to all operators. With the expansion of the flat rail corridor through Switzerland, these contributions should expire in 2023. As the current access infrastructure, especially in Germany, will not allow the targeted productivity increases from 2024 onwards, Hupac, together with the entire Swiss transport industry, presented its ideas to the public at the end of 2019 for an extension of the operating contributions until 2030 to about half the current level. At the beginning of 2020, the National

Council gave its very clear approval to this funding framework; the decision of the Council of States (second chamber) is still pending.

Challenges 2020

The current year is putting combined transport to a severe test. At the end of February, the COVID-19 crisis hit Northern Italy – and thus our most important source and destination market – as the first country in Europe with great severity. Hupac reacted immediately and adopted all necessary measures to protect its employees and customers. With the introduction of contactless processes in the terminals in Italy, Hupac has done pioneering work, which has subsequently also benefited the terminals in Northern Europe.

While initially the traffic volume in Hupac's network remained high, in April volumes fell to minus 40% due to the lockdown in all European markets. Hupac subsequently introduced short-time working. The course of business in recent weeks was more or less in line with our COVID-19 crisis plan. The company is financially healthy and has secured additional financial liquidity through its banks in view of a longer-term crisis scenario. Hupac expects a gradual recovery of transport volumes throughout Europe in the second half of 2020.

At the beginning of the crisis, Hupac was committed to ensuring that the authorities recognised rail freight transport and the terminals both nationally and internationally as systemically important elements. We also drew attention to the importance of not closing down these major infrastructures in the event of regional emergencies, such as those that partly occurred in northern Italy. This contributed to the fact that Hupac's offer was always open, even during the phase of national border closures. As a result, customer confidence in combined transport – after various crises in previous years such as Rastatt – has improved significantly in the meantime.

The Board of Directors and the Executive Board assess the prospects for the period after overcoming the COVID-19 crisis as positive. The finalization of the 4-meter corridor on the Gotthard axis after completion of the construction work for the Ceneri Base Tunnel and the Bözberg Tunnel creates positive conditions for further developing the trailer segment.

At the same time, Hupac is further developing the available terminal capacities in the south and north, thereby supporting the climate and eco-friendly transfer policy of Europe and Switzerland. This creates very good opportunities for a further growth phase of combined

transport in our core business through the Swiss Alps. But we also see exciting opportunities in maritime hinterland transport, with the non-transalpine Shuttle Net and in the Russian and Silk Road transports, to increase sustainable intermodal rail transport in close cooperation with customers.

Change of baton at the head of Hupac

In the current year we are taking another important step for the future of our more than 50-year-old company. In mid-June the Board of Directors will transfer the overall management of the Hupac Group to Michail Stahlhut. During his two-year transition period as managing director of the operating subsidiary Hupac Intermodal and deputy director of Hupac Ltd, he was able to familiarise quickly with the business and successfully contribute his expertise as former railway manager.

Beni Kunz, who has had top management responsibility since 2004, will continue to make his unique wealth of experience available to Hupac. From the middle of the year he will support the company in strategic projects as a member of the Board of Directors. Already today I would like to thank Beni Kunz for his untiring commitment, his strategic foresight and his countless successes in crisis management. I wish Michail Stahlhut and his management team every success and satisfaction in mastering future challenges and continuing our long-term growth strategy in combined transport.

I thank you for your understanding and loyalty as a Hupac shareholder in these challenging times – stay healthy!

Hans-Jörg Bertschi
Chairman of the Board of Directors

