

Financial media conference of the Hupac Group

Strategy for resilience and growth in combined transport

Chiasso, 4.5.2022 In 2021, the combined transport operator Hupac achieved a traffic volume of 1,124,000 road consignments (+10.7%) and an annual result of CHF 12.4 million, successfully compensating for the pandemic effects of the previous year.

Hupac's Strategy 2026 is based on the primacy of quality. The targeted traffic growth of 40 percent to 1.6 million shifted road consignments per year is supported by investments in terminals, rolling stock and digital transformation totalling CHF 300 million. The declared goal is to achieve quality leadership in the market.

Strong traffic growth, pleasing annual result

Last year, the Hupac Group carried 1,123,600 road consignments in combined road/rail transport and maritime inland transport. Compared to the previous year, around 100,000 additional trucks were shifted, which corresponds to an increase of 10.7%. Hupac thus reached the pre-pandemic traffic volume again in 2019 and even exceeded it by almost 10%.

Transalpine traffic through Switzerland grew by 11.0% to 597,500 road consignments, mainly due to the successful use of the 4-metre corridor via Gotthard. Transalpine traffic through Austria via Tauern also developed favourably with an increase of 7.8% compared to the previous year. Via France, traffic increased by 26.3% from a low level. Non-transalpine traffic also developed dynamically with a growth rate of 10.4% and reached a volume of 479,200 road consignments. The segments south-east and south-west Europe contributed significantly to this.

Overall, the Shuttle Net business unit achieved a transport volume of 811,100 road consignments, which corresponds to an increase of 8.5% compared to the previous year. The Company Shuttle business unit developed dynamically and achieved a transport volume of 127,300 road consignments (+25.4%). In maritime container transport, the subsidiary ERS Railways made up for the pandemic-related traffic losses of the previous year and generated satisfactory volume growth to 335,134 TEU, corresponding to 185,100 road consignments (+11.8%), despite the continuing volatility.

The Hupac Group's 2021 turnover increased by over 14% to a new record of CHF 682 million. With an annual profit of CHF 12.4 million, Hupac posted a pleasing business result following the loss in the Corona year 2020. Investments in tangible assets were relatively modest at CHF 24 million. The reason for this is the postponement of investment projects due to the Corona uncertainty.

Securing capacity for future growth

"Combined transport is a growth market whose development is strongly influenced not only by demand but also by the available capacities and the quality of the services offered," explains Hans-Jörg Bertschi, Chairman of the Board of Directors of Hupac Ltd, at the financial media conference. The Swiss modal shift policy and the European Green Deal are creating strong demand impulses, as are the increasing bottlenecks on the roads. On the infrastructure side, the required capacity is gradually being created through the expansion of the freight transport corridors. The Rhine-Alpine corridor has been very well positioned since

2020 thanks to the NEAT in the Swiss section. Construction measures on the access routes in the north and south of Switzerland will significantly increase the capacity and performance of this main European transport axis in the coming years.

Hupac intends to take advantage of the opportunities and is securing the capacity for future growth with its Strategy 2026. For the strategy period 2022-2026, the company is targeting an annual volume increase of 7%. With a forecast economic growth of 2%, this will achieve a real shift of truck traffic from road to rail. By 2026, Hupac aims to achieve a traffic volume of 1.6 million road consignments per year, representing an increase of 40% compared to 2021. To achieve this goal, the Board of Directors has approved an investment programme of CHF 300 million.

Resilience as a strategic priority

Quality is the basic prerequisite for market confidence and traffic growth. The primary goal is therefore to stabilise quality on the various routes, especially on the transalpine lines, which are marked by intensive construction activity. "We will manage the performance of our network even more actively in the future," says Michail Stahlhut, CEO of the Hupac Group. The central element of Strategy 2026 is therefore the measures to strengthen resilience. In order to achieve the goal of 90% rail punctuality, Hupac is investing in additional resources and structural reserves along the entire service chain. "We also expect a corresponding effort from our rail partners," Stahlhut adds. "Our declared goal is quality leadership. If the quality is right, traffic growth will come all by itself."

The following measures will be implemented as a priority and in the short term:

- ▶ Increase of wagons for reserve train compositions by 50% to 12% of the fleet in transalpine traffic
- ▶ Strengthening of the disturbance management in close cooperation with the railway partner
- ▶ Relieving the load on the Busto Arsizio-Gallarate terminal through diversification via other terminals in the greater Milan area
- ▶ Additional complementary offers to the Rhine-Alpine corridor via other transalpine corridors
- ▶ Additional offer of substitute connections in case of planned major construction sites
- ▶ Increase of the locomotive driver team that Hupac keeps under contract for ad-hoc operations in case of breakdowns

In addition, Hupac is lobbying for greater consideration of the requirements of rail freight transport in terms of transport policy. "Passenger and freight transport must be treated equally - in network expansion, in timetable design and in daily operations," Stahlhut demands.

Investments for growth and stability

Hupac's growth strategy is based on strengths that have been built up over many years. The core elements are the demand-oriented development of a network for combined transport, partnership with the railways and investments in own resources such as terminals, rail wagons and IT.

Strategy 2026 focuses on strengthening the core business on the north-south axis and expanding the network to axes with great growth potential such as south-east, south-west and north-east Europe. In the maritime sector, Hupac aims to connect the network to the Italian ports and link it to the ERS Railways network from the ports of Hamburg, Bremerhaven and Rotterdam.

A key factor for the targeted traffic growth are the terminal investments:

- ▶ With Milano Smistamento and Piacenza, two new largescale terminals will be built and put into operation jointly by Mercitalia Logistics and Hupac in north Italy (2025)
- ▶ For the Novara CIM terminal, Hupac plans a significant capacity expansion with gantry cranes (2025)
- ▶ In the Warsaw area, Hupac will put the Brwinów terminal into operation (end of 2022)
- ▶ In addition, Hupac participates in the construction of the Duisburg Gateway Terminal (2025) and the Basel North Gateway (2026)

Our investments in the digital transformation of the intermodal transport chain are a high priority. Today's customers expect the milestones and ETA data of their orders to be made available digitally throughout the entire intermodal chain, without gaps, errors and in real time. This requires a standardisation of the data formats in the European combined transport market, to which Hupac, as a market leader, wants to contribute. Together with partners, Hupac has been investing in the EDIGES consortium since 2019 to drive forward cross-sector digitalisation. The newly developed system will enable seamless tracking of the intermodal chain and facilitate its management. In 2022, a joint operating company will be founded to promote the use and further development of the system as an open platform.

The wagon fleet, which consisted of about 8100 wagon modules at the end of 2021, is to be increased by another 1000 own units as well as additional rented wagons by 2026.

Politics improve framework conditions

The long-term development opportunities for combined transport depend to a large extent on the course set by transport policy today. Together with industry associations, Hupac has succeeded in gaining the support of Swiss politicians for more quality and capacity. In the spring session, for example, Parliament instructed the Federal Council to enter into negotiations with France to electrify the Wörth-Strasbourg railway axis on the left bank of the Rhine and to upgrade it to the corridor parameters. The expansion is to be carried out with financial support from Switzerland. This could eliminate the biggest bottleneck on the TEN-T corridor Rotterdam-Genoa in a not too distant future.

Further demands to make semi-trailers craneable in the future and to enable start-up financing in specific transport relations were also successfully passed by the Swiss Parliament.

Hupac is also committed to improving the framework conditions at international level. Effective corridor management is of central importance, with the various stakeholders overcoming national thinking even more consistently and adopting a corridor perspective with focus on the requirements of freight transport. The following measures would greatly improve the performance of rail freight transport and thus increase the chances of modal shift:

- ▶ Interconnecting the TEN-T freight corridors to increase resilience
- ▶ Securing freight transport capacities through international network utilisation planning
- ▶ Integrated operational management on congested corridors, including planning of construction works in international coordination and taking into account market needs
- ▶ Priority for freight traffic over long distances in the event of operational irregularities and disruptions.
- ▶ Long-term support concepts for combined transport

Combined transport as an answer to the climate challenge

Hupac expects further significant growth in combined transport in the coming years. This is because, in addition to Switzerland's active modal shift policy, the European Green Deal now also sets ambitious targets. Greenhouse gas emissions in the transport sector are to be reduced by 90% by 2050, and the market share of rail freight is to be doubled to 30% by 2030. The EU Recovery Fund provides funds that various states deploy also for the benefit of rail freight transport.

Combined transport with its intelligent linking of different modes of transport will play a central role in low-emission, socially sustainable freight transport in the future. "The climate targets are achievable," says Hans-Jörg Bertschi. "Compared to pure road transport, Hupac saved the environment about 1.5 million tonnes of CO₂ in 2021 and reduced energy consumption by 17 billion megajoules – and in addition relieved the roads of the transport of 21 million tonnes of goods. We are doing our part by providing a reliable service and managing the network in an efficient, eco-friendly way." The environmental performance certification is available online for the customers of Hupac Intermodal.

Benedetta Masciari, new CFO

Benedetta Masciari joined the Hupac Group as the new CFO on 1 April 2022. She replaces Angelo Pirro, who is leaving the company at the end of May after a transition period. Benedetta Masciari (46) was previously CFO at Argor-Heraeus in Mendrisio/TI, where she was in charge of Finance, IT and Supply Chain. Masciari has a broad range of expertise in finance and controlling as well as an MBA.

"We are delighted to have been able to recruit a committed and competent leader in Benedetta Masciari. She will support the implementation of the strategy from a financial point of view and also bring in her broad know-how, especially in organisational development," says Michail Stahlhut. "We thank Angelo Pirro, who has been committed to shaping Hupac's development for over seven years, and wish him all the best for his professional and private future."

Outlook 2022: economic slowdown expected – strengthening of Hupac's offer

The economic slowdown, caused by such factors as the increasing disruptions in global supply chains, is also making itself felt at Hupac. In the first quarter of the current year, the Hupac Group recorded traffic growth of around 4%. In April, the traffic volume was below the previous year's level. This was due to the three weeks of construction work on the Rhine Valley route, which resulted in a halving of transport capacity. "We expect the construction sites scheduled for the summer to be planned much better and more freight-friendly on the rail side, and we will campaign for this at all levels," Stahlhut says.

"The war in Ukraine, renewed disruption of global supply chains as a result of the current Covid situation in China and the upcoming interest rate rises due to high inflation make 2022 a challenging year. Predictions are difficult in this situation," Bertschi says. At the end of the year, Hupac expects traffic growth in the single-digit percentage range and a positive business result.

The main focus of the current network development is on increasing services in the Belgium/Germany-Italy traffic and the development of alternative routings to the main traffic routes as a measure to increase resilience. Further initiatives concern the introduction of gateway connections in Italy and the connection of the Ligurian ports to the shuttle network of Hupac.

Profile of the Hupac Group

Hupac is the leading network operator in intermodal transport in Europe. The offer includes 160 trains daily with connections between the major European economic areas and as far as Russia and China. Hupac Ltd was founded in 1967 in Chiasso/Switzerland. The Group consists of 23 companies with locations in Switzerland, Italy, Germany, the Netherlands, Belgium, Poland, Russia and China. Hupac employs 630 collaborators on a full-time basis, has over 8100 wagon modules and operates efficient terminals at important European locations.

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