# Annual report 2003


HUPAC


HUPAC

## Contents

## Profile of the Hupac Group

| **Hupac Ltd**<br>**Chiasso**<br>Parent company | | | |
|---|---|---|---|
| **Hupac Intermodal Ltd**<br>**Chiasso**<br>Sales & Customer Service<br>Traffic Management<br>Terminal Management | **Hupac Intermodal NV**<br>**Rotterdam**<br>Sales & Customer Service<br>Traffic Management<br>Terminal Management | **Hupac SpA**<br>**Milano**<br>Terminal Management<br>Railway Operating | **Hupac GmbH**<br>**Singen**<br>Sales & Customer Service<br>Railway Operating |
| **Fidia SpA**<br>**Oleggio**<br>Terminal Management<br>Warehousing | **Terminal Singen**<br>**TSG GmbH, Singen**<br>Terminal Management | **Termi Ltd**<br>**Chiasso**<br>Terminal Engineering<br>Estate Management | **Termi SpA**<br>**Busto Arsizio**<br>Terminal Engineering<br>Estate Management |

### Board of directors of Hupac Ltd

| Name | Age | Position | Nationality | First nomination | Expiry of mandate |
|---|---|---|---|---|---|
| Dr. Hans-Jörg Bertschi | 47 | Chairman since 1993 | Swiss | 1987 | 2004 |
| Daniel Nordmann | 49 | Deputy Chairman since 2001 | Swiss | 2001 | 2004 |
| Theo Allemann | 66 | Member | Swiss | 1999 | 2004 |
| Dr. Thomas Baumgartner | 50 | Member | Italian | 1990 | 2004 |
| Thomas Hoyer | 54 | Member | German | 1988 | 2004 |
| Bruno Planzer | 61 | Member | Swiss | 1989 | 2004 |
| Peter Hafner | 48 | Secretary | Swiss | 1999 | 2004 |

### Management board of Hupac Group

**Hupac Ltd**

Bernhard Kunz *Managing Director*
Peter Hafner *Deputy Managing Director*
Peter Howald *Intermodal Services*
Piero Solcà *Logistics & QMS/EMS*
Giorgio Pennacchi *Engineering*
Aldo Croci *Information Technology*
Peter Hafner *Finance & Administration*

| | | | |
|---|---|---|---|
| **Hupac Intermodal AG**<br>Bernhard Kunz<br>*Managing Director*<br>Peter Howald<br>*Deputy Managing Director* | **Hupac Intermodal NV**<br>Jan Groeneveld<br>*Business Manager* | **Hupac SpA**<br>Francesco Crivelli<br>*Managing Director* | **Hupac GmbH**<br>Rudi Mager<br>*Managing Director* |
| **Fidia SpA**<br>Paolo Paracchini<br>*Delegate of the Board of Directors* | **Terminal Singen TSG GmbH**<br>Rudi Mager<br>*Managing Director*<br>Hans-Joachim Güntner (Stinnes)<br>*Managing Director* | **Termi AG**<br>Peter Hafner<br>*Managing Director* | **Termi SpA**<br>Angelo Grassi<br>*Deputy Chairman* |

**Business Area**

**Shuttle Net**
- Continental Services
- Maritime Inland Services

64 shuttle trains per day
376,850 road consignments
6.5 million net tonnes

**Rolling Highway**
8 trains per day
20,895 road consignments
0.4 million net tonnes

**Resources**

**Rolling stock**
2,947 rail wagons (loading areas)

**Terminal management**
Busto Arsizio
Oleggio
Milano Greco Pirelli
Desio
Novara RAlpin
Aarau
Basel
Chiasso
Singen
Ede

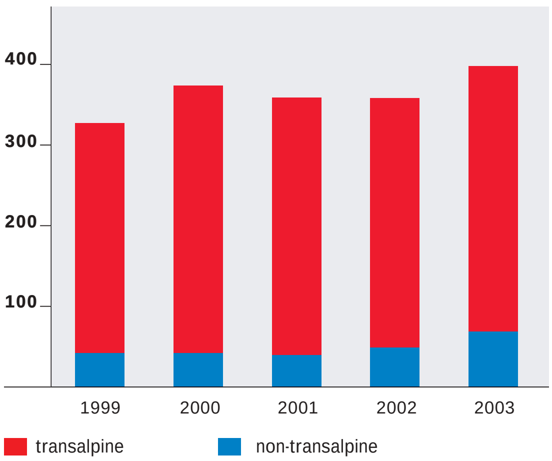
**Information Technology**
- Goal, integrated software solution for intermodal transport in Europe
- Cesar, customer information system connected with more than 130 terminals

**Employees**
294

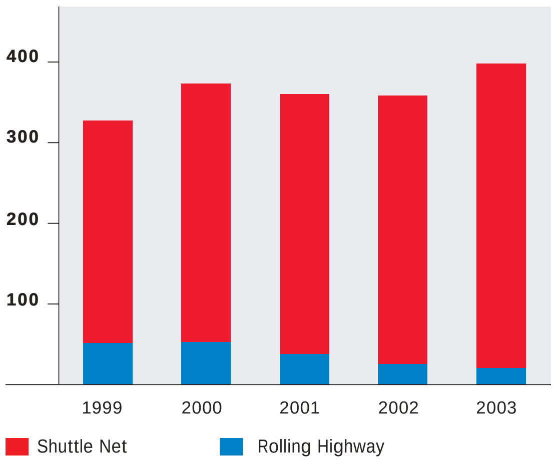
**Financial result**

Annual turnover CHF 301.1 (EUR 192.0) million
Profit for the year CHF 5.9 (EUR 3.7) million
Cash flow CHF 49.4 (EUR 31.4) million

**Traffic development by typology**
Road consignments x 1000




**Traffic development by business areas**
Road consignments x 1000




MAINSP
SAE
SAE

## Quality thanks to integrated production

In 2003 economic development was slow once again. Nevertheless, after two years with a one-digit transport growth rate Hupac succeeded last year to grow again by a two-digit rate of 13.3% in the core business Shuttle Net. Successful launching of new products in the market was the principal reason for this pleasant development. Thus Hupac again clearly increased its market share in the alpine transit compared to the road. Budgeted income targets were also reached.

The outstanding event in 2003 was the change in management. After 37 years of successful work as managing director, Theo Allemann handed over control of the Hupac Group to Bernhard Kunz in the middle of the year. I thank Theo Allemann for the long, wise and extremely successful guidance and development of Hupac since its establishment in 1967. I am delighted that he will stay with the company as a member of the board and perform special tasks. I wish Bernhard Kunz much success and satisfaction in his new job - there will be no lack of challenges!

In 2003 we have undertaken further steps with regard to the successful conversion of our strategy, which targets amongst other things the doubling of transport until 2007.

Firstly, Hupac again made investments of CHF 30.5 million in 2003. The rolling stock was extended by 159 car units, or by 6.3% respectively. Substantial means were used for the extension of the Busto terminal on the district grounds of Gallarate. This large site will start operation in the middle of 2005. Thus Hupac will provide in time the necessary terminal capacity for a clear growth in transport. Another important investment last year was the acquisition of diesel traction means for our Italian subsidiary, which is licensed as a railway company. This increases our possibilities in the Italian market.

Secondly, substantial efforts were made to improve performance quality. However, only for a few transports, quality agreements corresponding to the market could be arranged with the railways. Again, private railway companies are leading by example. Overall the quality based on the punctuality of the trains improved from 47% in 2002 to 53% in 2003. The medium-term goal, however, continues to be 95%: only if we succeed in running 95% of the trains on time, the targets for relocation from road to rail can be achieved efficiently.

And thirdly, in 2003 Hupac managed to come much closer to the strategic goal of traction being purchased in continuous performance responsibility by one party. The established railways have made considerable progress here toward the end of the year: SBB Cargo with starting railway operation in northern Italy, Railion with starting production on the Gotthard axis, and Trenitalia with setting up continuous alpine transit transports in co-operation with a German private railway company.

In January 2004 Hupac could launch together with partners Cemat and Kombiverkehr the first connection Germany-Italy with traction being in continuous performance responsibility of only one railway organisation - an important break-through with regard to achieving the set performance and quality targets in the future. From 2005 we expect to be able to run a large number of our shuttle trains in continuous performance responsibility with quality commitments corresponding to the market.

In this business report, in the section titled "Corporate Governance", the board of directors informs for the first time on important aspects of the Hupac management and the relationship with public authorities. We are convinced that this will clearly improve transparency for you as a shareholder. Transparency creates reliability and trust - probably the most important future capital for an organisation.

Over the next years Hupac will continue its efforts to make a sustainable transport system via the Alps possible. By continuing in this consistent way, we are convinced that we are able to keep and strengthen your trust as customer, partner and shareholder.

Dr. Hans-Jörg Bertschi
Chairman

Chiasso, 14 May 2004

# Corporate Governance

According to which principles and rules does the management of the Hupac Group act? Which focal points are set, so that the organisation can create values for the customers and stay competitive on the market? Below Hupac will answer these questions and inform on important events and decisions in the year under report.

**Structure of the Hupac Group**

At the end of 2003 the Hupac Group consisted of a total of nine companies (see page 2). The parent company Hupac Ltd is a mixed holding company. Main tasks are the management of the Group, the procurement and management of the rolling stock as well as the realisation of the holdings. The operational business covering all of Europe is led and operated by Hupac Intermodal Ltd. In Holland, Italy and Germany it is supported by companies of the Hupac Group based in Rotterdam, Milan and Singen. Fidia SpA and TSG GmbH are local operator companies of terminals and infrastructures complementing the operational business. Termi Ltd and Termi SpA finance, build and maintain terminals for the combined transport and are supported by public financial aids of Switzerland.

In October 2003 Trailstar NV was renamed Hupac Intermodal NV. The reason for renaming the 100% subsidiary of Hupac was the desire to achieve a uniform market appearance of the operational companies. Hupac Intermodal NV will continue the business of Trailstar NV in the same fashion.

**Board of directors**

The board of directors of Hupac Ltd consists of six members (see page 2). Due to the low number of members no committees are established. The term of office is three years; a re-election is possible. The age limit is set at 70 years.

According to statutes, shareholders of Hupac are primarily transport companies actively involved in the advancement of the combined freight transport. Thus the board of directors of Hupac consists mainly of owners or managing directors of such companies. With Germany and Italy important geographical markets are covered. In its current composition the board of directors represents more than two thirds of all shareholders' votes. The composition of the board of directors of Hupac Intermodal Ltd and Termi Ltd is identical to that of Hupac Ltd.

**Management of the Group**

At the end of July 2003 Theo Allemann resigned after 37 years as managing director of the Hupac Group. The board of directors selected Bernhard Kunz as the new director of Hupac Ltd. Peter Hafner, head of Finance & Administration of the Hupac Group, was appointed deputy managing director of Hupac Ltd. Peter Howald, head of Intermodal Services of the Hupac Group, took over the position of deputy managing director of Hupac Intermodal Ltd.

Diagram 3 on page 2 summarises the management of the Hupac Group by end of the year under report. Theo Allemann is president of the board of directors of Hupac SpA, while Bernhard Kunz has taken over the tasks of the delegate of the board of directors at Hupac SpA and acts as a president of the board of directors at Fidia SpA and Hupac Intermodal NV. At Termi SpA Peter Hafner performs the function of president of the board of directors.

**Organisation regulations**

The organisation regulations of the Hupac Group regulate the constitution and adoption of resolutions as well as the tasks and responsibilities of the following organs: board of directors, presidency of the board of directors and management. The document applies not only to the parent company, but, in important questions, also to all companies of the Hupac Group.

**Shareholders' rights**

Each share represented in the general assembly constitutes the right to a vote. Article 695 OR remains reserved. The general assembly passes its resolutions and carries out its elections with absolute majority of the represented votes as far as the law permits.

**Auditing place**

The parent company Hupac Ltd, the Swiss subsidiaries as well as the accounts of the Group are examined by Pricewaterhouse-Coopers in Lugano. The management letter of the external auditors will be used as a work instrument for internal auditing. The recommendations of the external auditors are implemented by the management.

## Capital structure

In the year under report Hupac Ltd held a share capital of more than CHF 20 million split into 20,000 registered shares with a nominal value of CHF 1,000 each. The last capital increase was accomplished in the year 1999 with over CHF 5 million. At the moment Hupac Ltd does not have a stock of own shares at disposal.

## Public financial aids

One of the goals of Swiss transport policy is the relocation of the freight transit crossing the Alps from road to rail. On the one hand, means from oil taxes contribute to the financing of the terminal infrastructure, because the economy of transhipment facilities is not guaranteed with capital market financing.
On the other hand, the operators in intermodal transport - in particular in the alpine transit - cannot cover the costs fully with market profits. Thanks to various laws the Federal Government therefore supports the providers of services in intermodal transport financially.

The following investment projects in terminal infrastructures of Termi Ltd and Termi SpA were financed primarily by the Federal Government:

- Terminal Busto Arsizio (completed)
- Track connection Gallarate (completed)
- Terminal Singen (partly completed)
- Extension of the Busto Arsizio terminal on the district grounds of Gallarate and Busto Arsizio (under construction).

Over the next years the Federal Government wants to reduce the operating contributions per consignment kilometre annually, in order to be able to relocate increasingly more transports with these saved amounts. In the year under report the average supporting measures per consignment kilometre of the Rolling Highway were nearly four times larger than those of the Shuttle Net (unaccompanied combined transport). At the Rolling Highway this is in part due to higher maintenance costs and the slump in consignments caused by construction work in the Monte Olimpino II tunnel.

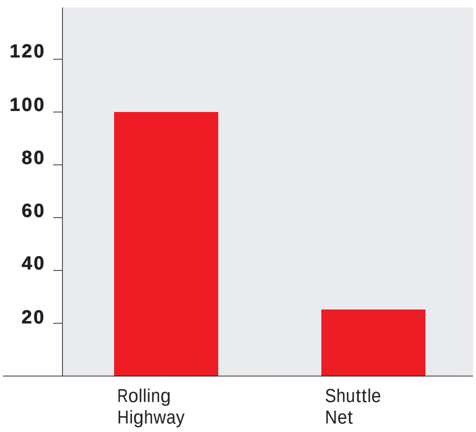
## Risk management

In the year under report the board of directors dealt with risk management as a central component of the Corporate Governance. Thanks to internal and external analyses, five important operational risks have been identified, as well as IT-related and economic-administrative risks e.g. debtor loans outstandings. These are investigated in the framework of a preventive general observation and decreased with target-oriented measures.

## Information policy

The Hupac Group aims to have an open information policy towards all shareholders. Hupac supports open dialogue and active communication with customers, employees, shareholders, suppliers, the media, the state and other partners. Furthermore, the investor relations particularly are being developed.
In future shareholders are to be informed every six months on the course of business and regularly on major events.

**Supporting measures for Shuttle Net and Rolling Highway** (per consignment/km, indexed; Rollingh Highway = 100)




**Repayment of public financial aids: indicative cash flow burden per year**
values in 1000 CHF

| Years | 2003 - 2005 | 2006 | 2007 - 2017 | 2018 - 2026 | 2027 - 2030 | 2031 - 2035 | 2036 - 2041 | 2003-2041 Total |
|---|---|---|---|---|---|---|---|---|
| Loan repayment | 263 | 2'496 | 3'849 3'849 | 3'586 3'586 | 2'551 2'551 | 2'020 | 317 | 100'105 |
| Interests | | | 352 - 919 | 221 - 835 | 32 - 127 | | | 12'063 |
| Total | 263 | 2'496 | 4'201 - 4'768 | 3'807 - 4'421 | 2'583 - 2'678 | 2'020 | 317 | 112'168 |

# The 2003 business year

The Hupac Group closed the financial year 2003 with a pleasing transport development. Approximately 398,000 truck consignments were transported by rail. That corresponds to an increase of 11.0% in relation to the year before.

The two-digit volume growth brings Hupac back on course for achieving the desired doubling of transport until 2007. Even better results could have been achieved with trouble-free operation. However, repair works lasting months of the Monte Olimpino II tunnel near Como impeded further transport development.

Here the management of Hupac would like to take the opportunity to thank customers and employees, railways, authorities and UIRR partners - especially Cemat and Kombiverkehr - for their dedicated co-operation.

**Transport development**

In the business area Shuttle Net (unaccompanied combined transport) Hupac increased the volume by 13.3% to 376,850 consignments. The market sector Shuttle Net transalpine with the segments Transit transport, Import/export Switzerland and Domestic transport Switzerland increased by 8.8% to 307,963 consignments. The non-transalpine transport with the segments Import/export Switzerland and Rest of Europe could be increased by 38.9% to 68,887 consignments.

Numerous new products contributed to this positive course of business, the most important being the development of the Benelux transport with many new departures. The investments of the past years into establishing the maritime transport have now also paid off. Particularly on the Benelux-Switzerland axis this transport could be increased drastically. In Germany the Shuttle Net was extended by the connections between Ludwigshafen-Brescia and Ludwigshafen-Leipzig/Buna/Schwarzheide with further connection possibilities to Italy.

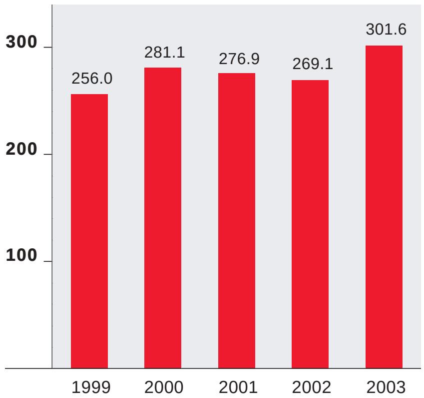
The business area Rolling Highway was strongly impeded by the infrastructure problems of the Monte Olimpino II tunnel. With a total of 20,895 consignments the volume receded by 19.1% compared to 2002.

**Partners**

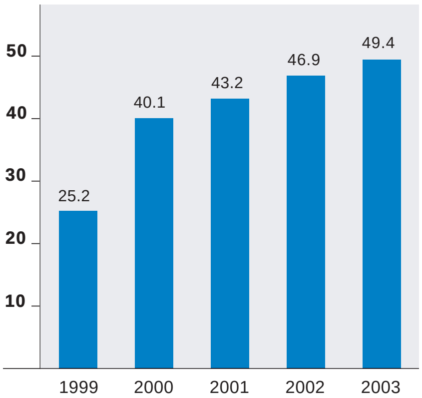
We want to offer our customers a high performance transport network with a high offer density and a competitive cost-performance ratio. Therefore the linking-up of the partner networks on the North-South axis is still of the highest priority. In Germany Hupac co-operates with Kombiverkehr and in Italy with Cemat. The transport networks are increasingly interconnected by gateway terminals. The web-supported customer information system Cesar serves as a common platform of the European combined transport operators and enables continuous consignment tracking via one interface only.

Close co-operation exists also with the railways, which take over the traction of our trains. In the year under report traction per-

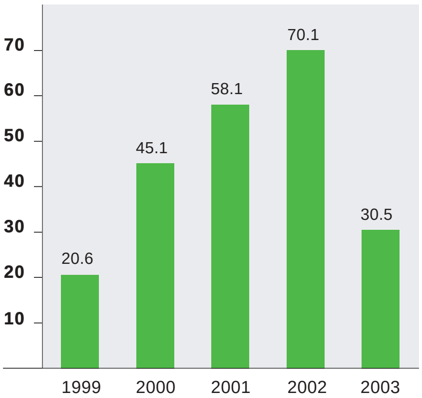
**Annual turnover**
in million CHF




**Cash flow**
in million CHF




**Investments in tangible fixed assets**
without advances, in million CHF



formances were assigned not only to the large railway organisations emerging from the traditional state railways but also to new private railway companies. These first experiences were throughout positive. Hupac appreciates that the competition in European rail transport progresses and contributes to the improvement of traction quality.

**Outlook for 2004**
Despite the still rather reserved economic forecasts Hupac has a positive outlook for the financial year 2004. Further new products are in preparation. The investments in the rolling stock will continue according to plan, so that the wagon fleet can be adapted to rising market demands and changing requirements.

The new frame conditions in the railway sector suggest that the cost-performance ratio of the traction will improve in coming years. Hupac supports its partners in the realisation of a continuous performance responsibility from Northern Europe to Italy. Transnational production by one party gives the railways the necessary responsibility and facilitates the implementation of measures promoting quality.

**Highlights**

**January** Start of construction work to extend the Busto Arsizio terminal on the district ground of Gallarate

**March** Ordering of 60 ultra low-loader wagons for the Rolling Highway, suitable for the transport of trucks with a corner height of up to 4 meters on the Gotthard line

**June** Start of empty wagon transport Busto-Chiasso with traction by Hupac SpA

**August** Hand-over of the management of the Hupac Group, with Bernhard Kunz as managing director of Hupac Ltd, Peter Hafner as deputy managing director of Hupac Ltd, and Peter Howald as deputy managing director of Hupac Intermodal Ltd

**October** Renaming of Trailstar NV to Hupac Intermodal NV

**Transport volumes 2003**

| | | Road consignments | | | Net weight in tonnes | | |
|---|---|---|---|---|---|---|---|
| | | 2003 | 2002 | % | 2003 | 2002 | % |
| **Shuttle Net** | ***Transalpine*** | | | | | | |
| | Transit | 285’807 | 260’402 | 9.8 | 5’181’000 | 4’661’000 | 11.2 |
| | Import/export CH | 15’410 | 15’746 | -2.1 | 262’000 | 282’000 | -7.1 |
| | National CH | 6’746 | 6’783 | -0.5 | 82’000 | 88’000 | -6.8 |
| | Total | 307’963 | 282’931 | 8.8 | 5’525’000 | 5’031’000 | 9.8 |
| | ***Non-transalpine*** | | | | | | |
| | Import/export CH | 50’198 | 34’279 | 46.4 | 721’000 | 490’000 | 47.1 |
| | Rest of Europe | 18’689 | 15’331 | 21.9 | 271’000 | 203’000 | 33.5 |
| | Total | 68’887 | 49’610 | 38.9 | 992’000 | 693’000 | 43.1 |
| | **Total** | **376’850** | **332’541** | **13.3** | **6’517’000** | **5’724’000** | **13.9** |
| **Rolling Highway** | | 20’895 | 25’834 | -19.1 | 400’000 | 495’000 | -19.2 |
| **Total transport volume** | | **397’745** | **358’375** | **11.0** | **6’917’000** | **6’219’000** | **11.2** |

2003 has been introduced a new computation in transalpine traffic. The figures of the previous year were adapted accordingly.


HUPAC

LKW WALTER
AUSTRIA
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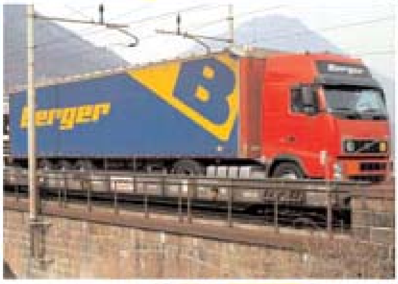
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SATRAS



Bay

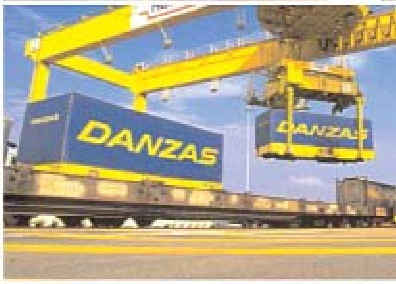
STAR
NEDERLAND

R.M.I.



TRANSCO
www.transco.de
Transport + Logistik

Geest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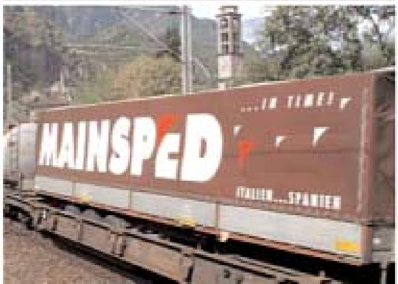
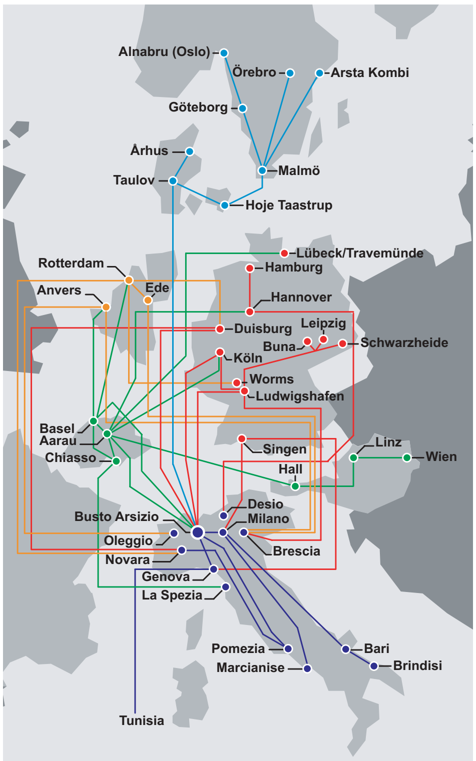

MAINSPED
...IN TIME!
ITALIEN....SPANIEN

RINNEN


## Intermodal Services

### Shuttle Net

More than 60 daily shuttle trains of Hupac are in operation throughout Europe. They transport containers, swap bodies and semitrailers on behalf of hauliers, carriers and shipping companies. In the continental traffic the transport from terminal to terminal takes place between the large European economic zones. The goal is the bundling of transports to efficient, high performance line transports. The emphasis lies on north-south-north connections through Switzerland. Via gateway terminals peripheral economic zones can be connected to the Shuttle Net. In the maritime traffic Hupac provides a complete performance offer for inland transports to/from the large European ports, including road trucking, ferry services and customs clearance. Modern IT solutions ensure reliable tracking & tracing of the transports as well as real time information in case of traffic irregularities.




**Shuttle trains per day**

| | |
|---|---|
| Germany-Italy ⇆ | 29 |
| Benelux-Italy ⇆ | 12 |
| Scandinavia-Italy ⇆ | 4 |
| Switzerland-Europe ⇆ | 8 |
| Switzerland national ⇆ | 4 |
| Rest of Europe ⇆ | 7 |

### Rolling Highway

The Rolling Highway offers a safe, easily accessible rail alternative to hauliers for transports through Switzerland. Eight trains run daily between terminals in the German and Italian and/or Swiss border area over the Gotthard line. They carry complete trucks up to a corner height of 3.80 m. Starting from march 2004 special low-loader wagons carry trucks with a corner height of up to 4 metres. The drivers travel along in a separate sleeping car and enjoy their mandatory rest period while travelling. The Rolling Highway guarantees a clear run irrespective of the weather. Customs formalities do not apply on the lines between Germany and Italy.


**Trains per day**

| | |
|---|---|
| Lugano-Basel ⇆ | 2 |
| Lugano-Freiburg i.B. ⇆ | 2 |
| Singen-Milano ⇆ | 4 |

## Shuttle Net

With a volume of 376,850 road consignments Hupac registered an increase of 13.3% in the business sector Shuttle Net. Thanks to the introduction of new products and the further development of maritime transport, non-transalpine transport grew by 38.9%. The development of the transalpine transport was distinctly handicapped by infrastructure problems of the Monte Olimpino II tunnel, which strongly affected the course of operation until September 2003. Nevertheless, the volume could be increased by 8.8%.

Mainly responsible for this growth were the Benelux transport with an additional connection Rotterdam-Novara for the transport of 4-meter-semitrailers as well as the new connections Rotterdam-Worms and Antwerp-Brescia. Transport in Germany was extended by the connections Ludwigshafen-Brescia and Ludwigshafen-Leipzig/Buna/Schwarzheide with further connection possibilities to Italy.

In the year under report the business sector Maritime Inland Services registered a transport volume of 46,000 TEU, which corresponds to an increase of 32%. A substantial component of this success is the positive development of seaport transport between Antwerp and Switzerland. Due to the low water levels of the Rhine the autumn business in particular was characterised by a strong transport demand. In co-operation with the participating railways Hupac could deal with the additional transport without considerable problems.

At the same time transport to and from the Mediterranean ports Genoa and La Spezia was developed further. The Medgate Shuttle between Genova VTE and Busto, launched in autumn 2002, developed according to plan. The goal is the establishment of a maritime network across Europe via the north Italian hub terminals in co-operation with Cemat.

**Highlights**

**January** Commencement of business relations with Swiss Groupement Fer and start of the shuttle train Antwerp-Basel/Aarau

**January** Relocation of the trains Antwerp-Oleggio with Free Access traction via Germany

**July** Opening of a 4-meter-corridor Rotterdam-Novara via Lötschberg-Simplon, enabling loading of semitrailers P400

**September** Start of the Free Access train Ludwigshafen-Leipzig/Buna/Schwarzheide with traction by Rail4Chem

**September** Conclusion of quality contracts with Free Access providers

**October** Start of the connection Antwerp-Schwarzheide in the framework of an existing train system

**November** Start of the Free Access train Rotterdam-Worms with traction by Rail4Chem

**Transalpine transit transport**
The transalpine transit transport represents the core business of Hupac. With a rise from 260,402 to 285,267 consignments an increase of 9.8% was achieved. Below we briefly outline the development of the individual market segments.

**Scandinavia-Italy** The volume of Scandinavia transport could be extended by new acquisitions to Denmark. The bad quality of the rail traction - in the autumn also on the German railway network - impaired the Sweden transport via the hub in Taulov and affected the development of the market segment negatively. The planned fourth train departure of Busto could not be realised for the reasons mentioned.

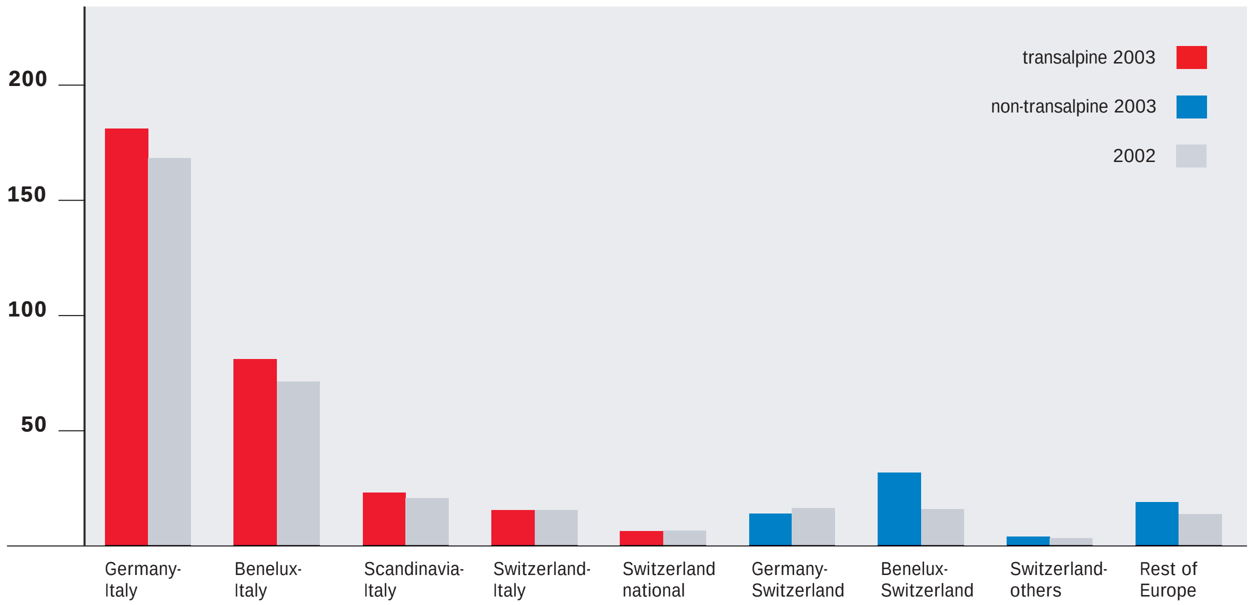
**Northern Germany-Italy** In the financial year 2003 the shuttle connection Hamburg/Hanover-Desio was again strongly impeded by repair works on the Monte Olimpino II tunnel. Only single-track operation was possible until spring and dual-track operation without problems only from September. Thus transport of semitrailers in this period was impossible. Nevertheless, the transport volume level of the previous year could be maintained.

**Rhine/Ruhr-Italy** The redirection of the earlier connection Cologne-Pomezia to Brescia, having taken place in the autumn of 2002, proved successful. The shuttle Cologne-Brescia, operating four times a week, opens up the area east of Milan. However the repair works of the Monte Olimpino II tunnel prevented a faster development here too. The transport volume of the segment could be slightly increased by new acquisitions.

**Rhine/Main-Italy** The connection Ludwigshafen-Busto was characterised by a strong demand in transport. The weekly departures were increased by two trains to 48 trains. In order to connect the area Rhine/Main with the region east of Milan, the terminal Ludwigshafen was linked with the shuttle train Cologne-Brescia. The Free Access connection Ludwigshafen-Leipzig/Buna/Schwarzheide, newly introduced in September 2003, connects the marketing area Central Germany via the gateway Ludwigshafen with Lombardy.

**South Germany-Italy** The shuttle Singen-Milan Certosa, the core connection of this market segment, was strongly impeded by the repair works in the Monte Olimpino II tunnel. Transport of certain semitrailers was no longer possible. Thanks to the good co-operation with customers and SBB Cargo an alternative via terminal Chiasso could be offered. With this initiative the transport volume level of the previous year could be maintained.

**Development of the Shuttle Net market segments**
Road consignments x 1000



**Netherlands-Italy** In order to meet the strong demand in transport, Hupac increased the weekly departures Rotterdam-Brescia by two trains to twelve trains per week. The connection Rotterdam-Novara was also extended from 30 to 34 departures per week. New is, that these additional trains are led via Bern-Lötschberg-Simplon-Domodossola, which allows the transport of semitrailers with the profile P400 via Switzerland. This measure increased the market potential significantly and caused animated demand.

**Belgium-Italy** Since the beginning of 2003 the 18 weekly trains of the Belgium-Italy transport are running with the help of a Free Access performance via Germany. This measure succeeded in lastingly improving railway quality and in attracting numerous new customers.

**Transalpine Import / export Switzerland**
A qualitative improvement was achieved with a revised timetable position of the train Aarau-Busto, thus maintaining the transport volume of this connection. As a consequence of changed market conditions, the traffic directed to Pomezia slightly decreased. The transalpine import / export traffic closed overall with -2.1%.

**Transalpine Domestic transport Switzerland**
Thanks to the top quality of the connection Stabio-Aarau Hupac increased transport for this connection. Especially here, due to the good co-operation of all partners involved, it could be proven that the railway represents a genuine alternative for extremely time-critical products such as fruits and vegetables. The connections Basel-Chiasso and Aarau-Chiasso, however, had to concede strong losses, so that the transalpine domestic transport closed overall with -0.5%.

**Non-transalpine Import / export Switzerland**
With an increase of 46.4% non-transalpine import / export transport could be increased notably. Mainly responsible for this was the new shuttle connection Belgium-Switzerland for the maritime transport.

**Non-transalpine Rest of Europe**
In autumn 2003 Hupac launched numerous new products in the transport segment "Rest of Europe". In September a new Free Access connection Ludwigshafen-Leipzig / Buna / Schwarzheide with three weekly departures per direction was started. In November - also in the Free Access - the new shuttle connection Rotterdam-Worms with departures on workdays in each direction followed. Also in November, the connection Antwerp-Schwarzheide was started in the framework of an existing train concept. The transport segment Netherlands-Austria however was regressive. The overall volume increase of the transport "Rest of Europe" was 21.9%.

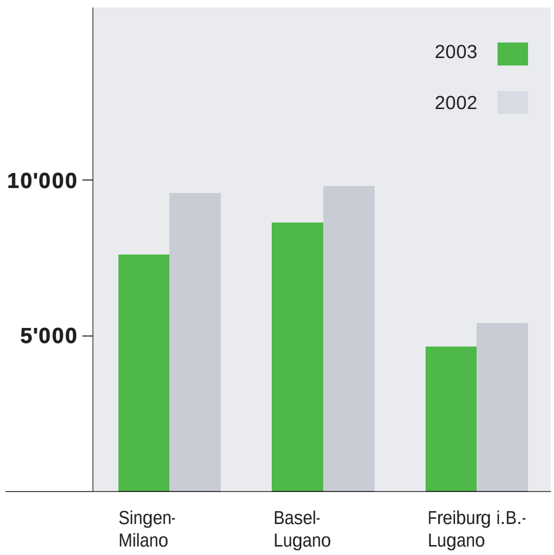
## Rolling Highway

The segment Rolling Highway was strongly impaired in the year under report by infrastructure problems. Until May the trains of the connection Singen-Milan could not operate because of the closure of the Monte Olimpino II tunnel. Consequently Hupac had to accept a strong offer reduction and a drift of customers.

The transport volume of the Rolling Highway on the Gotthard line amounted to a total of 20,895 trucks, which corresponds to a decrease of 19.1% in relation to the previous year. After numerous difficulties in the first half of the year Hupac could make up lost ground in the latter half and exceed the monthly volumes of the previous year again from October.

For the year 2004 expectations are positive. From March approximately 60 innovative ultra low-loader wagons will start operation on the Lugano-Basel line. They allow the transport of 4-meter-semitrailers, thus tapping new market potential.

**Development of transport lines**
Road consignments



## Information Technology

Information systems are a key factor in the quality of the service provided to customers. Goal - Global Oriented Application for Logistics - is an integrated software which coordinates intermodal transport, from booking to billing, handling information in real time. Created by Hupac and developed with Cemat, Goal is today the most widely used system for intermodal transport management in Europe.

In 2003 Goal was brought into use with new functions of support for maritime transport. The aim is to provide both customers and the Hupac organisation with secure and reliable information throughout transport, from arrival of the ship to processing of customs procedures and movement from the port to the terminal. Goal handles information and also allows suppliers of these services access to the system. Continuous and automatic exchange of information between the Hupac information system and the port terminal systems is also guaranteed.

Another essential aspect is billing of the services which are corollary to the Hupac rail service. The customer receives a clear and detailed invoice which includes both the terminal-terminal rail service and the services carried out to and from the port.

Cesar, the Hupac information system for customers, has also been implemented with the specific functions for maritime transport. Cesar supplies tracking & tracing and booking functions and information on transport problems. The system receives information in real time from the information systems of Hupac, Cemat, Kombiverkehr and Novatrans.

Cesar was introduced on a large scale with European customers in 2003. The system handles information on approximately 60,000 consignments a week, based at over 130 terminals in Europe with approximately 230,000 transport reports. Cesar's current 200 customers are able to monitor every phase of their traffic.

The consortium of intermodal operators who support Cesar plan to set up in 2004 a special company for management of the Cesar system, with developments to support new and interesting functions for combined traffic customers and constant quality improvements. The aim is to extend use of this tool to customers as well as the adoption by other combined traffic operators, thus making an increasing amount of information available to customers.

## Logistics

### Rail traction

Deregulation of European rail transport has gained ground to a certain extent in recent years, above all as regards intermodal transport. Thanks to new organisational features linked to full interoperability of means of transport, greater competitiveness of rail traffic can be achieved. Hupac monitors and cooperates closely in these innovative projects which encourage healthy competition with high productivity.

In line with its strategy as intermodal operator, Hupac will continue to outsource train traction. We are certain that the climate of competition introduced by deregulation and transfrontier production with single responsibility implemented by the larger rail companies will have a positive impact on the quality of traction.

Nevertheless the Hupac group is able to handle traction of trains independently via the German Hupac GmbH and Italy's Hupac SpA which hold a railway licence and a small fleet of locomotives. In 2003 a service was started up for the traction of empty wagons between Busto Arsizio and Chiasso. The train travels twice a week and allows fast and accurate transit of the wagons requiring maintenance or servicing. The serviced wagons are then returned to the production flow via the Chiasso-Busto return train. The regular flow of these wagons and hence their productivity, with fewer days of service non-availability, has already achieved excellent results.

Deregulation of the railway market has seen the arrival of some new firms with features of extremely high flexibility and dynamism.
With one of these new players, Rail4Chem, in autumn 2003, together with various partners, we introduced the following Free Access products:

- ▶ Ludwigshafen-Leipzig/Buna/Schwarzheide
- ▶ Antwerp-Buna/Schwarzheide
- ▶ Rotterdam-Worms.

### Terminals

The need for constant improvements to our products forces us to review our working processes regularly. The most important link in the process, the terminal, is therefore constantly matched up to the aims of productivity, economics and flexibility, with careful management of all safety-related issues. Thanks to support from our personnel and the resources available we play out this game each day.

At Busto Arsizio the investments made during the previous year - new gantry cranes and shunting locomotives - have improved service quality and productivity. The reduction in time


for collection and consignment of the vehicle confirms the efficacy of our economic efforts. We can also handle, and relatively seamlessly, the needs of the site for extension of the Busto terminal on the district grounds of Gallarate. Careful planning limits the inconvenience caused to our customers by these major works to a minimum.

At the Aarau terminal automation of the working processes has been considerably enhanced by installing computer equipment with radio frequency for optimal communication with the crane trucks. Our crane drivers have availability in real time of all the necessary information via a terminal video connected to our software application Goal.

Acquiring important traffic of shipping containers between Basel/Aarau and Antwerp is handled with considerable skill and flexibility by staff working on site. Perfect synchronism of our various sectors and of our partners allows excellent productivity results to be obtained even on small terminal surface areas.

**Puncuality of trains**

The quality of the railway traction will continue to be an important factor for the attractiveness of the freight transport and is therefore of central importance for the future market chances of combined transport. Hupac strives to achieve the quality goal of a punctuality rate of 95%.

A pleasant quality improvement could be recorded from January to October of the year under report. In certain periods a punctuality rate of over 75% was achieved. This was mainly due to the accomplished infrastructure improvements and the demand-oriented resource planning of the railways. Unfortunately we had to concede a reduction in quality in the last quarter once again. Reason for this were strikes in Italy and capacity bottlenecks in Germany as a consequence of the low water levels of the Rhine, which strongly obstructed the inland transport on water and pushed many consignments into the railway system.

The average punctuality of our trains rose by approximately 6%. On the Germany-Italy line a quality monitoring system was introduced allowing a reliable measurement of punctuality. Thus, future quality contracts with the railways are provided with a safe and neutral base.



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## Engineering

### Rolling stock
Hupac has a broad pallet of innovative wagons for the Shuttle Net lines and the Rolling Highway. With more than 2,900 units the wagon fleet offers numerous advantages to the customers.

### Shuttle Net
- ▶ Container flat wagon: additional loading capacity by optimisation of dead weight
- ▶ Pocket wagon: designed for heavy goods and volume-optimised trailers of today's generation
- ▶ Mega II: suitable for high cube containers, swap bodies, trailers and megatrailers.

### Rolling Highway
- ▶ Transportation of trucks up to 44 t
- ▶ From 2004 transportation of trucks with a corner height of 4 meters on the Gotthard line
- ▶ Comfortable sleeping cars for truck drivers.

With the latest wagons Hupac meets the requirements for noise protection. Approximately 50% of the wagons are equipped with noise-reducing plastic soles. Preventive and controlled maintenance improves the availability of the wagons. Continuous development of the components and technical quality controls are to increase the operational performance of the wagons in the future.

In 2003 Hupac ordered 60 wagons for the Rolling Highway. They will be delivered during the year 2004. With these wagons Hupac can offer transportation of trucks with a corner height of 4 meters on the Gotthard line for the first time. The acquisition of further rolling stock for the Shuttle Net is intended for 2004.

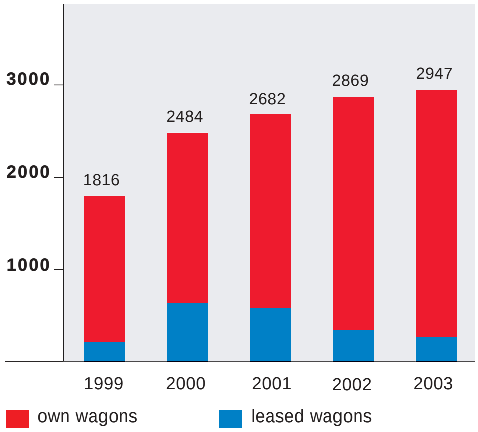
### Extension of the terminal Busto Arsizio
In January 2003 the construction work of the extension of the Busto Arsizio terminal on the district ground of Gallarate started. All the planning and management is performed by the subsidiaries Termi Ltd and Termi SpA. The terminal is built on an area of 134,000 $m^2$, of which 115,000 $m^2$ are intended for tracks, loading equipment and internal roadways, while 19,000 $m^2$ will be planted with greenery. As a measure of compensation an area of 128,000 $m^2$ outside the terminal is reforested and ecologically qualified.

In the course of the year under report a geotechnical preparation of the area was carried out. The internal drainage system with return basins for rainwater and the circular water pipeline of the fire-extinguishing system were built. As a groundwater protection measure all permeable surfaces were sealed. The crane tracks were built, and the lighting masts were erected.

The completion of the construction work is intended for July 2005. The terminal will start operation with two crane modules each on three tracks and a total of five gantry cranes. Initially the capacity will be limited to eight pairs of trains per day.

A maintenance workshop for rolling stock is to be developed alongside today's terminal Busto. The close proximity of the site to the terminal will allow high time and cost savings for maintenance and repair of the rolling stock.

### Rolling stock

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## Employees

With the continuous growth of the organisation and the mounting requirements on the part of the customers, the demands on our employees increase.

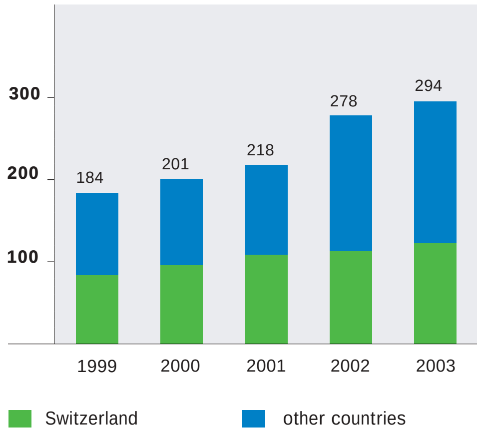
At the end of the financial year 2003, 294 employees were working for the Hupac Group. Of these, 116 are employed at Hupac Intermodal Ltd in Switzerland, 152 at Hupac SpA and Fidia SpA in Italy, and 26 employees are working for the subsidiaries in Germany and Benelux.

The rapidly changing frame conditions require from our employees highest flexibility and motivation. Continuous basic and advanced education by internal and external training are indispensable components of the organisation strategy. Of highest priority is our confidence in the daily handling of the loading units entrusted to us. Preventive training of the operational staff in the terminals reduces hazard potential.

The speed in the development of new products increasingly becomes the success factor for companies involved in a highly dynamic environment such as the intermodal transport. In December 2003 Hupac Intermodal Ltd established a new project organisation in order to be even closer to the market and to advise customers even better when developing new projects. The goal hereby is to achieve an improvement of the market introduction times of new products.

Infrastructure bottlenecks, which we unfortunately had to fight again in the financial year 2003, as well as irregularities in the operational business have required a maximum of flexibility and commitment from our entire staff. The management would like to express its gratitude to all employees. Flexibility, self-initiative and team spirit have contributed decisively to the fact that the business goal could be achieved under conditions that were not always favourable.

**Workforce of the Hupac Group**



# Consolidated financial statements

## Consolidated income statement 2003 and 2002

| Amounts in 1 000 CHF | 2003 | 2002 |
|---|---|---|
| Revenues from supplies and services | 301 591 | 269 083 |
| Net cost of the services | (217 143) | (189 141) |
| Gross profit | 84 448 | 79 942 |
| Payroll expenses | (22 041) | (19 868) |
| General expenses | (10 389) | (10 578) |
| Depreciation and provisions | (43 509) | (41 340) |
| Gains from disposal of fixed assets | 420 | 522 |
| Losses from disposal of fixed assets | (116) | (271) |
| Operating profit | 8 813 | 8 407 |
| Financial income | 220 | 323 |
| Financial expenses | (1 813) | (2 385) |
| Result from associates | 994 | 616 |
| Foreign exchange differences | (195) | (151) |
| Profit before extraordinary items | 8 019 | 6 810 |
| Non-operating income | 306 | 370 |
| Non-operating expenses | (50) | 0 |
| Extraordinary income | 733 | 387 |
| Extraordinary expenses | (611) | (154) |
| Profit before taxes | 8 397 | 7 413 |
| Taxes | (2 373) | (1 821) |
| Profit before minority interest | 6 024 | 5 592 |
| Minority interest | (64) | (58) |
| Group profit | 5 960 | 5 534 |

# Consolidated balance sheet at 31 December 2003 and 2002

## ASSETS

| Amounts in 1 000 CHF | 31.12.2003 | 31.12.2002 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Liquid funds | 32 409 | 18 800 |
| Receivables from supplies and services | 45 635 | 34 947 |
| - third parties | 45 191 | 34 947 |
| - shareholders | 444 | 0 |
| Other receivables | 8 454 | 8 338 |
| Stocks | 1 205 | 1 094 |
| Accrued income | 4 632 | 3 578 |
| Total current assets | 92 335 | 66 757 |
| **FIXED ASSETS** | | |
| Financial fixed assets | 20 216 | 18 314 |
| - Investments | 18 131 | 16 092 |
| - Deposits and other financial assets | 409 | 504 |
| - Deferred tax assets | 1 676 | 1 718 |
| Tangible fixed assets | 197 557 | 198 467 |
| - Advance to suppliers | 14 175 | 9 199 |
| - Technical equipment | 10 904 | 14 417 |
| - Rolling stock | 81 761 | 97 367 |
| - Plants on third parties' lands | 2 012 | 2 124 |
| - Terminals, buildings and land | 85 967 | 73 107 |
| - Other tangible fixed assets | 2 738 | 2 253 |
| Intangible fixed assets | 1 409 | 1 601 |
| Total fixed assets | 219 182 | 218 382 |
| Total assets | 311 517 | 285 139 |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| Amounts in 1 000 CHF | 31.12.2003 | 31.12.2002 |
|---|---|---|
| **LIABILITIES** | | |
| **Short-term liabilities** | | |
| Short-term financial debts | 6 649 | 0 |
| Account payables from supplies and services | 33 875 | 33 840 |
| - third parties | 33 803 | 33 165 |
| - shareholders | 72 | 675 |
| Other short-term debts | 3 190 | 28 834 |
| Accrued expenses | 37 658 | 30 982 |
| Short-term provisions | 9 305 | 2 743 |
| Total short-term liabilities | 90 677 | 96 399 |
| **Long-term liabilities** | | |
| Long-term debts | 131 244 | 111 962 |
| Long-term provisions | 33 019 | 26 312 |
| Deferred tax liabilities | 3 014 | 3 065 |
| Total long-term liabilities | 167 277 | 141 339 |
| Total liabilities | 257 954 | 237 738 |
| Minority interests | 1 079 | 960 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital | 20 000 | 20 000 |
| Capital reserves | 2 169 | 2 169 |
| Rertained earnings | 24 825 | 20 891 |
| Translation difference | (470) | (2 153) |
| Group profit | 5 960 | 5 534 |
| Total shareholders' equity | 52 484 | 46 441 |
| Total liabilities and shareholders' equity | 311 517 | 285 139 |

# Consolidated Cash-flow statement 2003 and 2002

| Amounts in 1 000 CHF | 2003 | 2002 |
|---|---|---|
| Group profit | 5 960 | 5 534 |
| Depreciation of tangible assets | 36 156 | 40 091 |
| Depreciation of intangible assets | 474 | 368 |
| Increase of provisions | 7 127 | 880 |
| Release of provisions | (139) | (460) |
| Gain from sale of tangible assets | (304) | (251) |
| Foreign exchange differences | (4 212) | 164 |
| Income from associated companies | (994) | (616) |
| Minority interests | 120 | (157) |
| Increase of receivables | (11 346) | (5 521) |
| Increase of inventories | (41) | (105) |
| Variation of short-term payables | (6 123) | 9 980 |
| Cash flows from operating activities | 26 678 | 49 907 |
| | | |
| Purchase of tangible assets | (39 530) | (63 331) |
| Proceeds from sale of tangible assets | 8 658 | 3 274 |
| Purchase of intangible assets | (260) | (759) |
| Proceeds from sale of intangible assets | 0 | 420 |
| Purchase of investments | (128) | (1 674) |
| Cash flows from investing activities | (31 260) | (62 070) |
| | | |
| Increase of long-term loans | 19 430 | 15 843 |
| Dividends payment | (1 600) | (1 600) |
| Cash flows from financing activities | 17 830 | 14 243 |
| | | |
| Variation | 13 248 | 2 080 |
| | | |
| Cash at beginning of the year | 18 800 | 16 711 |
| | | |
| Foreign exchange differences on cash | 361 | 9 |
| Cash at end of the year | 32 409 | 18 800 |

# Notes to the consolidated financial statements 2003

## Accounting policies

### Consolidation principles

The consolidated financial statements of Hupac Ltd have been prepared using the purchase price system, in line with the following principles and in accordance with the provisions of Swiss company law.
The consolidated financial statements of Hupac Ltd are based on the individual annual accounts of the Group's foreign subsidiaries, which have been prepared in accordance with uniform, generally accepted accounting and valuation principles, as well as on the statutory financial statements of the Swiss subsidiaries.

### Consolidated companies

The consolidated financial statements include the annual results of Hupac Ltd and its Swiss and foreign subsidiary companies in which the parent company has a direct or indirect shareholding of at least 50%, has the voting majority and exercises a predominant influence on the conduct of the company.

Associated companies in which the parent company has more than 20% but less than 50% of the voting rights are consolidated using the equity method. Pro rata consolidation was used for joint ventures. Interests of minor significance were not included in the consolidation.

### Method of consolidation

Assets and liabilities as well as revenue and expenditure of the consolidated companies are included in full. The purchase method is used for capital consolidation. This involves capitalizing – as goodwill from acquisitions – the difference between the purchase price of a company and the fair market value of the net assets thus acquired, which is amortized on a straight-line basis within five years, at the most.

All balances, transactions and unrealized profits existing between Group companies are eliminated during the consolidation process. Dividends paid by consolidated companies are set off and allocated to the reserves. Minority shareholders' share of equity and profits appear separately on the balance sheet and income statement, respectively.

Pro rata consolidation was used for the 50% interest in Terminal Singen TSG GmbH.

The following companies were fully or pro rata consolidated:

| Company | | Share or company capital | Interests as % 31.12.2003 | Interests as % 31.12.2002 |
|---|---|---|---|---|
| Hupac Ltd, Chiasso | CHF | 20 000 000 | | |
| Hupac Intermodal Ltd, Chiasso | CHF | 250 000 | 100.00 | 100.00 |
| Hupac SpA, Milan | EUR | 2 040 000 | 93.93 | 93.93 |
| Sub-interests of Hupac SpA, Milan: | | | | |
| - Fidia SpA, Oleggio | EUR | 260 000 | 3.00 | 3.00 |
| Hupac GmbH, Singen | EUR | 210 000 | 100.00 | 100.00 |
| Termi Ltd, Chiasso | CHF | 500 000 | 80.00 | 80.00 |
| Sub-interests of Termi Ltd, Chiasso: | | | | |
| - Termi SpA, Busto Arsizio | EUR | 2 000 000 | 95.00 | 95.00 |
| Termi SpA, Busto Arsizio | EUR | 2 000 000 | 5.00 | 5.00 |
| Fidia SpA, Oleggio | EUR | 260 000 | 97.00 | 97.00 |
| Hupac Intermodal NV, Rotterdam | EUR | 200 000 | 100.00 | 100.00 |
| Terminal Singen TSG GmbH, Singen | EUR | 260 000 | 50.00 | 50.00 |

The following companies were consolidated using the equity method:

| Company | Registered in | Interests as % 31.12.2003 | Interests as % 31.12.2002 |
|---|---|---|---|
| Cemat SpA | Milan (Italy) | 34.26 | 34.26 |
| D & L Cargo NV | Boom (Belgium) | 40.00 | 40.00 |
| RAlpin Ltd | Berne (Switzerland) | 30.00 | 30.00 |
| S-Rail Europe SRE GmbH | Singen (Germany) | 25.00 | 25.00 |

**Conversion and transactions in foreign currencies**
Transactions in foreign currencies by subsidiaries are converted and booked using the rate of exchange prevailing at the time of the transaction. Exchange rate differences are included in the income statement. Foreign currency balances at the end of the year are converted at the respective year-end exchange rate. Any resulting exchange gains are included in the income statement. A provision is made for unrealized exchange gains.

In the consolidated financial statements the assets and liabilities of foreign subsidiaries are converted into Swiss francs using the year-end exchange rate. The mean average exchange rate for the respective year is used to convert the income statement. Any translation differences resulting from converting the balance sheet at year-end exchange rates and the income statement at mean average exchange rates are credited or debited to equity under “Translation differences” and thus do not affect profit.

**Revenues from supplies and services**
Turnover resulting from supplies and services is booked at the time of performance. Turnover is shown without VAT and after deduction of any discounts and price reductions granted to customers.

Revenues from supplies and services comprises sales to customers, UIRR companies and third parties for services performed on the transport network of Hupac, as well as for the hiring-out of wagons outside this transport network, logistics services and miscellaneous.

**Cost of supplies and services**
The cost of supplies and services is made up of the charges invoiced to Hupac for the provision of the necessary supplies and services (including freight charges, leasing of wagons, maintenance, terminal charges, operational insurance premiums and miscellaneous) for achieving the turnover with customers, UIRR companies and third parties. State contributions towards the charges invoiced by third parties are booked as reductions in expenses.

**Table of currency conversion**

| | Balance sheet | | Income statement | |
|---|---|---|---|---|
| | 31.12.2003 | 31.12.2002 | 2003 | 2002 |
| CHF/EUR | 1.5706 | 1.4762 | 1.5210 | 1.4670 |

## Shareholders' equity movements

| Amounts in 1 000 CHF | Share capital | Capital reserves | Retained earnings | Translation differences | Total | Minority interests |
|---|---|---|---|---|---|---|
| Balance at 1 January 2002 | 20 000 | 2 169 | 22 538 | (2 212) | 42 495 | 1 117 |
| Translation differences | | | | (18) | (18) | (2) |
| Translation differences of associated companies | | | | 77 | 77 | |
| Acquisition of minority holdings | | | | | 0 | (259) |
| Increased minority holdings resulting from mergers | | | (46) | | (46) | 46 |
| Adjustments to shareholders' equity | | | (1) | | (1) | |
| Parent company dividend | | | (1 600) | | (1 600) | |
| Consolidated profits 2002 | | | 5 534 | | 5 534 | 58 |
| Balance at 31 December 2002 | 20 000 | 2 169 | 26 425 | (2 153) | 46 441 | 960 |
| Translation differences | | | | 765 | 765 | 55 |
| Translation differences of associated companies | | | | 918 | 918 | |
| Parent company dividend | | | (1 600) | | (1 600) | |
| Consolidated profits 2003 | | | 5 960 | | 5 960 | 64 |
| Balance at 31 December 2003 | 20 000 | 2 169 | 30 785 | (470) | 52 484 | 1 079 |

## Other information in accordance with legal requirements

| Amounts in 1 000 CHF | 31.12.2003 | 31.12.2002 |
|---|---|---|
| 1. Guarantees, other indemnities and assets pledged in favour of third parties | 4 722 | 4 438 |
| 2. Pledges on assets to secure own liabilities | 87 326 | 58 900 |
| 3. Leasing commitments not recorded in the balance sheet | 247 | 784 |
| The indicated amount includes all future commitments arising from existing leasing contracts, including interest and expenses. | | |
| 4. Fire insurance value of tangible fixed assets | 148 059 | 127 266 |

## Report of the Group Auditors to the General Meeting on the Consolidated Financial Statements 2003

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement and notes) of Hupac SA for the year ended 31 December 2003.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements comply with Swiss law and the consolidation and valuation principles as set out in the notes.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Mario Cao Antonio Attanasio

Lugano-Paradiso, 16 April 2004

# Financial statements Hupac Ltd

## Income statement 2003 and 2002

| Amounts in 1 000 CHF | 2003 | 2002 |
|---|---|---|
| Income from supplies and services | 44 672 | 43 858 |
| Cost of services | (1 310) | (1 096) |
| Gross profit | 43 362 | 42 762 |
| General expenses | (1 075) | (1 447) |
| Depreciation of tangible fixed assets | (30 487) | (34 688) |
| Amortisation of intangible fixed assets | (46) | (23) |
| Provision and value adjustments | (4 412) | (179) |
| Gains on disposal of fixed assets | 176 | 397 |
| Losses on disposal of fixed assets | (77) | (2) |
| Ordinary operating profit before financial items | 7 441 | 6 820 |
| Financial income | 504 | 573 |
| Financial expenses | (1 745) | (2 268) |
| Foreign exchange differences | (48) | 0 |
| Ordinary operating profit | 6 152 | 5 125 |
| Extraordinary income | 26 | 164 |
| Extraordinary expenses | (3) | 0 |
| Profit before taxes | 6 175 | 5 289 |
| Taxes | (1 395) | (1 235) |
| Profit for the year | 4 780 | 4 054 |

### Notes to the income statement

The item *Income from supplies and services* contains income from the hiring out of assets as well as from the granting of licences for the use of Hupac Ltd brands. The increase of CHF 0.814m can be attributed to the hiring out of a larger rolling stock and to the adjustment of licence fees.

*Costs of services* rose slightly compared to the previous year. Especially the expenses for insurance, which have increased again, must be mentioned here. After deduction of *Costs of services*, *Gross profit* in 2003 was exactly CHF 0.6m higher than in the year before.

In comparison with 2002, *General expenses* could be reduced by CHF 0.372m. Mainly responsible for this was a lowering of administrative and advertisement costs.

*Depreciation of tangible fixed assets* decreased by CHF 4.201m. This is due to the fact that less rolling stock was delivered in 2003 than in the year before. Within the framework of the promotion of trade and industry, higher depreciation rates can be used for investments made in the reporting period.

*Provisions and value adjustments* consisted mainly of adjustments on investments and a provision for operational risks. After taking into account gains and losses from the sale of fixed assets, the *Ordinary operating profit before financial items* was CHF 7.441m.

Due to the lower liquidity in the reporting year, the *Financial income* decreased to CHF 0.504m in relation to the previous year.

In 2003 there was a pleasant development of the *Financial expenses*, mainly due to repayments of bank loans made in the course of the year.

After consideration of the negligible extraordinary items of the year 2003, Hupac Ltd shows a *Profit before taxes* of CHF 6.175m. After deduction of *Taxes* of CHF 1.4m, *Profit for the year* 2003 was CHF 4.78m.

# Balance sheet at 31 December 2003 and 2002

| Amounts in 1 000 CHF | 31.12.2003 | 31.12.2002 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | 2 500 | 343 |
| Receivables from supplies and services | 7 033 | 4 208 |
| - third parties | 736 | 975 |
| - group companies | 5 853 | 3 233 |
| - shareholders | 444 | 0 |
| Other receivables | 315 | 2 576 |
| - third parties | 315 | 2 576 |
| Prepayments and accrued income | 1 078 | 286 |
| Total current assets | 10 926 | 7 413 |
| **FIXED ASSETS** | | |
| Financial fixed assets | 33 043 | 42 312 |
| - Investments | 27 294 | 29 188 |
| - Loans | 5 747 | 13 122 |
| - Other financial fixed assets | 2 | 2 |
| Tangible fixed assets | 91 886 | 107 539 |
| Intangible fixed assets | 89 | 56 |
| Total fixed assets | 125 018 | 149 907 |
| Total assets | 135 944 | 157 320 |

| Amounts in 1 000 CHF | 31.12.2003 | 31.12.2002 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **LIABILITIES** | | |
| **Short-term liabilities** | | |
| Payables from supplies and services | 726 | 5 180 |
| - third parties | 654 | 4 467 |
| - group companies | 0 | 38 |
| - shareholders | 72 | 675 |
| Short-term loans from third parties | 6 649 | 27 000 |
| Other short-term debt | 799 | 140 |
| - third parties | 799 | 140 |
| Accrued expenses and short-term provisions | 5 252 | 4 562 |
| Total short-term liabilities | 13 426 | 36 882 |
| **Long-term liabilities** | | |
| Long-term debt | 61 683 | 65 183 |
| - third parties | 49 000 | 52 500 |
| - group companies | 12 683 | 12 683 |
| Long-term provisions | 16 039 | 13 639 |
| Total long-term liabilities | 77 722 | 78 822 |
| Total liabilities | 91 148 | 115 704 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital | 20 000 | 20 000 |
| General reserve | 4 442 | 4 179 |
| Statutory reserves | 15 300 | 13 000 |
| Retained earnings | 5 054 | 4 437 |
| - Profit carried forward | 274 | 383 |
| - Profit for the year | 4 780 | 4 054 |
| Total shareholders' equity | 44 796 | 41 616 |
| Total liabilities and shareholders' equity | 135 944 | 157 320 |

## Notes to the balance sheet

*Total current assets* rose to almost CHF 11m, which was mainly due to the increased *Cash and cash equivalents* at the end of the year and the increase of *Receivables from Group companies*.

Responsible for the reduction of *Financial fixed assets* were adjustments on *Investments* and particularly a reduction of *Loans* - for financing operations of Group companies.

Compared with the year 2002, the book value of the *Tangible fixed assets* decreased by approximately CHF 15.7m. In the reporting year 2003 the depreciation exceeded the investment amount.

Thus the balance sheet total of Hupac Ltd decreased in 2003 to approximately CHF 136m.

On the liability side the *Short-term liabilities* decreased to approximately CHF 13.4m mainly due to the reduction of *Short-term loans from third parties* (banks), while the *Long-term debt capital* decreased only slightly compared with the year before.

The *Total equity* of almost CHF 44.8m corresponds to an equity ratio of approximately 33%. This is a clear improvement in relation to the year before.

# Notes to the financial statements 2003

## 1. Business activity of Hupac Ltd

With effect from 1 January 2000, parent company Hupac Ltd relinquished the entire organization and operation of intermodal transport services in favour of its new subsidiary, Hupac Intermodal Ltd which was formed on 24 November 1999. As from 2000, the business activity of Hupac Ltd has been chiefly concerned with asset management. Worth particular mention in this connection are the hiring out of assets and the granting of licences for the exploitation of Hupac Ltd brands to Hupac Intermodal Ltd. Likewise Hupac Ltd continues to carry out all activities relating to its subsidiary companies.

## 2. Notes in accordance with article 663b of the Swiss Code of Obligations

| Amounts in 1 000 CHF | 31.12.2003 | 31.12.2002 |
|---|---|---|
| 2.1 Guarantees and assets pledged in favour of third parties | 13 249 | 17 721 |
| 2.2 Leasing commitments not recorded in the balance sheet | 247 | 731 |

The item includes all future commitments arising from existing leasing contracts, including interest and expenses.

| | 31.12.2003 | 31.12.2002 |
|---|---|---|
| 2.3 Fire insurance value of tangible fixed assets | 88 880 | 81 928 |

2.4 Significant investments in subsidiary companies

| Company | Business activity | Registered capital | | Share of capital as % | |
|---|---|---|---|---|---|
| | | | in 1 000 | 31.12.2003 | 31.12.2002 |
| Hupac Intermodal Ltd, Chiasso | Traffic Management/ Terminal Management | CHF | 250 | 100.00 | 100.00 |
| Hupac SpA, Milan | Terminal Management/ Railway operating | EUR | 2 040 | 93.93 | 93.93 |
| Sub-interests of Hupac SpA, Milan: | | | | | |
| - Fidia SpA, Oleggio | Terminal management/Warehousing | EUR | 260 | 3.00 | 3.00 |
| Hupac GmbH, Singen | Terminal Management/ Railway operating | EUR | 210 | 100.00 | 100.00 |
| Termi Ltd, Chiasso | Terminal Engineering/ Estate Management | CHF | 500 | 80.00 | 80.00 |
| Sub-interests of Termi Ltd, Chiasso: | | | | | |
| - Termi SpA, Busto Arsizio | Terminal Engineering/Estate Management | EUR | 2 000 | 95.00 | 95.00 |
| Termi SpA, Busto Arsizio | Terminal Engineering/ Estate Management | EUR | 2 000 | 5.00 | 5.00 |
| Fidia SpA, Oleggio | Terminal Management/Warehousing | EUR | 260 | 97.00 | 97.00 |
| Hupac Intermodal NV, Rotterdam | Traffic Management/ Terminal Management | EUR | 200 | 100.00 | 100.00 |
| Terminal Singen TSG GmbH, Singen | Terminal Management | EUR | 260 | 50.00 | 50.00 |
| Cemat SpA, Milan | Traffic Management/Terminal Management | EUR | 7 000 | 34.26 | 34.26 |
| D & L Cargo NV, Boom | Railway operating | EUR | 177 | 40.00 | 40.00 |
| RAlpin AG, Bern | Traffic Management/Terminal Management | CHF | 300 | 30.00 | 30.00 |
| S-Rail Europe SRE GmbH, Singen | Railway operating | EUR | 250 | 25.00 | 25.00 |
| SWE-Kombi AB, Helsingborg | Traffic Management/Terminal Management | SEK | 1 200 | 30.00 | 30.00 |

### 3. Shareholders’ equity movements

| Amounts in 1 000 CHF | Share capital | General reserve | Statutory reserves | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at 1 January 2002 | 20 000 | 3 890 | 10 500 | 4 772 | 39 162 |
| Dividends | | | | (1 600) | (1 600) |
| Transfer to the general legal reserve | | 289 | | (289) | 0 |
| Transfer to the statutory reserves | | | 2 500 | (2 500) | 0 |
| Profit for the year | | | | 4 054 | 4 054 |
| Balance at 31 December 2002 | 20 000 | 4 179 | 13 000 | 4 437 | 41 616 |
| | | | | | |
| Dividends | | | | (1 600) | (1 600) |
| Transfer to the general legal reserve | | 263 | | (263) | 0 |
| Transfer to the statutory reserves | | | 2 300 | (2 300) | 0 |
| Profit for the year | | | | 4 780 | 4 780 |
| Balance at 31 December 2003 | 20 000 | 4 442 | 15 300 | 5 054 | 44 796 |

### 4. Other notes

Certain financial statement classifications have been changed compared to the previous year’s presentation. The comparative figures in these financial statements have therefore been re-classified to conform with the new presentation.

## Proposal for the distribution of retained earnings

| | | 2003 |
|---|---|---|
| Profit carried forward | CHF | 273 858 |
| Profit for the year | CHF | 4 780 062 |
| Retained earnings at the disposal of the General Meeting | CHF | 5 053 920 |

Proposal of the Board of Directors:

| | | |
|---|---|---|
| Dividends | CHF | 1 600 000 |
| Transfer to the general reserve | CHF | 60 000 |
| Transfer to the statutory reserves | CHF | 3 000 000 |
| To be carried forward | CHF | 393 920 |
| | CHF | 5 053 920 |

## Report of the Statutory Auditors to the General Meeting on the Financial Statements 2003

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Hupac SA for the year ended 31.12.2003.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Mario Cao Antonio Attanasio

Lugano-Paradiso, 16 April 2004


HUPAC

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