Annual report 2005

HUPAC


HUPAC

Contents

Profile of the Hupac Group

Hupac Ltd **Chiasso** Parent company

Hupac Intermodal Ltd **Chiasso** Sales & Customer Service Traffic Management Terminal Management	**Hupac Intermodal NV** **Rotterdam** Service Provider	**Hupac SpA** **Milano** Terminal Management Railway Operating	**Hupac GmbH** **Singen** Sales & Customer Service Railway Operating
Fidia SpA **Oleggio** Terminal Management Warehousing	**Terminal Singen** **TSG GmbH, Singen** Terminal Management	**Termi Ltd** **Chiasso** Terminal Engineering Estate Management	**Termi SpA** **Busto Arsizio** Terminal Engineering Estate Management

Board of directors of Hupac Ltd

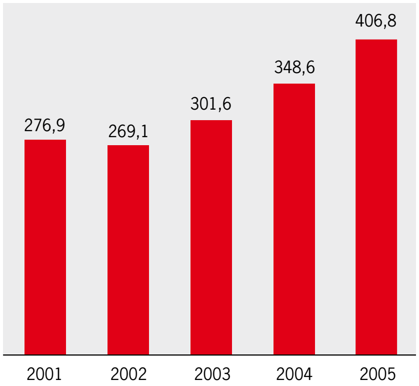
Name	Age	Position	Nationality	First nomination	Expiry of mandate
Dr. Hans-Jörg Bertschi	49	Chairman since 1993	Swiss	1987	2007
Daniel Nordmann	51	Deputy Chairman since 2001	Swiss	2001	2007
Theo Allemann	68	Member	Swiss	1999	2007
Dr. Thomas Baumgartner	52	Member	Italian	1990	2007
Thomas Hoyer	56	Member	German	1988	2007
Bruno Planzer	63	Member	Swiss	1989	2007
Peter Hafner	50	Secretary	Swiss	1999	2007

Management board of Hupac Group

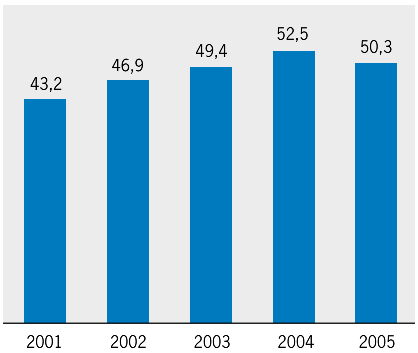
Hupac Ltd	Bernhard Kunz *Managing Director* Peter Hafner *Deputy Managing Director* Peter Howald *Intermodal Services* Piero Solcà *Logistics & QMS/EMS* Giorgio Pennacchi *Engineering* Aldo Croci *Information Technology* Peter Hafner *Finance & Administration*

Hupac Intermodal Ltd Bernhard Kunz *Managing Director* Peter Howald *Deputy Managing Director*	**Hupac Intermodal NV** Mark Jansen *Business Manager*	**Hupac SpA** Francesco Crivelli *Managing Director*	**Hupac GmbH** Rudi Mager *Managing Director*
Fidia SpA Paolo Paracchini *Delegate of the Board of Directors*	**Terminal Singen TSG GmbH** Rudi Mager *Managing Director* Rainer Papenfuss *Managing Director*	**Termi Ltd** Peter Hafner *Managing Director*	**Termi SpA** Angelo Grassi *Deputy Chairman*

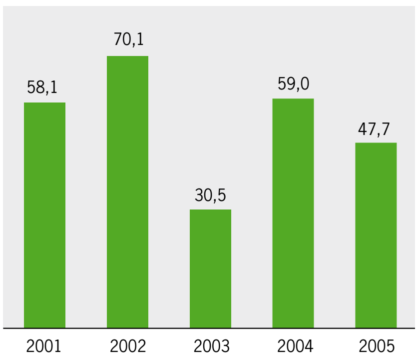
Annual turnover
in million CHF



Cash flow
in million CHF



Investments in tangible fixed assets
without advances, in million CHF



Foundation year	1967
Share capital	CHF 20 million
Shareholders	98
Capital structure	▸ 72% logistics and transportation companies ▸ 28% railway companies
Business areas	**Shuttle Net** ▸ Continental Services ▸ Maritime Inland Services 76 shuttle trains per day 495,659 road consignments 8.7 million net tonnes **Rolling Highway** 6 trains per day 23,501 road consignments 0.4 million net tonnes
Operational resources	**Rolling stock** 4,019 rail wagons 3 mail-line locomotives 4 shunting and main-line locomotives 6 shunting locomotives **Information Technology** ▸ Goal, integrated software solution for intermodal transport in Europe ▸ Cesar, customer information system **Terminal management** Busto Arsizio-Gallarate Oleggio Milano Greco Pirelli Desio Novara RAlpin Aarau Basel Chiasso Singen Ede
Employees	347
Quality & Environment	Quality Management System SN EN ISO 9001:2000 Environmental Management System SN EN ISO 14001:2004
Financial results	Annual turnover CHF 406,8 (EUR 262,7) million Profit for the year CHF 6,5 (EUR 4,2) million Cash flow CHF 50,3 (EUR 32,5) million

Modal shift: A policy of perseverance is required

In 2005 Hupac transferred more than 500,000 road consignments to the railways for the first time in its history. The growth in traffic was a satisfactory 15.9%. Two milestones have characterised the last year: the opening of the new Busto Arsizio-Gallarate terminal and the programme of international integrated traction.

Thanks to the new transfer terminal we will be able to continue to grow in Alpine transit. We are aware that new terminals in Europe require a planning horizon of five or more years – therefore we are already preparing forthcoming projects.

2005 was the first year with international integrated traction for over 15,000 Hupac trains. The adjustment from national to international integrated traction is tantamount to a revolution on the European rail landscape. The expectations have largely been fulfilled: the rate of punctuality, i.e. the number of trains with less than an hour's delay, has seen further improvement, and it was possible to increase productivity. There is, though, much still to be done if the desired punctuality of over 90% is to be attained.

Hupac is the first and only operator to use the opportunities presented by the opening up of the rail market for its complete range of services. Several other large European operators were denied these chances; the national rail companies have recently taken the majority of them over. This development is delaying market liberalisation – Hupac's opportunity to position itself as the largest independent operator in the European market is, however, unique.

Five years after publication of the EU transport White Paper and two years after the first railway package coming into effect, there is still no real competition on the rails in most EU countries. Many procedures are too slow and cumbersome, and the relevant directives are not carried through. There is often discrimination against new entrants, and "historical" railways receive hidden subsidies via deficit balancing and other channels. What is lacking is a number of independent, active regulators who are suitably qualified and able to intervene in the market to overcome abuses.

The danger of remonopolisation will grow if the EU is not successful in pushing through the opening up of the market effectively. This would do a disservice to the future of the rail system in Europe – and in Switzerland it would also put a question mark over the future success of the modal shift policy in Alpine transit. Only competition is capable of creating the innovations which are required for attractive intermodal service in the transalpine market in the future.

The liberalisation of the railway market has made a considerable contribution to the success of the Swiss modal shift policy so far.

Along with the financial support, it has provided a positive push for combined transport. Between 2000 and 2005 it grew by 50%. Without new operators and innovative integrated traction models this growth would have been unthinkable. Competition stimulates the market!

The modal shift is taking effect. Between 2000 and 2005 the number of lorries passing through the Swiss Alps fell from 1.4 million to 1.2 million (by 14%). This is in total contrast to the Brenner Pass, where lorry transit has risen by 27% in the same five year period.

The path of opening the market is a rocky one. It requires perseverance – with the businesses concerned and also in politics in Brussels and Bern. In Switzerland decisive settings of course are imminent:

- The route pricing system must be corrected – it is not correct that a Hupac train is taxed three times as heavily as an Intercity train.
- With Railway Reform 2, an active regulatory body should be created which will drive forward the opening of the market, comparable to Comcom in the telecommunications sector.
- The new law on the modal shift of freight transport should secure the financial support for the modal shift in transport (currently diminishing per consignment) after 2010.
- The Government, as the majority shareholder of SBB Cargo and BLS Cargo, must strongly oppose a tendency towards remonopolisation of the railways.

Hupac is approaching the future optimistically – for 2006 two digit growth in traffic is again expected thanks to new market offers.

At this point I wish to thank you as customers, shareholders and partners of Hupac for the confidence you place in our company. With our actions we wish to make an active contribution to sustainable and secure freight transport logistics in the future too.

Dr. Hans-Jörg Bertschi
Chairman of the Board of Directors

Chiasso, 12th May 2006

Financial Year 2005

Traffic growth in double digits
In the year being reported, Hupac achieved a satisfactory traffic growth of 15.9%. The core business Shuttle Net (unaccompanied combined transport) achieved unprecedented growth of 17.2%. Transalpine traffic between Italy or Ticino and Northern Europe grew by 13.3%, a rate of growth considerably higher than the previous year. Growth in non-transalpine traffic reached 31.2%.

This set of results indicates the contribution made by Hupac to moving traffic from the roads to the railways. The extension in capacity at the terminal Busto Arsizio-Gallarate was of particular importance. After a restrained start in the first half, demand in the second half of the year grew strongly. The additional transport, as well as various new trains, could be handled at the Busto Arsizio-Gallarate terminal which opened in September. The capacity of the 240,000 square metre terminal will initially provide 23 train pairs per day, increasing to 30 train pairs in the medium term.

Yet again it is proved that sufficient transfer capacity is of decisive importance for sustainable modal shift. The north of Italy has a lack of terminals and the extended terminal in itself is far from sufficient. Additional terminals are needed, also in view of the opportunities which will be presented by the opening of the NEAT tunnels in 2007 and 2015. There is a need for increased operational capacity north of the Alps too.

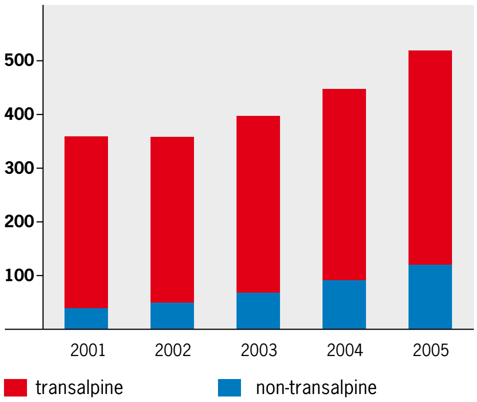
Innovative production model
The positive transport trend in the last year is also due to the successful implementation of integrated traction. This innovative production model improves the quality and efficiency of train transport and helps to better exploit the development potential of intermodal transport. In 2004, Hupac launched an international call for tenders for the traction of their trains, thus being one of the first operators benefiting from the opportunities of rail reform. As of 2005, all Hupac's transalpine trains run across frontiers from the source to the target with integrated end-to-end responsibility for performance. Hupac's rail partners – SBB Cargo, Stinnes Intermodal, Trenitalia Cargo, Ferrovie Nord Cargo and Rail4Chem – were able to reduce the number of interfaces and increase productivity. SBB Cargo took a pioneering role, as the only railway company in Alpine transit with everything under its own control.

First improvements could be achieved in punctuality, though we have not yet achieved our quality goal of 90% punctuality.

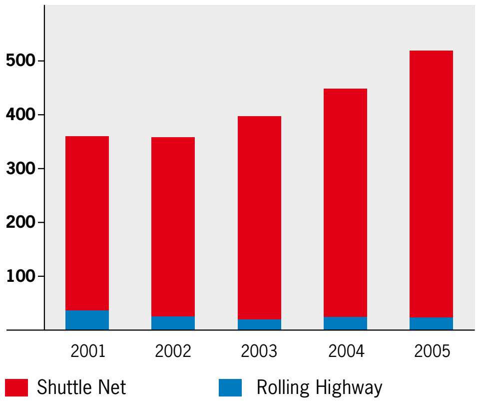
Independence as a strength
Hupac Ltd with headquarters in Chiasso, Switzerland, was founded in 1967. It is 72% owned by logistics and transport enterprises, and 28% by railway companies. Thanks to this capital structure, the organisation can act independently in the interests of its customers in the liberalised marketplace.

Hupac is working consistently for the liberalisation process in Europe. In recent times, many formerly private combi operators have been taken over by traditional railway companies. This means that there is a danger that the dynamics of railway liberalisation will be slowed down.

Traffic development by typology
Road consignments x 1000



Traffic development by business areas
Road consignments x 1000



Outlook for 2006
Hupac is aiming for double digit growth in 2006 too. New products will continue to make Shuttle Net more attractive. In order to achieve this, it is necessary to make optimum use of the capacity of the extended Busto Arsizio-Gallarate terminal.

The North-South connections represent Hupac's main traffic axis. The Benelux countries, Germany and Scandinavia are growing markets. The eastwards expansion of the European Union has also led to an increase in the importance of East-West traffic. The introduction of trains to and from Central Germany and Poland last year means that additional connections between Eastern Europe and Italy can be put in place in response to demand.

The first quarter of 2006 has shown a positive development of traffic. The highest priority for the current trading year is the optimisation of the production system of the integrated traction and the continued sustainable increase in the rate of punctuality.

At this point, the management of Hupac wish to thank customers, collaborators, railway companies, authorities and partners for their level of cooperation.

Highlights

January Order of 75 double container wagons for containers and swap containers

April Recertification of the Hupac Group's Quality Management and Environmental Management Systems in line with ISO 9001 and 14001

June Order of 200 flat wagons for containers and 150 pocket wagons for mega trailers

June Commissioning of a new mobile crane with smoke particle filter in Stabio. Order of a new similar type of crane for the Chiasso terminal

September Opening of the extended Busto Arsizio-Gallarate terminal in the presence of Swiss Minister Moritz Leuenberger and Italian Minister Pietro Lunardi

September Opening of a representative office in Taulov, Denmark

October First test trips of the new GPS train monitoring system between Singen and Milan

November Newly developed pocket wagon type V put into action

December Joined ERFCP Association (European Rail Freight Customers Platform)

Transport volumes

		Road consignments			Net weight in tonnes		
		2005	2004	%	2005	2004	%
Shuttle Net	***Transalpine***						
	Transit	352,369	310,003	13.7	6,506,000	5,644,000	15.3
	Import/export CH	10,490	13,637	–23.1	192,000	238,000	–19.3
	National CH	12,134	7,289	66.5	179,000	93,000	92.5
	Total	374,993	330,929	13.3	6,877,000	5,975,000	15.1
	Non-transalpine						
	Import/export CH	56,987	53,697	6.1	817,000	764,000	6.9
	Rest of Europe	63,679	38,252	66.5	1,009,000	572,000	76.4
	Total	120,666	91,949	31.2	1,826,000	1,336,000	36.7
	Total	**495,659**	**422,878**	**17.2**	**8,703,000**	**7,311,000**	**19.0**
Rolling Highway		23,501	25,153	–6.6	437,000	474,000	–7.8
Total transport volume		**519,160**	**448,031**	**15.9**	**9,140,000**	**7,785,000**	**17.4**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Intermodal Services

Shuttle Net
In the Shuttle Net business area, Hupac achieved an increase of 72.781 road consignments to 495,659, which represents +17.2%. The main areas of growth were in the Benelux ⇆ Italy segment, particularly since the takeover of the Zeebrugge ⇆ Italy connection in November 2004. There was also strong growth in the Scandinavia ⇆ Italy traffic. The market segment "Other European non-transalpine traffics" grew by a record 66.5% thanks to the introduction of new traffic connections.

Numerous Shuttle Net products are being developed and run in conjunction with the Italian Cemat company and the German Kombiverkehr company. At this point we wish to thank our partners for their high level of cooperation.

Transalpine transit transport
After a slow start in the first half of 2005, demand grew strongly in the second half of the year. A growth in transport of 13.7% meant that 352,369 road consignments were handled. Now we will outline the development of the individual market segments.

Scandinavia ⇆ Italy
The measures introduced to improve quality began to take effect. The weekly frequencies of departure between Taulov and Busto Arsizio and Taulov and Malmö were increased from eight to nine and four to five train pairs respectively. Because of these improvements it was possible to acquire new business for the railways and gain an increase in traffic of 11.7%. Traffic from Sweden and Norway was a big source of growth while transfers of production meant that figures were down slightly in Denmark.

Northern Germany ⇆ Italy
New acquisitions enabled volume to be increased by 8.3%. Furthermore we are discovering a strong demand for transport services to the Baltic States and, increasingly, to Russia.

Baden-Württemberg ⇆ Italy
Traffic could be maintained at the level of the previous year, as a consequence of traffic shifts due to new operational concepts. Weekly departure frequencies were increased in order to improve market performance. In October 2005 a feeder train was introduced between Singen and Kornwestheim, thereby providing a better connection between the Southern German economic area and the Hupac Shuttle Net. The connection between Basel Weil and Busto showed growth of 6.6% thanks to the acquisition of new business. There was an overall increase of volume of 2.0% in this segment.

Rhine/Ruhr ⇆ Italy
The Duisburg ⇆ Novara connection introduced in 2004, which enables the loading of semi-trailers with a profile of P400, is enjoying strong demand. Departure frequencies were increased from three to four train pairs per week. By contrast the Cologne ⇆ Brescia connection was discontinued in September 2005 due to a lack of market acceptance. The reductions in volume caused by this discontinuation could not be completely made good by the end of the year so we have a downturn of 0.3% to report in the market segment Rhine/Ruhr ⇆ Italy.

New Products

January Introduction of the shuttle connection between Ludwigshafen and Zeebrugge and start of traffic between Oleggio and Zeebrugge with four return trips per week.

January Introduction of the shuttle train between Singen and Duisburg

May Start of traffic from Antwerp and Ludwigshafen to Poland with three departures per week

June Introduction of the daily shuttle train between Genk and Busto via Frankfurt

September Introduction of a daily shuttle connection between Busto and Padova

September Transfer of Antwerp ⇆ Oleggio connection to the Busto gateway terminal

October Connection of diverse short sea landing points in Rotterdam to the Hupac Shuttle Net by means of rail feeders

October Introduction of the feeder train between Singen ⇆ Kornwestheim

November Introduction of the shuttle Antwerp ⇆ Ludwigshafen

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P&O Ferrymasters

Rhine/Main ⇆ Italy
After a slow start due to operational difficulties, new business could be acquired on the newly introduced Frankfurt ⇆ Busto connection. The level of 2003 was again reached as a growth in volume of 6.5% was reported. The Ludwigshafen ⇆ Brescia connection had to be discontinued due to a lack of market acceptance. Eastern Germany ⇆ Italy transport via Ludwigshafen had a positive effect. Here there was a 19.0% increase in volume.

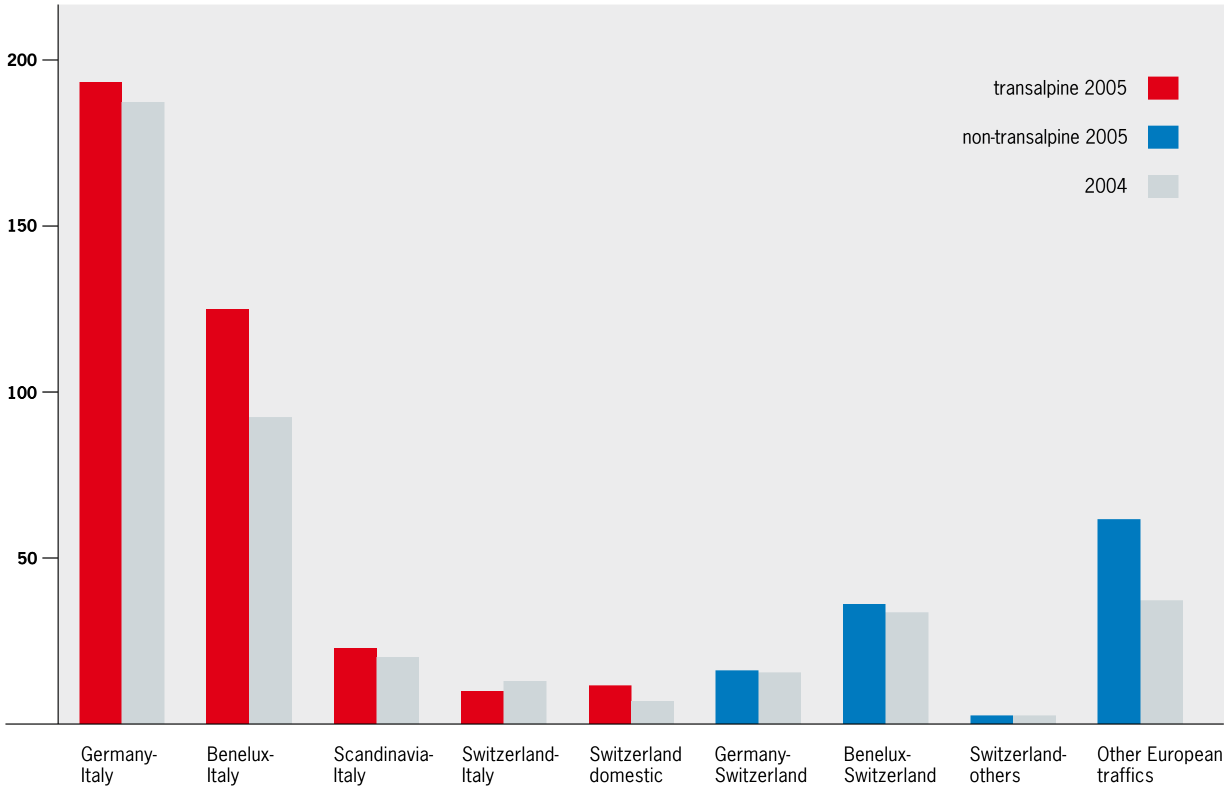
The Netherlands ⇆ Italy
Hupac was able to increase volume by 14.8% in this segment, just as it had done in the preceding year. A particular contribution to this positive development was made by the expansion of traffic on the Rotterdam ⇆ Novara connection via Lötschberg where the loading of semi trailers with the codification P400 is possible. Further influential factors were the train feeder services built up by Hupac to the diverse short sea quays in Rotterdam. They allow the customer to dismantle interfaces.

Belgium ⇆ Italy
The takeover of the Eurocombi connections between Italy and Zeebrugge in November 2004 brought about an increase in traffic of 81.3% in the year reported. Alongside this we gained growth in consignments on the Antwerp ⇆ Oleggio connection, which was transferred to the newly opened Busto-Arsizio Gallarate terminal in September 2005. Here gateway connections to Central and Southern Italy are possible. A new connection between Genk and Busto was opened in June 2005 in order to facilitate better development of the Southern Belgian economic area.

Swiss Import/Export transalpine
The 23.1% downturn in traffic is mainly due to shifts in production.

Swiss domestic transalpine traffic
The improved market capacity introduced in October 2004 – two train pairs per day between Aarau and Stabio as well as one train pair per day between Basel and Chiasso – brought about a growth in volume of 66.5%. Because of the extremely high quality we were able to shift new fruit and vegetable business onto the rails.

Development of the Shuttle Net market segments
Road consignments x 1000



Swiss Import/Export non transalpine
The positive development of traffic in recent years continued with a growth of 6.1%. There were particularly positive developments in maritime traffic between Belgium and Switzerland, not least because of the low water levels in the Rhine. A new operational concept also enabled to achieve slight increases in traffic between Germany and Switzerland, as well as Scandinavia and Switzerland.

Other European non-transalpine traffics
Diverse new connections contributed to a growth of 66.5% in the market segment of non-transalpine European traffic. In May 2005 the Antwerp ⇆ Warsaw/Poznan/Slawkow connection was opened. From Ludwigshafen, new connections to Poland, Zeebrugge and Antwerp were introduced. From Singen we established a connection to Duisburg, thereby linking Southern Germany with the Ruhr area and the western ports. A daily connection between Busto and Padua was introduced in the autumn to provide a better connection from north eastern Italy to our Shuttle Net.

Maritime traffic
The maritime transport volume reached 57,000 TEU in the year reported, a 15.2% increase on the previous year.

The strong emergence of traffic in the Northern European ports, the long term dryness of the large European river systems, above all the Rhine and, consequently, the dramatic lack of capacity in inland navigation between Antwerp, Rotterdam and Basel led to a situation in the year reported where all protagonists in the transport chain were required to search for new solutions.

The commissioning of the extended terminal in Busto Arsizio-Gallarate in September 2005 enabled a concentration of traffic which previously had been handled at different terminals. Hupac created the first "land bridges" between the Southern European port of Genova and the Northern European ports of Hamburg, Rotterdam and Antwerpen via quick shuttle connections.

Shuttle Net connections

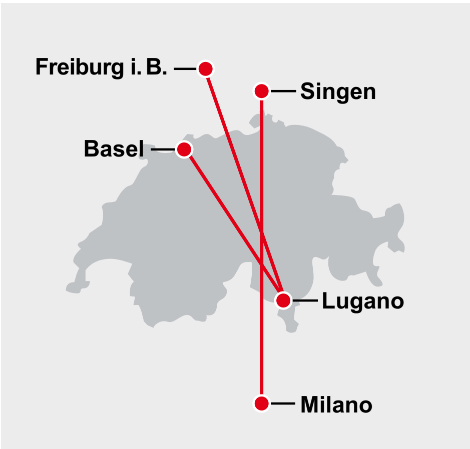
Rolling Highway

The supplementary service Rolling Highway, which accounts for 5% of Hupac's transport volume, recorded 23,501 road shipments, corresponding to reduction of 6.6%. This is due to the difficult economic situation and also the low track profile on the Gotthard stretch that limits the transit of trucks to those with a corner height not exceeding 3.80 metres. Using special wagons, we can carry trucks of up to 4 metres corner height between Basel and Lugano. However, these extra low-slung wagons are only permitted in Switzerland. For the Freiburg ⇆ Lugano and Singen ⇆ Milano stretches, permits are not available in Italy or Germany. This underlines the need for a harmonised permits procedure in Europe.

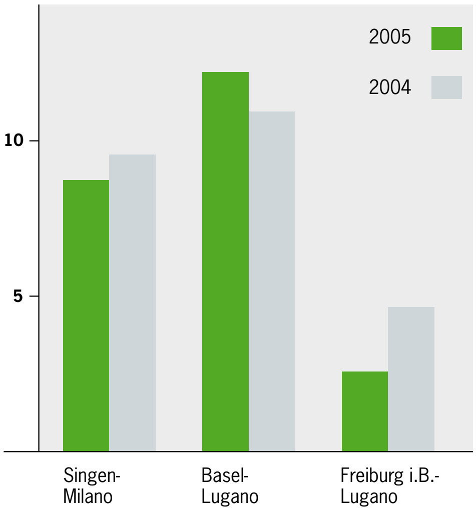
In 2005 the connection between Lugano and Basel Dreispitz with four train pairs per week was discontinued. On the Lugano ⇆ Freiburg and the Singen ⇆ Milan connections, traffic density was reduced by four train pairs and one train pairs per week respectively. The latter adjustment followed in view of a revised rolling stock maintenance programme which saves on costs and optimises resources.

The objectives for 2006 are focused on the consolidation of existing traffic. Unfortunately, infrastructural maintenance of the Monte Olimpino II tunnel means that new difficulties can be expected.

Rolling Highway connections



Development of the Rolling Highway
Road consignments x 1000

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Internal Logistics

Rail traction
One of the main objectives of the 2005 business year was the consolidation of the integrated traction concept. While railway companies previously operated on a national basis, they are now making traction performance into an international integrated responsibility, either individually or with partners. The advantages of the new traction system are the removal of various interfaces at border train stations, the productivity increase of locomotives circulating across borders and the improved information exchange because now we have, contrary to the past, only one contact for the entire international route. These advantages represent the basis for the quality agreement with our railway partners.

In the year under report, the railway company of Hupac SpA intensified the traction service of empty wagons to and from the workshops between Chiasso and Gallarate. It has also played an important role in our terminals in Italy in the training of our personnel in the typical work of the railway sector like shunting, train formation etc.

Terminals
The Busto Arsizio-Gallarate terminal was able to increase its transfer capability considerably in 2005. This was particularly significant in the final quarter, after the commissioning of the terminal extension in September 2005. Gateway traffic which involves the dispatch of consignments to and from Italy also saw a strong increase.

With the terminal expansion Hupac has secured sufficient capacity for the desired growth in combined transport. Trains that had to be rerouted since the middle of the 1990s to satellite terminals due to a lack of capacity, can be relocated to the Busto Arsizio-Gallarate terminal. The concentration of all freight traffic onto one site will enable customers to organise the delivery and collection journeys to and from the terminal on a more efficient basis.

The new terminal interface in Busto Arsizio-Gallarate is at present being used with just one module with three portal cranes and five tracks. The connections Antwerp ⇆ Busto (twelve train pairs per week) and Hamburg/Hannover ⇆ Busto, formerly Desio, (five train pairs per week) and Busto ⇆ Padua (five train pairs per week) are all new. The Busto Arsizio-Gallarate terminal attends to around 110 train pairs per week.

Train punctuality
In the year being reported, punctuality of trains rose to 75%. This improvement in quality can be traced back to the successful implementation of the integrated traction concept. The desired further improvement in punctuality was prevented by many external factors such as severe weather conditions, accidents, strikes etc. Hupac is furthermore committed to a target of at least 90% punctuality. Together with our partners we are continually working on the improvement and stability of our traffic system.

Quality and environment
A high quality of service is an important strategic guideline of the Hupac Group. We wish to meet the needs of our customers with flexible and reliable services. In order to attain this goal efficiently, we are continually investing in the further development of our Quality Management System. Hupac achieved recertification in accordance with ISO 9001 thanks to the efforts of all collaborators. The Dutch branch Hupac Intermodal NV was included in this important certification process for the first time.

The Environmental Management System was also recertified in accordance with ISO 14001 in 2005. Environmental interests were given the utmost consideration during the building of the Busto Arsizio-Gallarate terminal extension. In addition, in the year reported, two new mobile cranes with fine dust filters were put into operation at the terminals in Chiasso and Stabio.

Productivity
Hupac is constantly aiming to raise levels of productivity, thereby ensuring the competitiveness of combined transport on a sustainable basis. Good results were secured in previous years through various structural improvements. In the year reported, productivity, measured by the number of consignments per collaborator at Head Office, rose by 14%. Average productivity figures at the terminals, measured by transferred load units per person, have seen a single digit increase. The running performance per wagon increased as well.

Warehousing
Hupac offers customers a vast range of logistics services via the affiliate Fidia Divisione Magazzini Generali. The company's location, in the immediate vicinity of the Busto Arsizio terminal, has storage warehouses, load unit parking areas and office space. The location is being used to its full capacity.


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Information Technology

Integrated software Goal

Information systems play a central role in the operation of the combined transport. Goal – Global Oriented Application for Logistics – is an integrated software co-ordinating the intermodal transport from booking to billing and managing the information in real time. Goal, designed by Hupac and further developed in co-operation with Cemat, represents today the most widely used system in Europe for the operation of the combined transport.

The system of integrated traction with a variety of railway companies presents new requirements regarding the running checks on trains as every railway company uses its own train monitoring system. In order to give customers reliable real-time information about the position of the trains, in 2005 Hupac developed its own satellite monitoring system with the help of a leading Swiss specialist. The transport timetable for every connection is passed on to a GPS unit installed on the train via the Goal software system. These data are entered into the Goal software and there they give up-to-date status of the train movements.

The new system removes the need for costly enquiries to diverse railway companies and makes unified integrated information possible. The test phase of the project was completed successfully at the end of 2005. Its introduction is planned in several phases in 2006.

The extension of the Busto Arsizio-Gallarate terminal also constituted a great challenge for the IT specialists. In the business year now concluded, Hupac implemented new systems for location management and innovative IT solutions for loading and unloading in the new area. In the medium term the new systems will come into use in the whole terminal.

Cesar Customer Information System

The customer information system Cesar has developed satisfactorily in the year reported. The system is administered by CIS (Cesar Information Services) in Brussels and it offers e-services for intermodal transport, from timetable enquiries through to booking, from tracking and tracing through to information in case of traffic irregularities. Cesar is constantly fed with real-time information by the IT systems of the operators involved – Cemat, Hupac, Kombiverkehr, Novatrans.

In 2005 Cesar was consolidated amongst the European clientele. In total 2.3 million load units were monitored. On www.cesar-online.com the 320 registered users can monitor each phase of their consignments.

The development of the e-services in 2005 focused on the growing demands of customers and partners (railways, ports, suppliers) with regard to electronic data exchange. Transport companies with a high volume of consignments book our services directly from their forwarding systems via an XML interface. The booking is then integrated automatically into Hupac's information system. The e-booking increases the accuracy of the booking entries thus reducing costs and time.

Engineering

Rolling stock

In the year under report, Hupac has expanded its wagon stock by 14.2% to 4,019 wagon modules. We are investing year-on-year to acquire new rolling stock. In 2005, Hupac ordered 500 wagon modules to a value of around CHF 45 million. The acquisition of further rolling stock for the Shuttle Net is intended for 2005.

The wagons were developed in close cooperation with the wagon manufacturers and meet the ever-changing customer and market requirements.The new V pocket wagons are designed for mega trailers with internal heights of up to 3 metres. Because of the low slung loading surface, high volume transports can be run on rail stretches with limited profile heights.

With the latest wagons Hupac meets the requirements for noise protection. Approximately 60% 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.

Hupac has a broad pallet of innovative wagons for the Shuttle Net lines and the Rolling Highway.

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 by reduction of dead weight
- Mega II: suitable for high cube containers, swap bodies, trailers and megatrailers.

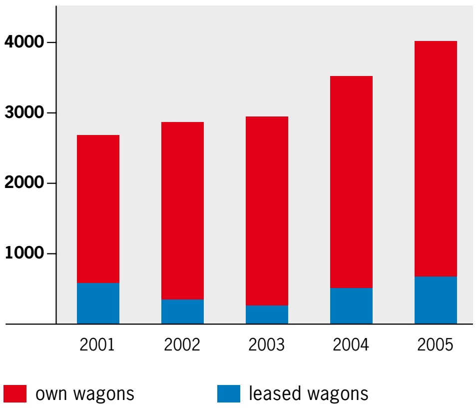
Rolling Highway

- Transportation of trucks up to 44 tonnes
- Transportation of trucks with a corner height of 4 meters on the Gotthard line
- Comfortable sleeping cars for truck drivers.

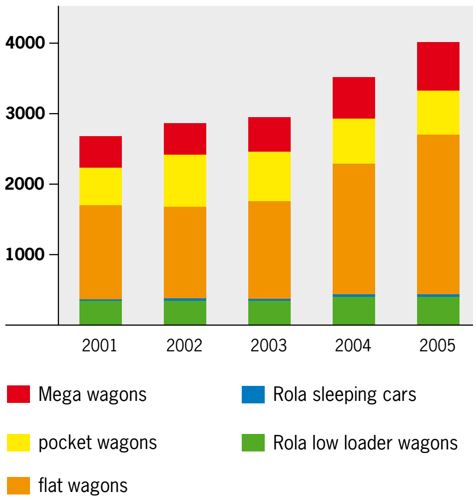
Vehicle coding

Hupac has an internal unit for the coding of load units. These must get approval by a European railway company for railway transportation so that compatibility between vehicle and railway wagon on the desired line is ensured. In the period 2001 to 2005, on behalf of its customers, Hupac performed close to 17,000 codings.

Rolling stock



Rolling stock by type



Terminal Engineering

On 9 September 2005, Hupac has celebrated the opening of the newly expanded terminal at Busto Arsizio-Gallarate near Milan. The Italian transport minister Pietro Lunardi and his Swiss counterpart Moritz Leuenberger gave the starting signal for the first load transfer at the new site. With an initial capacity of 23 train pairs per day rising to 30 train pairs per day in the mid-term, the terminal provides an important milestone for the further expansion of combined transport.

The terminal emerged from the extension of the Busto Arsizio terminal, originally built in 1992, on an adjoining site in the Gallarate district. The terminal expansion was designed and built by the Hupac associate company Termi SpA. It was completed on time and within budget and open for traffic on the due date. Building costs amounted to approximately CHF 75 million (EUR 50 million). The project was primarily financed by repayable loans from the Swiss Federation.

The Busto Arsizio-Gallarate terminal is the nerve centre of Hupac's European Shuttle Net network. It combines the advantages of a conveniently placed central location, thus ideally located for freight transport, with an infrastructure capable of guaranteeing the highest levels of efficiency and safety.

The applied solutions meet and in many cases exceed all legal requirements. Amongst these it is worth pointing out the sophisticated multi-chamber run-off water system which separates wastewater led into the drainage system and into the biotope, and the electronic signalling and control management system for internal rail traffic. The terminal is equipped with 5 technically innovative rail mounted electric gantry cranes which guarantee maximum performance. The cranes feature an automatic identification system of the freight position on site. In addition, the cranes feature a mechanism that captures the kinetic energy created during operations, converts it into electrical energy and feeds this back into the power system.

During the construction of the terminal expansion, environmental requirements and demands of local residents were fully taken into account. The realised measures include numerous safety arrangements as well as noise control, reforestation, creation of biotopes, escape tunnels under the terminal for animals.

Utilisation of the new terminal is being effected gradually. Beside the introduction of new connections, the trains utilising the previous terminal will be transferred to the new enlarged sector in two phases to enable extensive renovation.

Employees

The number of employees in the Hupac Group increased from 327 to 347 in the reported year 2005: 121 people at the Hupac Intermodal in Switzerland, 198 people at the Hupac SpA and Fidia SpA subsidiary companies in Italy and 28 people at the remaining branches in Germany and Holland.

We offer our employees attractive working conditions and the opportunity of continuing training and professional development. Motivation, team spirit and individual responsibility are central elements of our business culture and form the prerequisite of acting in the interests of the customer under changing general conditions.

In the year reported, internal communication was improved further. Our personnel take part in information sessions several times during the year about the development of general conditions, new products and new resources. The internal conferences and workshops are also important occasions for unearthing potential for improvement and introducing optimisation.

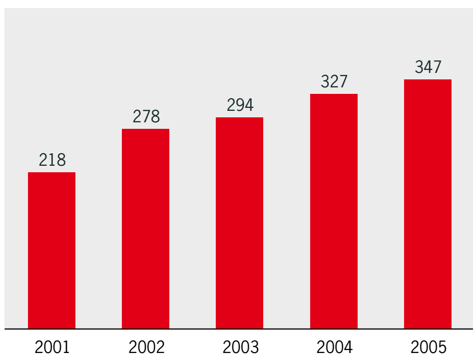
In addition, the internal suggestion system "Voice" plays an important role in improving quality. Employees are offered the opportunity of analysing internal problems and submitting suggestions for improvement to the management. This suggestion system has been established in the parent company for several years and will now be extended to the remaining subsidiary companies of the Hupac Group.

Among the measures for further training, safety relevant themes and also foreign languages and IT applications are at the forefront. Courses are constantly taking place in the terminal area in particular, which make our personnel aware of the handling risks and educate them in the handling of hazardous goods.

An internal trainee management programme enables newly recruited personnel to gain further linguistic and professional skills and to have periods of work experience in the various branches. This fosters the intercultural competence which our customers and partners profit from on a daily basis.

The business year just concluded was characterised by above average growth. We don't just have our customers to thank for this, but also our employees, whose flexibility and hard work meant they were able to cope with a year marked with general conditions which were not always easy, and obstructions to the tracks due to external causes. A special thank you is due to all employees on the part of the Board of Directors and the whole management of the Hupac Group.

Workforce of the Hupac Group



Corporate Governance

Structure of the Hupac Group
At the end of 2005 the Hupac Group consisted of a total of nine companies (diagram 1, 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.

In 2005, a representative office of Hupac Intermodal has been set up in Denmark to deal with the Group's interests locally.

Capital structure
In the year covered by this report Hupac Ltd had a share capital of CHF 20 m. The company is owned by around 100 shareholders. Transport companies and forwarding agents from Switzerland, Germany, Italy, France, Austria and the Netherlands hold 72% of the share capital, railway companies the remaining 28%.

Board of Directors
The Board of Directors of Hupac Ltd consists of six members (diagram 2, see page 2). 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
Diagram 3 on page 2 outlines the management of the Hupac Group at the end of the year under report.

Organisation regulations
The organisation regulations of the Hupac Group regulate the constitution and passing of resolutions as well as the tasks and responsibilities of the following organs: Board of Directors, Chairman 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 of the Organisation Regulations is waived. The general assembly passes its resolutions and carries out its elections with absolute majority of the represented votes in accordance with the law.

Auditing place
The parent company Hupac Ltd, the Swiss subsidiaries as well as the accounts of the Group are audited by PricewaterhouseCoopers in Lugano. The recommendations of the external auditors are implemented by the management.

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, funds originated 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 provides financial support to the providers of services in intermodal transport.

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 (partly completed).

The Hupac Group has to repay a consistent part of these financial aids. Until 2041 the repayments including interests amount to CHF 109,6 million (see figure below).

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. As in the year before, in 2005 the average supporting measures per consignment/kilometre in Switzerland for Rolling Highway and Shuttle Net (unaccompanied combined transport) presented themselves with a ratio of 3:1 (see figure below).

Risk management

Hupac is constantly monitoring the possible risks of business activity. Particular focus is given on operational activities in the terminals and on railway lines. Primary risks are accidents with possible damage to goods and people. Other items include lasting line interruptions, derailments and breakdowns but also damage due to fire, water and theft. Besides these, all risks at the employees' workplaces are also included. In the administrative sector the collecting procedures, exchange rate risks and contract deficits are put under the spotlight. In the IT sector the reliability of the hardware and software systems as well as the data transmission lines have to be mentioned. Important issues in the engineering sector are maintenance problems to the rolling stock and the quality in designing and building terminal infrastructure. Last but not least the legislative risks such as the development of the operating contributions by the Swiss Confederation are also taken into account.

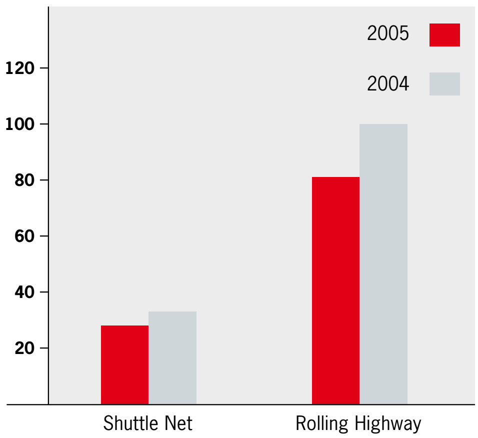
All sector managers in Switzerland and all branch managers list their specific risks in full. For each risk the measures to be implemented, the deadlines and the responsibilities are established. A risk assessment blueprint for the evaluation of all risks according to their occurrence, probability or extent of damage caused, provides the necessary outline and serves as guideline for prioritising measures. The management updates the Board of Directors on a regular basis on risk management issues in general and on the handling of specific risks.

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.

Supporting measures for Shuttle Net and Rolling Highway

per consignment/km in Switzerland, indexed;
Rolling Highway 2004 = 100



Repayment of public financial aids: indicative cash flow burden per year

values in 1000 CHF

Years	2005	2006	2007 - 2017	2018 - 2025	2026 - 2030	2031 - 2035	2036 - 2041	2005-2041 Total
Loan repayment	263	3,489	3,806 3,806	3,544 3,544	2,551 2,551	2,020	317	98,722
Interests			318 - 833	251 - 753	32 - 159			10,840
Total	263	3,489	4,124 - 4,639	3,795 - 4,297	2,583 - 2,710	2,020	317	109,562

Consolidated financial statements

Consolidated income statement 2005 and 2004

Amounts in 1 000 CHF	2005	2004
Revenues from supplies and services	406 803	348 597
Net cost of the services	(318 124)	(260 097)
Gross profit	88 679	88 500
Payroll expenses	(26 075)	(23 960)
General expenses	(11 164)	(11 003)
Depreciation and provisions	(43 834)	(46 027)
Gains from disposal of fixed assets	280	1 813
Losses from disposal of fixed assets	(19)	(18)
Operating profit	7 867	9 305
Financial income	470	360
Financial expenses	(1 380)	(1 441)
Result from associates	1 816	343
Foreign exchange differences	(92)	(173)
Profit before extraordinary items	8 681	8 394
Non-operating income	145	199
Extraordinary income	172	1 158
Extraordinary expenses	(123)	(57)
Profit before taxes	8 875	9 694
Taxes	(2 444)	(3 096)
Profit before minority interest	6 431	6 598
Minority interest	46	(41)
Group profit	6 477	6 557

Consolidated balance sheet at 31 December 2005 and 2004

Amounts in 1 000 CHF	31.12.2005	31.12.2004
ASSETS		
CURRENT ASSETS		
Liquid funds	29 858	44 378
Receivables from supplies and services	68 762	53 113
- third parties	67 927	52 091
- shareholders	835	1 022
Other receivables	21 538	15 122
Stocks	1 100	1 067
Accrued income	21 325	14 225
Total current assets	142 583	127 905
FIXED ASSETS		
Financial fixed assets	24 702	20 525
- Investments	22 314	18 652
- Deposits and other financial assets	959	657
- Deferred tax assets	1 429	1 216
Tangible fixed assets	211 143	208 375
- Advance to suppliers	34 974	27 707
- Technical equipment	9 561	9 865
- Rolling stock	82 464	84 529
- Plants on third parties' lands	1 687	1 848
- Terminals, buildings and land	79 750	81 799
- Other tangible fixed assets	2 707	2 627
Intangible fixed assets	547	988
Total fixed assets	236 392	229 888
Total assets	378 975	357 793

Amounts in 1 000 CHF	31.12.2005	31.12.2004
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Short-term financial debts	250	7 250
Account payables from supplies and services	49 702	31 726
- third parties	45 413	26 428
- shareholders	4 289	5 298
Other short-term debts	2 561	2 863
Accrued expenses	50 488	56 815
Short-term provisions	6 103	19 208
Total short-term liabilities	109 104	117 862
Long-term liabilities		
Long-term debts	157 634	144 560
Long-term provisions	45 115	34 554
Deferred tax liabilities	2 593	2 795
Total long-term liabilities	205 342	181 909
Total liabilities	314 446	299 771
Minority interests	955	1 020
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
Reserves	37 825	31 379
Translation difference	(728)	(934)
Group profit	6 477	6 557
Total shareholders' equity	63 574	57 002
Total liabilities and shareholders' equity	378 975	357 793

Consolidated cash-flow statement 2005 and 2004

Amounts in 1 000 CHF	2005	2004
Group profit	6 477	6 557
Depreciation of tangible assets	39 135	42 121
Depreciation of intangible assets	489	488
Increase of provisions	10 408	1 218
Gain from sale of tangible assets	(261)	(1 610)
Foreign exchange differences	(796)	1 573
Income from associated companies	(1 816)	(343)
Minority interests	(65)	(59)
Increase of receivables	(29 612)	(23 633)
Variation of inventories	(26)	118
Variation of short-term payables	(8 700)	27 049
Cash flows from operating activities	15 233	53 479
Purchase of tangible assets	(61 385)	(65 194)
Proceeds from sale of tangible assets	20 399	12 562
Purchase of intangible assets	(46)	(74)
Purchase of investments	(594)	(658)
Proceeds from sale of investments	350	239
Cash flows from investing activities	(41 276)	(53 125)
Increase of long-term loans	13 057	13 355
Dividends payment	(1 600)	(1 600)
Cash flows from financing activities	11 457	11 755
Variation	(14 586)	12 109
Cash at beginning of the year	44 378	32 409
Foreign exchange differences on cash	66	(140)
Cash at end of the year	29 858	44 378

Notes to the consolidated financial statements 2005

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. The consolidated financial statements as at 31 December 2005 also include a general risk provision of Swiss Francs 5.2 million (in the previous year: Swiss Francs 4.0 million).

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 % 31.12.2005	31.12.2004
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	95.55	95.19
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 % 31.12.2005	31.12.2004
Cemat SpA	Milan (Italy)	34.48	34.26
D & L Cargo NV	Boom (Belgium)	40.00	40.00
RAlpin Ltd	Berne (Switzerland)	30.00	30.00
Cesar Information Services	Brussels (Belgium)	25.10	25.10

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	
	31.12.2005	31.12.2004	2005	2004
CHF/EUR	1.5561	1.5456	1.5481	1.5437

Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	Reserves	Translation differences	Total	Minority interests
Balance at 1 January 2004	20 000	32 954	(470)	52 484	1 079
Translation differences			(203)	(203)	(14)
Translation differences of associated companies			(256)	(256)	
Increase in investments				0	(86)
Adjustment translation differences		5	(5)	0	
Sale of investment at equity		20		20	
Parent company dividend		(1 600)		(1 600)	
Consolidated profits 2004		6 557		6 557	41
Balance at 31 December 2004	20 000	37 936	(934)	57 002	1 020
Translation differences			95	95	6
Translation differences of associated companies			111	111	
Increase in investments				0	(25)
Net equity adjustment of associated companies		1 489		1 489	
Parent company dividend		(1 600)		(1 600)	
Consolidated profits 2005		6 477		6 477	(46)
Balance at 31 December 2005	20 000	44 302	(728)	63 547	955

Other information in accordance with legal requirements

Amounts in 1 000 CHF	31.12.2005	31.12.2004
1. Guarantees, other indemnities and assets pledged in favour of third parties	10	1 401
2. Pledges on assets to secure own liabilities	113 925	117 545
3. Leasing commitments not recorded in the balance sheet	19	0
The indicated amount includes all future commitments arising from existing leasing contracts, including interest and expenses.		
4. Fire insurance value of tangible fixed assets	173 861	142 301

Report of the Group Auditors to the General Meeting on the Consolidated Financial Statements 2005

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement and notes, from page 25 to page 30) of Hupac SA for the year ended 31 December 2005.

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 Swiss Auditing Standards, 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, 14 April 2006

Financial statements Hupac Ltd

Income statement 2005 and 2004

Amounts in 1 000 CHF	2005	2004
Income from supplies and services	66 240	65 794
Cost of services	(24 093)	(21 803)
Gross profit	42 147	43 991
General expenses	(753)	(863)
Depreciation of tangible fixed assets	(32 958)	(36 308)
Amortisation of intangible fixed assets	(35)	(36)
Provision and value adjustments	(1 282)	(2)
Dividend income	453	165
Gains on disposal of fixed assets	264	1 074
Gains on disposal of investments	0	136
Losses on disposal of fixed assets	(5)	0
Ordinary operating profit before financial items	7 831	8 157
Financial income	241	271
Financial expenses	(1 330)	(1 387)
Foreign exchange differences	11	76
Ordinary operating profit	6 753	7 117
Extraordinary income	0	22
Profit before taxes	6 753	7 139
Taxes	(1 660)	(1 620)
Profit for the year	5 093	5 519

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 licenses for the use of Hupac Ltd brands. On one hand more wagons have been rented out and on the other, licence fees have been slightly reduced which, altogether, has led to a slight increase of this item of CHF. 0.446 million.

Costs of services rose almost CHF 2.3 million mainly due to the increase of maintenance costs. After deduction of *Costs of services*, *Gross profit* in 2005 was approximately CHF 1.8 million lower compared to the previous year.

Compared to 2004, *General expenses* decreased by more than CHF 0.1 million.

Depreciation of tangible fixed assets decreased by approximately CHF 3.4 million as a result of less rolling stock being delivered than in the previous year. Value adjustments on investments and receivables constitute the item *Provisions and value adjustments*.

In the reporting year, after financial items, Hupac Ltd shows an *Ordinary operating profit* of CHF 6.753 million. The after tax result for 2005 shows that *Profit for the year* 2005 was CHF 5.093 million.

Balance sheet at 31 December 2005 and 2004

Amounts in 1 000 CHF	31.12.2005	31.12.2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5 508	3 192
Receivables from supplies and services	8 388	12 492
- third parties	2 843	2 691
- group companies	4 860	8 928
- shareholders	1 805	1 023
- Provisions for doubtful debts	(1 120)	(150)
Other receivables	404	360
- third parties	404	360
Prepayments and accrued income	1 495	5 225
Total current assets	15 795	21 269
FIXED ASSETS		
Financial fixed assets	34 525	33 865
- Investments	28 230	27 918
- Loans third parties	825	508
- Loans group	5 468	5 437
- Other financial fixed assets	2	2
Tangible fixed assets	87 299	84 393
Intangible fixed assets	31	53
Total fixed assets	121 855	118 311
Total assets	137 650	139 580

Amounts in 1 000 CHF	31.12.2005	31.12.2004
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Payables from supplies and services	7 740	6 567
- third parties	3 451	1 263
- group companies	1	6
- shareholders	4 288	5 298
Short-term loans	250	250
- shareholders	250	250
Other short-term debt	694	404
- third parties	694	404
Accrued expenses and short-term provisions	6 308	8 061
Total short-term liabilities	14 992	15 282
Long-term liabilities		
Long-term debts	47 500	61 433
- third parties	47 000	49 000
- group companies	0	11 683
- shareholders	500	750
Long-term provisions	22 950	14 150
Total long-term liabilities	70 450	75 583
Total liabilities	85 442	90 865
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
General reserve	4 562	4 502
Statutory reserves	22 300	18 300
Retained earnings	5 346	5 913
- Profit carried forward	253	394
- Profit for the year	5 093	5 519
Total shareholders' equity	52 208	48 715
Total liabilities and shareholders' equity	137 650	139 580

Notes to the balance sheet

At the end of 2005, compared to the previous year, *Total current assets* decreased of approximately CHF 5.5 million to almost CHF 15.8 million, mainly due to the decrease of *Receivables from supplies and services*.

Whilst compared to 2004 the item *Fixed assets* shows an increase of CHF 3.5 million, in particular due to the increase of *Tangible fixed assets*.

On the liability side the *Short term liabilities* show a light decrease, whilst the *Long term liabilities* a noticeable decrease of CHF 5.1 million. During the reporting year debts towards third parties and in particular towards Group companies have been repaid.

At the end of the year 2005 *Shareholder equity* of Hupac Ltd was CHF 52.2 million, corresponding to an equity ratio of 37.9% and representing a further improvement compared to the previous year.

Notes to the financial statements 2005

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	31.12.2005	31.12.2004
2.1 Guarantees and assets pledged in favour of third parties	11 284	15 005
2.2 Fire insurance value of tangible fixed assets	93 011	79 496

2.3 Significant investments in subsidiary companies

Company	Business activity	Registered capital		Share of capital as %	
			in 1 000	31.12.2005	31.12.2004
Hupac Intermodal Ltd, Chiasso	Traffic Management/ Terminal Management	CHF	250	100.00	100.00
Hupac SpA, Milan	Terminal Management/ Railway operating	EUR	2 040	95.55	95.19
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	Service Provider	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	34.48	34.26
D & L Cargo NV, Boom	Railway operating	EUR	177	40.00	40.00
Cesar Information Services Scarl, Brussels	Data processing service for customers	EUR	100	25.10	25.10
RAlpin Ltd, Berne	Traffic Management/Terminal Management	CHF	300	30.00	30.00
SWE-Kombi AB, Helsingborg	Traffic Management/Terminal Management	SEK	100	45.00	45.00

3. Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	General reserve	Statutory reserves	Retained earnings	Total
Balance at 1 January 2004	20 000	4 442	15 300	5 054	44 796
Dividends				(1 600)	(1 600)
Transfer to the general legal reserve		60		(60)	0
Transfer to the statutory reserves			3 000	(3 000)	0
Profit for the year				5 519	5 519
Balance at 31 December 2004	20 000	4 502	18 300	5 913	48 715
Dividends				(1 600)	(1 600)
Transfer to the general legal reserve		60		(60)	0
Transfer to the statutory reserves			4 000	(4 000)	0
Profit for the year				5 093	5 093
Balance at 31 December 2005	20 000	4 562	22 300	5 346	52 208

4. Long-term debts

The account Long-term debts to third parties includes bank debts of CHF 19.0 million (in 2004: CHF 7.0 million) which are formally due on short-term, but economically considered long-term liabilities.

5. 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

		2005
Profit carried forward	CHF	252 549
Profit for the year	CHF	5 093 229
Retained earnings at the disposal of the General Meeting	CHF	5 345 778

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	3 500 000
To be carried forward	CHF	185 778
	CHF	5 345 778

Report of the Statutory Auditors to the General Meeting on the Financial Statements 2005

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, from page 32 to page 35) of Hupac Ltd for the year ended 31.12.2005.

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 Swiss Auditing Standards, 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, 14 April 2006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