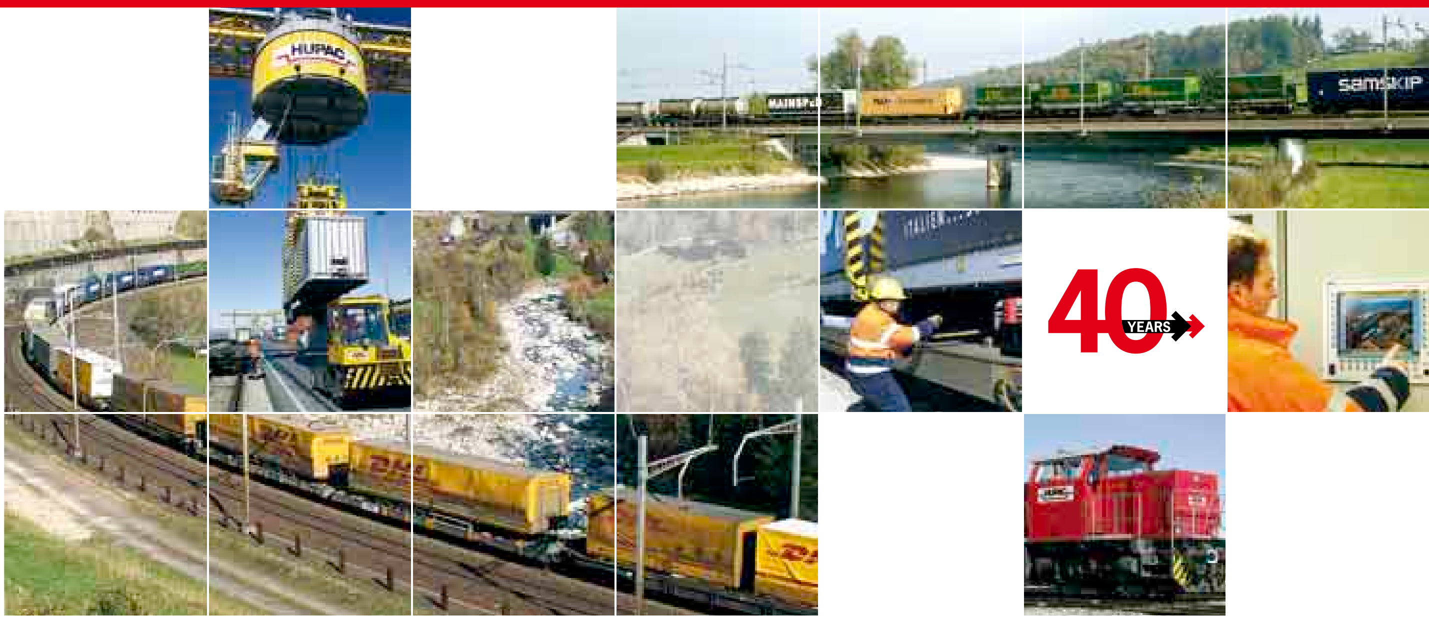
Annual Report 2006



HUPAC


cargo

Annual report 2006

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Foreword

Successful modal shift

On course with strategy
Hupac can once again look back on a successful business year. In 2006 the company carried 612,488 consignments by road – nearly 100,000 more than in the previous year, and double the number eight years ago. The transalpine traffic segment achieved an increase of 16% – by a good margin the fastest growth rate in the last years. This was made possible by the transhipment capacity at our expanded terminal at Busto Arsizio-Gallarate. These figures prove that Switzerland's transport policy is succeeding. The modal shift of freight transit from road to rail is in full swing.

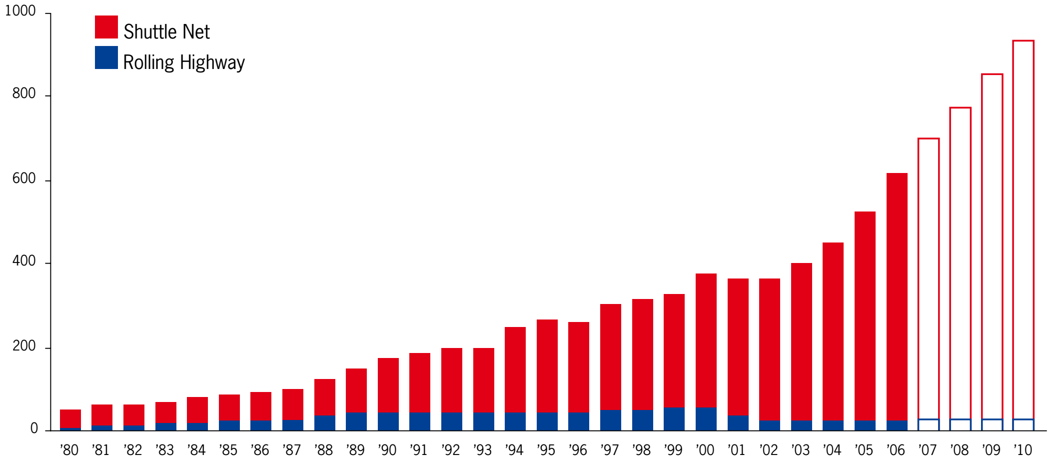
Creating sustainable value
Many factors made possible last year's success. For a start, the economic boom led to a noticeable upturn in demand. Hupac was in a position to expand the traffic network and introduce new connections. Even so, last year's success was primarily the result of a long-term growth strategy, from which everyone benefits – economy, the environment and society.

Hupac is well aware of its responsibilities for sustainable development, and directs its actions consistently to achieve that. Therefore we are including in our report not just our economical, but also our environmental and social responsibilities.

Hand in hand with the transport policy
Hupac's success is also based on Switzerland's transport policy which consistently promotes rail freight traffic and is building the Gotthard base tunnel as an infrastructure of Europe-wide importance. In 10 years time, heavy freight trains will be able to run on a flat railway line under the Alps. Until that time, intermodal traffic will continue to need federal financial support on the same scale as now. We hope that the new Freight Traffic Act 2011-2017 will continue uninterrupted the successful policy that has reduced road transit traffic through Switzerland by 16% between 2000 and 2006, and has made it possible, despite obsolete rail infrastructure, to carry more and more traffic by rail thanks to attractive offers and high quality services.

Courage for the open market
Hupac's fast growth rates would have been unthinkable without the opening up of the rail market, and the resulting change in values. Railways are gradually transforming themselves from monopolies to customer-oriented service providers. The system of end-to-end traction responsibility has substantially increased the productivity, efficiency

Traffic development 1980-2010
Road consignments x 1000



and quality of rail traffic, and has improved the flow of information. Competition between railway companies has set the market in motion. New products can be brought to market more quickly. Efficiency and high service quality are the benchmarks for all Hupac's rail partners.

It worries us to see the slow pace of rail liberalisation and the obstacles placed in its way by those railways who want to preserve their dominant positions by protectionist measures. It is particularly important in the technical area to make sure that permits for rolling stock, and the issuing of safety certificates, are not misused as ways of killing off competition.

For the last forty years
Last but not least, the success of recent years is also the result of a corporate strategy that was set in place when Hupac was founded forty years ago, and has continued practically unchanged since then. In 1967, four transport companies and the SBB founded the combi operator Hupac with equal participating interests, with the objective of running intermodal traffic across the Alps. To this day, Hupac owns rail wagons and operates rail traffic – but its mentality and corporate culture are firmly linked to competition and open markets.

The market remains Hupac's driving force. In 2006 the Board of Directors approved the new strategy for the 2006-2010 period. Hupac set itself an ambitious growth target of 10 to 12% annually, and will in total invest CHF 350 million in rolling stock, terminals and IT.

Sincere thanks
On behalf of the Board of Directors and the management of Hupac Ltd, I would first like to thank all our employees for their above-average efforts. Throughout the company, they have demonstrated their professionalism with their commitment towards the company's targets. I thank our shareholders and customers for the trust they have placed in our company. I also sincerely thank our partners and the Institutions for their close cooperation. The great commitment of all the stakeholders has helped us to achieve a solid result for 2006.

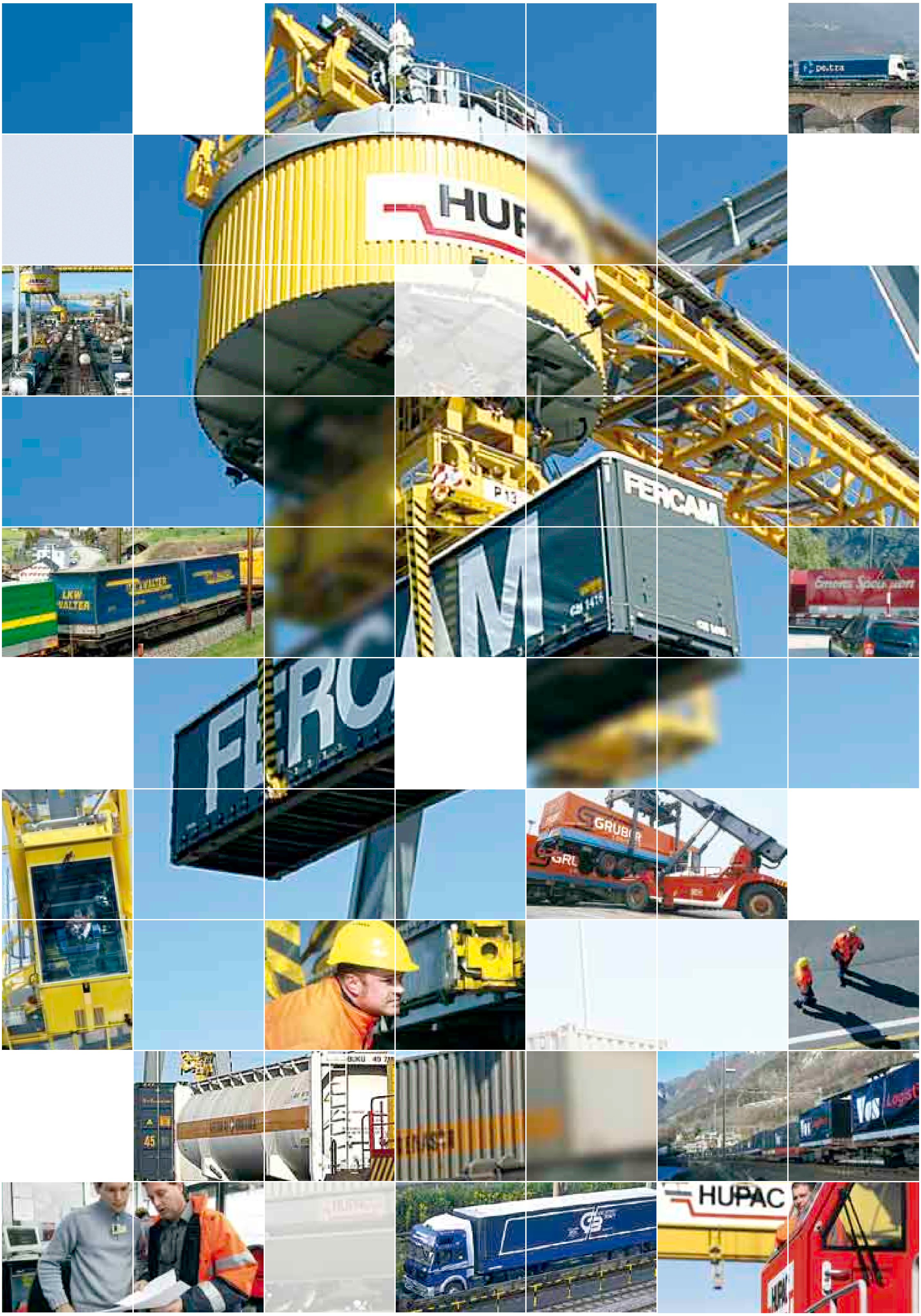
In the first quarter of 2007, traffic was already up 17% compared to the same period in the previous year. Many new connections are currently in the project phase, and will be introduced during the course of the year. Among the priority tasks are increasing the productivity of our own rolling stock, and improving quality. With this, we want to make an active contribution in the course of the year to sustainable and secure freight traffic logistics in Europe.

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

Chiasso, May 2007

Highlights 2006

January	▸ Installation of e-train devices for satellite-based train monitoring ▸ Order of 200 flat wagons for containers
February	▸ Order of 150 pocket wagons for semi-trailers
April	▸ Introduction of the shuttle train Rotterdam ⇆ Mannheim Handelshafen
May	▸ Start of the direct shuttle connection Genk ⇆ Busto ▸ Increase of frequency of the shuttle Rotterdam ⇆ Mannheim Handelshafen with connection to Rhenania Terminal
June	▸ New management team at Hupac SpA in Busto Arsizio, with Francesco Crivelli Delegate of the Board of Directors and Sergio Crespi Managing Director ▸ Introduction of the Busto ⇆ Fiorenzuola shuttle with ongoing connections to Cassino
July	▸ Start of the operation of the Duisburg ⇆ Wien/Budapest link with connection to the Duisburg ⇆ Rotterdam shuttle
August	▸ Hupac's response to the Swiss bill on freight traffic 2011-2017. Hupac demands that the Federal policy for modal shift is maintained together with the current subsidy system
September	▸ Opening of the representative office in Warsaw, Poland ▸ Start of operation of the Rotterdam ⇆ Hamburg shuttle ▸ Introduction of the Novara ⇆ Lübeck shuttle (P400) ▸ Start of operation of the Antwerp ⇆ Padua connection on the Brenner line
November	▸ Incorporation of Hupac Intermodal BVBA in Antwerp with the objective of planning, building and managing terminals ▸ Order of 300 pocket wagons for semi-trailers ▸ Increased frequency of the Duisburg ⇆ Wien/Budapest connection with additional destinations to Enns und Krems
December	▸ Two new locomotive ordered for the Busto Arsizio-Gallarate terminal


HUPAC
FERCAM
LKW WALTER
GRUBER
HUPAC

The Hupac Group

Hupac Ltd
Chiasso
Parent company

- 100% **Hupac Intermodal Ltd** – Chiasso – Sales & Customer Service, Traffic Management, Terminal Management
- 95,55% **Hupac SpA** – Milano – Terminal Management, Railway Operating
- 50% **Terminal Singen TSG GmbH** – Singen – Terminal Management
- 100% **Hupac Intermodal NV** – Rotterdam – Service Provider
- 100% **Hupac GmbH** – Singen – Sales & Customer Service, Railway Operating
- 80% **Termi Ltd** – Chiasso – Terminal Engineering
- 97% **Hupac Intermodal BVBA** – Antwerp – Terminal Engineering, Terminal Management – 3% Hupac Intermodal NV
- 97% **Fidia SpA** – Oleggio – Terminal Management, Warehousing – 3% Hupac SpA
- 5% **Termi SpA** – Busto Arsizio – Terminal Engineering – 95% Termi Ltd

Board of directors of Hupac Ltd

Name	Age	Position	Nationality	First nomination	Expiry of mandate
Dr. Hans-Jörg Bertschi	50	Chairman since 1993	Swiss	1987	2007
Daniel Nordmann	52	Deputy Chairman since 2001	Swiss	2001	2007
Theo Allemann	69	Member	Swiss	1999	2007
Dr. Thomas Baumgartner	53	Member	Italian	1990	2007
Thomas Hoyer	57	Member	German	1988	2007
Bruno Planzer	64	Member	Swiss	1989	2007
Peter Hafner	51	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*
Aldo Croci *Information Technology*
Giorgio Pennacchi *Engineering*
Peter Hafner *Finance & Administration*

Hupac Intermodal Ltd
Bernhard Kunz *Managing Director*
Peter Howald *Deputy Managing Director*

Hupac Intermodal NV
Mark Jansen *Business Manager*

Hupac Intermodal BVBA
Bernhard Kunz *Manager*
Peter Hafner *Manager*
Piero Solcà *Manager*
Mark Jansen *Manager*

Hupac SpA
Francesco Crivelli *Delegate of the Board of Directors*
Sergio Crespi *Managing Director*

Hupac GmbH
Sascha Altenau *Managing Director*

Fidia SpA
Paolo Paracchini *Delegate of the Board of Directors*

Terminal Singen TSG GmbH
Sascha Altenau *Managing Director*
Gerhard Bukowski *Managing Director*

Termi SA
Peter Hafner *Managing Director*

Termi SpA
Angelo Grassi *Deputy Chairman*

Situation at 31.12.2006

Corporate Governance

Structure of the Hupac Group

At the end of 2006 the Hupac Group consisted of a total of ten companies based in Switzerland, Germany, Italy, The Netherlands and Belgium. Each company operates within its own well defined remit in order to provide advanced solutions and contribute to the overall efficiency of the Group.

The most material changes at corporate level in 2006 regard the appointment, in June, of a new management team at Hupac SpA, which includes Sergio Crespi as Managing Director, Maurizio Tronchi as Rail Company Operations Manager and Davide Muzio as Terminal Production and Logistics Manager. Francesco Crivelli, Hupac SpA's former Managing Director, is now member of the Board of Directors.

Two further changes affect the geographical distribution of the traffic network. In September 2006 Hupac Intermodal inaugurated its representative office in Warsaw aimed at coordinating operations in Poland in a more efficient way. In December 2006 the subsidiary Hupac Intermodal BVBA based in Antwerp was established. The company's main objective is the construction and management of terminals in Belgium, and its share capital is held 97% by Hupac Ltd and 3% by Hupac Intermodal NV.

Board of Directors

Hupac Ltd's Board of Directors consists of six members. According to the company's by-laws, the shareholders of Hupac must be transport companies who actively contribute to the development of intermodal transport. Consequently the majority of the members of the Board of Hupac Ltd are entrepreneurs or managing directors of companies of this type. The German and Italian markets are represented on the Board as geographical markets of strategic importance. The members of the current Board represent in aggregate over two thirds of the voting shareholders. The composition of both Hupac Intermodal Ltd and Termi Ltd's Boards of Directors is identical to that of Hupac Ltd.

Capital structure

In the year covered by this report Hupac Ltd had a share capital of CHF 20 million. 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, the remaining 28% is held by railway companies.

Organization Regulations

Hupac's Group organisation regulations govern the constitution and passing of resolutions as well as the tasks and responsibilities of the following bodies: Board of Directors, Chair of the Board of Directors and top management. The document applies not only to the parent company but, for important issues, also to all companies of the Hupac Group.

Risk Management

Hupac has set up a risk monitoring system aimed at identifying those situations that could cause considerable financial losses to the Group. The cornerstone of the Risk Management System consists of a list of risks whose regular updating is entrusted to Hupac Ltd's top management. The system is based on the following main criteria:

- risk identification
- assessment of possible cost/extension of the damage
- assessment of incident probability
- interventions and decisions required to tackle and reduce risk incidence

Updated information on the latest situation is periodically submitted also to the Board of Directors. In the course of 2006 a series of measures have been taken that allowed to reduce certain risks.

Profile of the Hupac Group

Hupac is the leading provider of intermodal transport through the Swiss Alps. The Company formed in Chiasso in 1967, has a share capital held by 99 shareholders, of which 72% belongs to road hauliers and forwarding companies, while 28% belongs to rail companies thus guaranteeing closeness to the market place and independence from the rails.

With a work force of 396 employees, the company manages a network of over 100 trains daily, connecting the main European economic areas (continental traffic) and the most important ports with mainland Europe (maritime traffic). The aim of the company is to provide fast, regular and reliable services for freight rail transport, thus making a considerable contribution to the modal shift in transport from road to rail.

Intermodal transport combines different means of transport: road, rail, sea and air. In unaccompanied combined transport (UCT), the loading unit – containers, semi-trailers or swap bodies – are carried by road or by vessel to the transhipment terminals where they are loaded on trains to continue the journey by rail. Drivers remain at the terminals. At the destination terminal the consignments are picked up by truck and transported to their final destination.

With the Shuttle Net service, one of the most frequent and capillary connection services in Europe, Hupac can guarantee all advantages of the unaccompanied combined transport (UCT).

The Rolling Highway is a complementary service for transalpine transport. Trucks are loaded onto special rail wagons whilst drivers travel in a separate sleeping car.

The milestones in the company history

1967 Hupac Ltd is formed in Chiasso

1968 Activity begins with one train connecting Basel and Melide

1969 First international combined transport with own wagons on the stretch Cologne ⇆ Milano Rogoredo

1971 Cooperation agreement with the German Kombiverkehr

1973 Hupac SpA is formed; inauguration of the Milano ⇆ Rotterdam axis in collaboration with the Dutch Trailstar

1976 First train of the Rolling Highway Altdorf ⇆ Cadenazzo

1981 Cooperation agreement with the Italian Cemat

1982 Hupac establishes a representative in Germany

1985 Termi Ltd is formed for the construction of new terminals

1990 First shuttle train service between Cologne and Busto Arsizio

1992 Inauguration of the new Busto Arsizio terminal

1996 Opening of the terminal in Singen; Fidia joins the Hupac Group

1998 Trailstar of Rotterdam joins the Hupac Group (later Hupac Intermodal NV)

1999 Hupac acquires the rail license in Germany

2001 Hupac, SBB, BLS and Trenitalia set up RAlpin; Hupac acquires the rail license in Italy

2004 Introduction of the international integrated traction responsibility

2005 Inauguration of the enlarged Busto Arsizio-Gallarate terminal

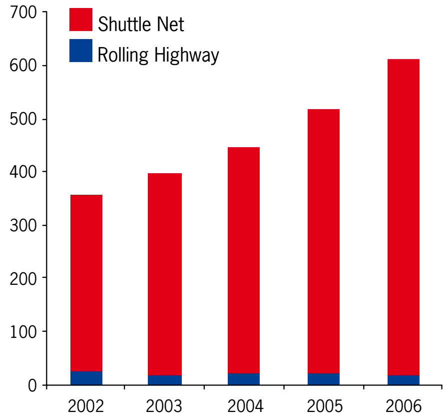
2007 First traffic activites on the Brenner axis and in France

Year of incorporation	1967
Share capital	CHF 20 million
Shareholders	99
Capital structure	72% logistics and transport companies 28% rail companies
Headquarters	Chiasso
Operational branches	Basel, Busto Arsizio, Oleggio, Singen, Mannheim, Cologne, Rotterdam, Taulov, Warsaw
Employees	396
Business profile	Independent intermodal transport operator
Business areas	**Shuttle Net** 97 shuttle trains per day 591.169 road consignments 10,4 million net tonnes **Rolling Highway** 6 trains per day 21.319 road consignments 0,4 million net tonnes
Rolling stock	4.425 rail wagons 13 main-line and/or shunting locomotives
Terminal management	Busto Arsizio-Gallarate, Oleggio, Desio, Milano Greco Pirelli, Novara RAlpin, Aarau, Basel, Chiasso, Singen, Ede
Information Technology	Goal, integrated software solution for intermodal transport in Europe Cesar, customer information system with links to over 130 terminals e-train, satellite train monitoring system
Quality & Environment	Quality Management System ISO 9001:2000 Environmental Management System ISO 14001:2004
Financial results	Annual turnover CHF 476.9 million (EUR 303.2 million) Profit for the year CHF 6.958 million (EUR 4.42 million) Cash flow CHF 58.7 million (EUR 37.3 million)

Situation at 31.12.2006

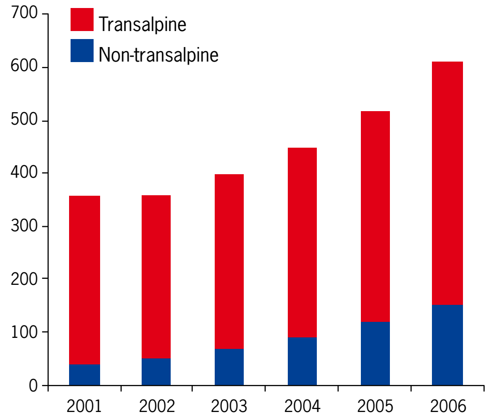
Traffic development by business areas

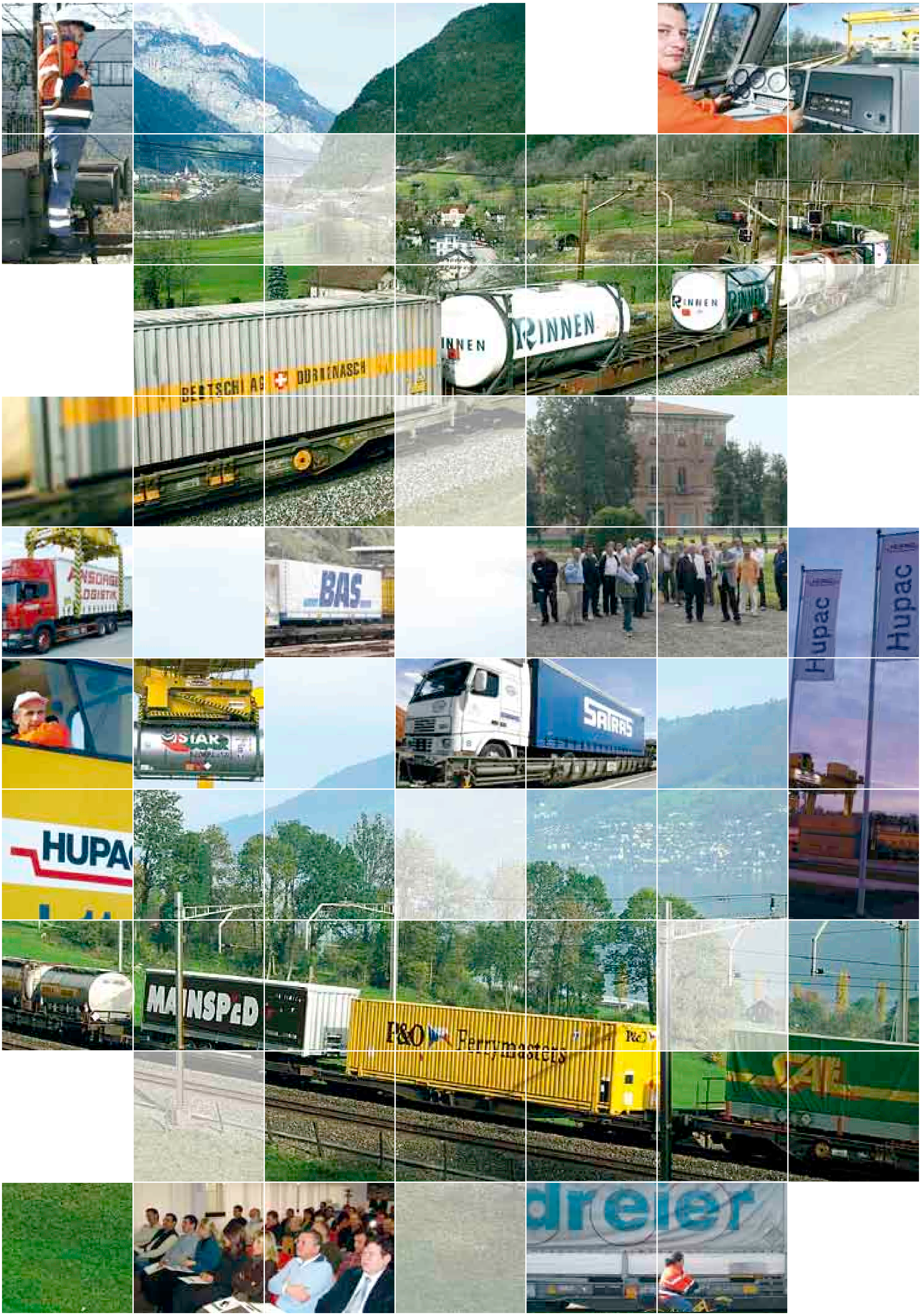
Road consignments x 1000



Traffic development by typology

Road consignments x 1000

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BAS
Hupac
SATRAS
P&O Ferrymasters
dreier

Vision and guidelines

Vision

Hupac is one of Europe's leading, independent intermodal transport operators. The Group endeavours to ensure that – in an expanding transport market – an increasing amount of freight is transported by rail. By doing so, it can help to preserve the environment and discharge its social responsibilities.

By maximizing efficiency Hupac aims at further lowering the cost per loading unit.

Hupac aims to grow alongside its customers, as a reliable partner. Hupac's target is to increase freight traffic between 10 and 12% per annum.

Guidelines

Hupac offers efficient and innovative solutions to fulfil the wide-ranging requirements in European freight transport. Quality, cost-awareness and safety are the focus of attention of the Group's strategy.

With a predicted annual market growth rate of 3%, Hupac is forecasting an average annual growth of between 10 and 12% over the next few years principally by gaining market share from road freight transport.

Customer-oriented approach
The company's main objective is to have satisfied, loyal customers. Hupac seeks to meet their needs with market-oriented, reliable transport solutions. Flexibility, innovation and ongoing service quality improvement constitute the core principles at all levels in the Group.

Well-trained, motivated staff
Hupac's employees are the company's most important resource. They are offered attractive working conditions, regular training and further professional updating programmes. By providing an open corporate environment which treats each employee with dignity and respect, Hupac encourages motivation, team spirit and responsibility at individual level.

Breakthrough of intermodal transport
In transalpine transport through Switzerland two thirds of all freight traffic is now being carried by rail. Hupac wishes to further develop intermodal traffic among European business areas making it the preferred method of transport. Hupac is thus largely supportive of Switzerland's transport policy.

Partnership and expansion of the multi-modal network
Hupac is working on the steady expansion of the multi-modal European network, either on its own or in collaboration with strong partners. The essential criterion for co-operation is the optimization of the entire logistics chain by grouping together and exploiting the strengths of each market partner. Hupac intends to enter agreements with other intermodal transport operators where synergies can be found and the network can be extended. In the railway sector Hupac works together with chosen partners for the supply of railway services in Europe according to the principle of "integrated traction responsibility".

Efficient processes
Cost-awareness and standardisation of business processes enable the company to ensure efficiency internally and externally towards its partners in the market. Information technology therefore plays a crucial role in achieving such objectives with the aid of Hupac's Quality Management System.

Creation and use of profit
The Hupac Group views the creation of profit as the means for ensuring the financial independence of the Group. The investment policy is geared towards sustainable growth and high added value, which guarantees a return on share capital that is commensurate with the risk involved.

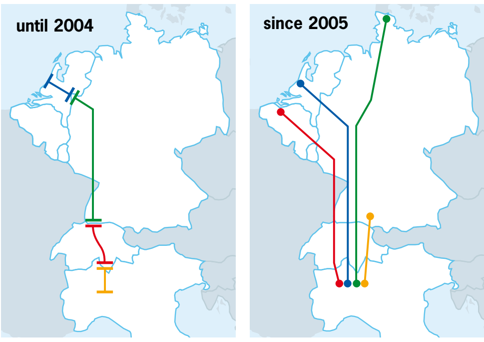
Environmental responsibility
By shifting traffic from roads onto the railways we make a significant contribution to a better quality of life. An environmentally-oriented approach is encouraged by Hupac and put into practice by every employee in their daily activities. The company's Environmental Management System provides guidelines for environmentally friendly production methods and the moderate use of natural resources.

Hupac's strategy for sustainable freight transport

Rail transport: for a sustainable traffic policy

Hupac's core business directly contributes to an environmentally friendly development of traffics, in line with the Swiss Federation and EU transport policy whose objective is the modal shift of freight transport from road to rail.

Transport by railway is by far the most sustainable means of transport if compared to road transport. The eastward enlargement of the European Union has also led to increased traffic levels to and from this new economic area and a further growth is expected. For long distance transports, the railways offer the more sustainable and sensible option compared to road, capable of facing the future growth of traffic, both in terms of economic as well as environmental issues.



Integrated traction responsibility
One train partner from source to destination

The liberalisation of the railways

The railways liberalisation represents the cornerstone of the transport policy put into practice by the EU and the Swiss Government since the 1990s in order to develop rail traffic and tackle transport mobility. In order to improve competitiveness of the rail towards the road it is essential to achieve independence between infrastructure and operation, but also free access to the network, vital preconditions that allow the opening of the market and the creation of a healthy competitive environment among rail companies.

The process of market liberalisation has followed different routes in each European country. Initial achievements are already visible but there is still much more to be done. Key steps for further achievements are the real separation between infrastructure and operation, the creation of regulatory bodies and technical-administrative standardisation.

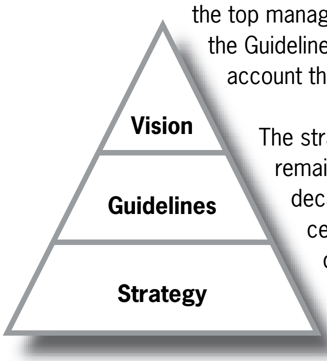
Hupac endorses and supports the liberalisation of the railways in Europe. The company set itself up at an early stage to take advantage of the opportunities created by the opening up of the market. Hupac often takes an active role in accelerating the process of liberalisation, as in the support of new private rail transport companies or by introducing the integrated traction responsibility.

Hupac and the rail liberalisation

Hupac actively supports fair competition and the liberalisation of the railway market. The company acquired railway licences for Germany in 1999 and, two years later, for Italy. In 2000 locomotives for niche market transports were also acquired. In 2002 Hupac helped to form the Belgian railway company Dillen & Le Jeune Cargo. 2003 saw Hupac entrusting Rail4Chem with its first connections: the private railway operator showed a favourable price/performance ratio and proved to be capable of handling single handedly the train traction from source to destination. In 2004 Hupac put into service the first international train to make the cross-border trip Duisburg to Novara with the integrated traction handled solely by SBB Cargo acting as international interface throughout from Germany to Italy. Since 2004, Hupac has been selecting the best traction providers, outsourced services and allocated "source to destination" contracts. Five partners secured their position in transalpine traffic – SBB Cargo, Railion (Stinnes Intermodal), Trenitalia Cargo, Ferrovie Nord Cargo and Rail4Chem.

The 2006-2010 strategy

Hupac reviews the principles of its business activity systematically every five years. Following the implementation of the strategy for the period 2001-2005 Hupac Group's Board of Directors and the top management have reviewed the Vision, the Guidelines and the Strategy taking into account the changed framework conditions.



The strategy of the Hupac Group has remained fundamentally unchanged for decades proving to be equally successful in the last period which was characterised by the change of the market environment in the course of railway liberalisation. Ongoing extension of the network, independence from the railways and investing in its own assets such as rolling stock, terminals and IT solutions are and remain the key factors for the company's growth.

For the period 2006-2010, Hupac has set itself an annual volume growth target of 10-12%. Its transport volumes (transalpine + non-transalpine) should increase from 519,000 consignments in 2005 to 928,000 consignments in 2010. The top requirements of the 2006-2010 Strategy include:

- Endorsement of the traffic relocation policy
- Endorsement of the railway liberalisation and intermodal competition
- Network development along the north-south axis and feeder facilities along the east-west axis
- Import/Export traffic will be maintained
- Extension of the Rolling Highway as complementary offer
- Select development of the transit axis through Austria and France
- Investments in rolling stock
- Optimisation of the rolling stock maintenance
- Consolidation of terminal capacity
- Development of IT systems

Transport, environment and quality

From the start Hupac set out to develop a means of transport capable of being compatible with the environment, in particular with the fragile and sensitive alpine region. In 1997 Hupac has been the first European intermodal operator to be certified according to ISO 14001 for the environment (EMS - Environmental Management System). Today the certification ensures that Hupac provides its customers with transport solutions that respect the needs and requirements of the environment.

Since 1995 Hupac's QMS Quality Management System has been certified and subsequently renewed according to ISO 9001 standards allowing Hupac to pursue and endorse transport development in conformity with increasingly stricter quality standards. Hupac's concept of quality means ongoing commitment to improved service and a reciprocal reliable relationship with customers, partners and suppliers.

Certifications ISO 9001 and 14001:2004 concern:

- Organization, management and commercialisation of transport
- Management of combined transport terminals
- Rolling stock development, acquisition and maintenance
- Development and implementation of IT systems for the customers and combined traffic software solutions

Economy relays on an environmentally friendly combined transport

"Intermodal traffic has grown remarkably faster than road traffic", is how Hans-Jörg Bertschi, Chairman of the Hupac Board, summarises the current situation. "Rail is gaining market share back from road traffic." One of the reasons is the efficacy of its offer, which Hupac and its partners are committed to constantly improve. Last year, 20 new trains were added, and despite such strong growth, punctuality was nearly maintained. "The European transport industry recognises that intermodal traffic is a genuine alternative to road traffic," notes Hans-Jörg Bertschi. "Many forwarding companies are diversifying their means of transport, in order to efficiently combat capacity bottlenecks on the road, shortage of drivers, and tax measures such as Maut (road tolls) and LSVA."

Communication policy

The Hupac Group aims at maintaining and further developing a trustworthy relationship with its stakeholders, i.e. all those groups of individuals, associations and institutions that contribute to the fulfilment of Hupac's mission as well as those who are in any other way involved in its achievement. Stakeholders means those whose investments are related to Hupac's activities, first of all the shareholders, the customers, the employees and the business partners. In a wider sense stakeholders are all individuals and associations, as well as the organisations and institutions representing them, whose interests are directly or indirectly affected by Hupac's activities. Examples of such stakeholders include local and national communities in which Hupac carries out its operations, the associations for the protection of the environment and future generations.

Hupac pursues a transparent information policy towards all stakeholders, encouraging an open dialogue and an effective communication with:

- Employees
- Shareholders (road hauliers, logistics and rail companies)
- Financing entities (banks and the Swiss Government)
- Customers (road hauliers, logistics companies)
- Suppliers (railways, terminals)
- Local and national communities
- Institutions

Hupac's economic responsibility

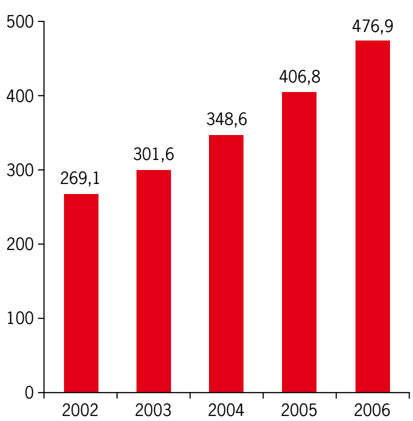
Hupac's economic responsibility is based on the pursuit of efficiency, a cost-saving and result-focused management, constantly improved financial results and operational choices which generate increasing higher company assets value capable of ensuring Hupac's existence.

Notes on the income statement

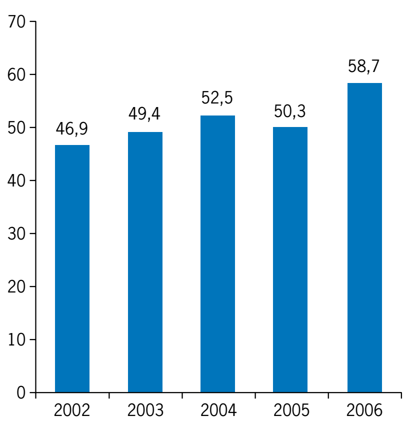
In 2006 the income from supplies and services amounted to CHF 476.9 million, i.e. an increase of CHF 70.1 million, 17.2% higher compared to the previous year. Net costs of supplies and services have increased to CHF 56.4 million (17.7%), equal to CHF 374.5 million. The gross profit shows therefore an increase of CHF 13.7 million compared to the previous financial year (15.5%), reaching CHF 102.4 million.

Values in CHF x 1,000	2006	2005	Variation in %
Income from supplies and services	476.929	406.803	17,2
Net cost of the services	374.533	318.124	17,7
Gross profit	102.396	88.679	15,5
Group's operating profit	6.958	6.477	7,4
Group's Cash flow	58.730	50.263	17,6

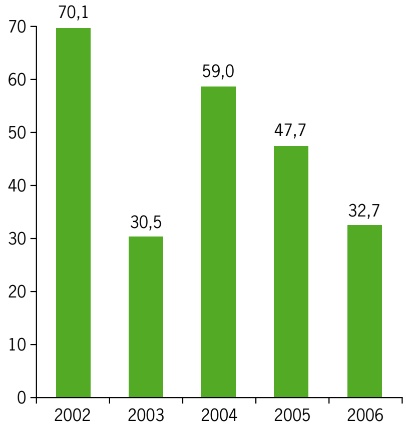
Annual turnover
In million CHF



Cash flow
In million CHF



Investments in tangible fixed assets
Without advances, in million CHF



Development of the Shuttle Net business area

In the Shuttle Net business area (unaccompanied combined transport), Hupac achieved an increase in volumes of 95,510 over 591,169 road consignments, which represents +19.3%. The reasons for such a marked growth are the positive economic framework and the increased activity due to the introduction of new traffic connections. The highest growth has been achieved in the Benelux ⇆ Italy traffic and in the market segment "Other European traffic".

In the core business area of transalpine traffic, the increase of 61,685 road consignments (+16.4%) totalled 436,678. Such huge increase rate, if compared to the previous year, could be achieved through the enlargement of the Busto Arsizio-Gallarate terminal. The extension of the terminal allowed at the same time the development of the connections towards Central and Southern Italy.

Scandinavia ⇆ Italy
In order to meet with rising demand, in the year under report an additional train pair per week has been introduced between Busto and Taulov.

In addition the frequency of the connection Taulov ⇆ Malmö ("fixed crossings") was increased by a further train pair to the six weekly journeys. The strongly improved service in the segment Scandinavia ⇆ Italy generated an increase of 13%, whilst the Swedish traffic showed the greatest increase rate with +20%.

Germany ⇆ Italy
Traffic between Germany and Italy increased by 11%. On the stretch Hamburg ⇆ Busto both frequency and volumes were up in order to meet the strong demand. In September the Lübeck ⇆ Novara connection was introduced on the 4-meter-corridor via Lötschberg. The new connection allows the loading of semi-trailers with P400 profile, taking the market potential in Finland, Sweden and in the Baltic States to a notably higher level.

Transport volumes

		Road consignments			Net weight in tonnes		
		2006	2005	%	2006	2005	%
Shuttle Net	Transit via CH	410,453	352,369	16.5	7,554,000	6,506,000	16.4
	Transit via A	873	0	100.0	16,000	0	100.0
	Import/export CH	9,173	10,490	-12.6	161,000	192,000	-16.1
	National CH	16,179	12,134	33.3	257,000	179,000	43.6
	Total transalpine	436,678	374,993	16.4	7,988,000	6,877,000	16.2
	Import/export CH	63,073	56,987	10.7	891,000	817,000	9.1
	Other European traffic	91,418	63,679	43.6	1,508,000	1,009,000	49.5
	Total non-transalpine	154,491	120,666	28.0	2,399,000	1,826,000	31.4
	Total	591,169	495,659	19.3	10,387,000	8,703,000	19.3
Rolling Highway		21,319	23,501	- 9.3	403,000	437,000	-7.8
Total transport volume		612,488	519,160	18.0	10,790,000	9,140,000	18.1

Due to the connections introduced in autumn 2004 between Duisburg ⇆ Novara for loads P400, new semitrailer traffic could be acquired. A strong traffic growth was achieved in the corridor between the areas of Ruhr- and Rhenania/Main and Southern Italy via Gateway Busto.

In May a new shuttle connection Mannheim Handelshafen ⇆ Busto was introduced. Thanks to the acquisition of new customers and the strong demand the number of departures between Singen and Milano Certosa has been increased.

The Netherlands ⇆ Italy
In this market segment, in 2006 an additional capacity was up of about three weekly train pairs per week. The growth was particularly remarkable in the traffic towards Central and Southern Italy. Greater demand can now take advantage, similarly to the connection Rotterdam ⇆ Novara via Lötschberg, of the introduction of the new 400 profile which generated new customers.

Belgium ⇆ Italy
The line Antwerp ⇆ Busto can now rely on a higher capacity due to an additional train pair per week. In April a shuttle connection with five departures per week was introduced between Genk and Busto. In September the existing connection Antwerp ⇆ Padua could be run on the Brenner line. The level of service and appeal of this connection from Zeebrugge could be considerably improved by means of conceptual changes. The introduction of new products and the possibility to reach Central and Southern Italy via the hub terminal in Busto, in this segment generated an increase in volumes of 40%.

Swiss Import/Export transalpine
The downturn in traffic by 12% is mainly due to a volume shortfall from/to Southern Italy caused by a production relocation.

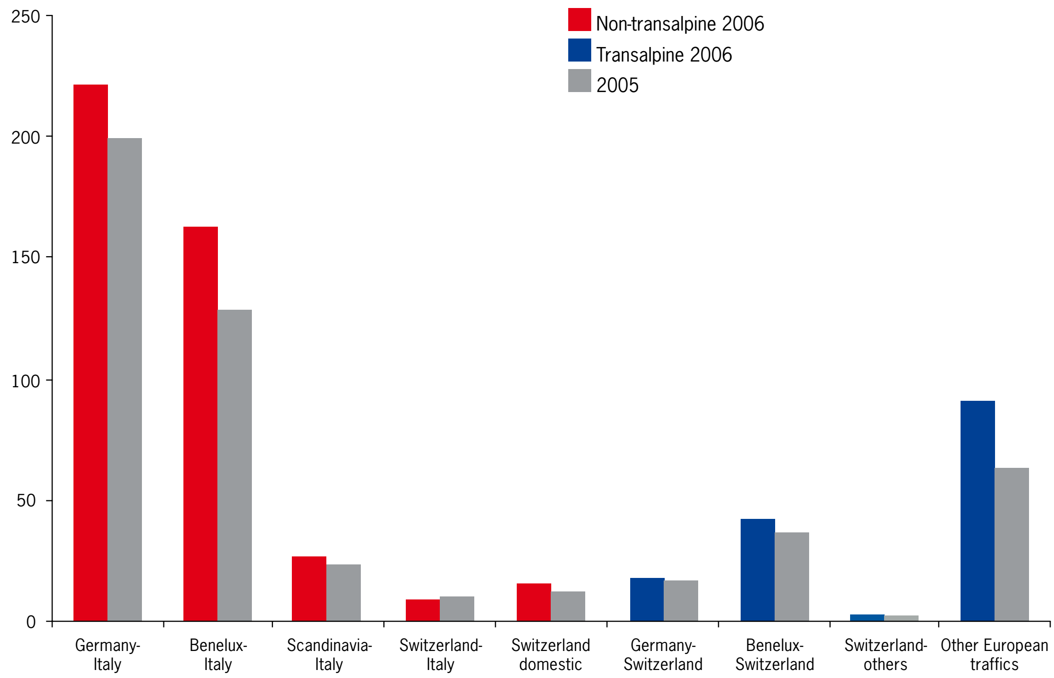
Swiss domestic transalpine traffic
Thanks to conceptual improvement and very good quality, new traffic for the connections Stabio ⇆ Aarau and Stabio ⇆ Basel could be gained. Such increase in traffic, up approx. 33% is partly due to the closing of the Gotthard motorway following the fall of rocks on the road. In the month of June alone, the increase reached a record of +50%.

Swiss Import/Export non-transalpine
We achieved a 10% growth also in this market segment, due in particular, to the traffic increase between Belgium and Switzerland. The low water level in the Rhine caused again problems in navigation leading to an increased demand of combined transport which allowed introducing several special train services. Thanks to the introduction of a new shuttle connection from Duisburg, also the traffic volumes Germany ⇆ Switzerland were up approx. 9%.

Other European non-transalpine traffic
In this segment Hupac could improve its traffic volumes by 43% through the introduction of new lines. For instance, in April a new Shuttle connection with six trains per week was introduced from Rotterdam to Mannheim Handelshafen. That was followed in June by the start of the connection Busto ⇆ Fiorenzuola with gateway possibilities to proceed to Cassino.

Development of the Shuttle Net market segments

Road consignments x 1000



In July there was the introduction of the connection Duisburg ⇆ Wien/Budapest with four train pairs weekly that in October was increased to six train pairs. With the daily shuttle service Duisburg ⇆ Rotterdam also the terminal in Rotterdam is connected to Wien and Budapest. In September the connection Rotterdam ⇆ Hamburg was introduced.

Maritime traffic
In the year under review the maritime traffic has reached TEU 63,000, equal to a 10% increase compared to the previous year. The strongest growth has been achieved in non-transalpine traffic.

In order to meet the increasing demand caused by the bottlenecks in domestic traffic and the overload of the western harbours, in 2006 an additional shuttle train pair was introduced between Switzerland and the port of Antwerp.

As a consequence of globalisation, the maritime freight traffic has greatly increased. In the last seven years the capacity of the vessel fleets has doubled. In order to keep the pace with such growth, the capacity, both of the terminals and in the lines, in the harbour areas and inland has to increase and reach optimum operational levels. Hupac's Shuttle Net can reach the most important ports in Northern and Southern Europe thus providing interesting solutions to the maritime traffic.

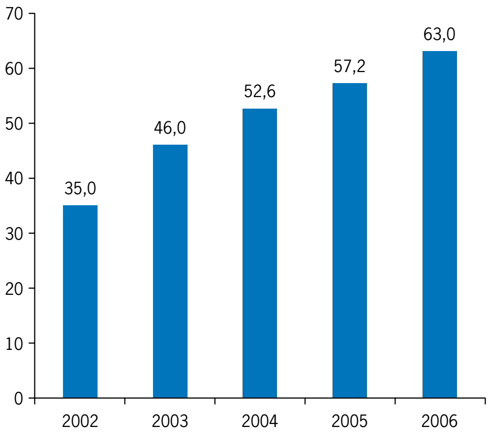
Development of the Rolling Highway segment

The Rolling Highway is an important additional service that allows crossing the Alps also to those trucks that do not have the necessary fittings for the unaccompanied transport.

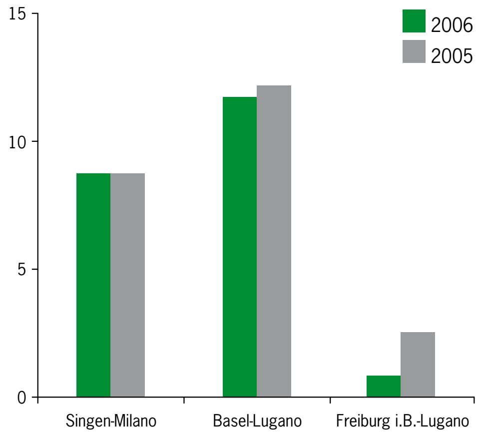
In the year under review, the Rolling Highway, via the Gotthard route, has achieved traffic volumes of 21,319 in road consignments, equal to a reduction of 9% compared to the previous year. The negative result originates from the alignment of the offer.

The Rolling Highway service is still heavily hindered by the low rail profile on the Gotthard route limiting the transit to trucks with a corner height up to 3.80 metres, which is now below the standard since nearly all trailers are 4 metres high. Only on the Basel ⇆ Lugano route extra low wagons are in operation which allow trailers with up to 4 metres corner height to travel. Such wagons cannot be used on the Singen ⇆ Milano stretch since the necessary authorisations from the German and Italian authorities have not been issued yet.

Development of Maritime Transport
TEU in 1000



Development of the Rolling Highway
Road consignments x 1000



Rolling Stock

Since its formation Hupac operates using own wagons. By the end of 2006 the fleet consisted of 4,425 loading units, equal to an increase of 10.1% compared to previous year. 19% of the wagons are leased. In the course of 2006, 650 units have been ordered totalling approx. CHF 75 million. The new wagons have been delivered in part in 2006 and will continue throughout 2009.

Hupac develops its rolling stock in close cooperation with the wagon manufacturers in order to meet the ever-changing market requirements and improving their performance. The ongoing development of mechanical parts and the technical quality controls, in future, will improve the performance of the wagons.

The Cotif agreement that came into force in July 2006, governing the international railway traffic, reflects the changed framework in the liberalised railway market and, among other issues, regulates the rights and duties of those dealing with wagons maintenance. Hupac has now the chance to reorganise the maintenance of wagons by exploiting new rationalised potential thus taking advantage from the opening of the international market.

During 2006, Hupac has started a complex programme aimed at increasing rolling stock productivity. Besides, the wagon maintenance system is also under review with the aim of achieving optimum maintenance in conformity with current strict safety standards.

Rail traction

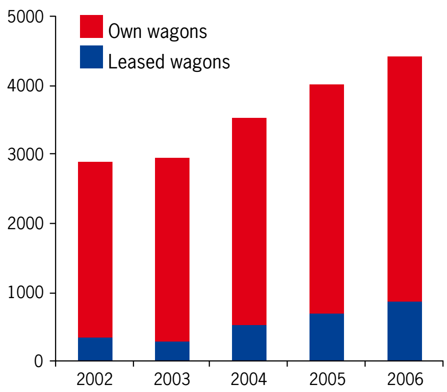
One of the major objectives of the year 2006 has been to further improve the integrated traction system. Whilst in the past each railway company used to operate at national level, nowadays railway companies offer cross-border traction services with integrated responsibility, handled singularly or in cooperation with a partner. Among the main advantages of this new system there are the reduction of cross-border interfaces, the increased productivity of locomotives and their drivers operating on cross-border lines, more efficient information interchange, since in contrast to what happened in the past, a single operator is responsible throughout the whole international route.

The strong increase in traffic experienced in 2006 has definitively tested the new system. Handling traffic levels increased by approx. 20%, with even higher peaks on certain lines and periods, nevertheless maintaining acceptable quality levels, has been possible because of the improved cross-border coordination and the excellent cooperation with the partners.

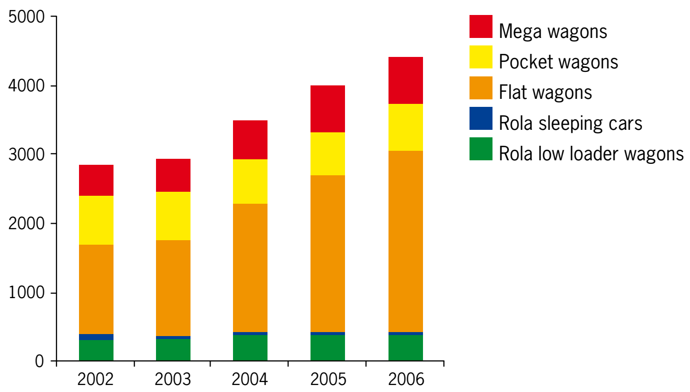
Due to the high demand in transport services, some problems have arisen linked to the shortfall in railway and terminal resources. Hence the need to review and better plan the management of existing products together with the planning of new trains. This task, carried out shoulder to shoulder with the partners involved, has led to a harmonisation in terms of the capacity of lines, locomotives and human resources.

In 2006 the Italian railway company Hupac SpA has strengthen its operations by intensifying the traction of empty wagons between Gallarate and Novara and the Tessin's workshops. Moreover it has organised training sessions for the staff at the Busto Arsizio-Gallarate terminal. Particularly important has also been the support given to railway companies in charge of the traction, by carrying out traction services in their stead in case of operational difficulties.

Rolling stock
Number of wagon modules



Rolling stock by type
Number of wagon modules



Terminals

Terminals are the most important interface when shifting from road to rail and they constitute a strategic resource for the management of intermodal traffic. Hupac directly owns and/or manages about ten terminals, among which the Busto Arsizio-Gallarate terminal, one of the largest and state of the art hubs in Europe. Otherwise, for most destinations Hupac relies on the cooperation from third parties. Almost all terminals of the Shuttle Net network manage their traffic with Goal, thus ensuring that data are consistent and performance quality levels are excellent.

During 2006, in the directly managed terminals, Hupac has introduced new production processes aimed at a better use of their resources. Moreover, in 2006 the extension of the traffic network has connected several terminals managed by third parties to the Hupac operation system, such as Mannheim Handelshafen, Fiorenzuola, Wien (ETS), Budapest (ETS), Padua, Enns and Krems.

As far as future developments are concerned, Hupac aims at consolidating terminal capacity in those areas characterised by strong traffic relevance, in particular in the areas of Antwerp, Rotterdam, Cologne as well as in Italy.

Information Technology

Information systems are a strategic resource for intermodal traffic. Goal – Global Oriented Application for Logistics – an integrated software designed by Hupac and further developed in co-operation with Cemat, coordinates intermodal transport from booking to billing.

Hupac is constantly engaged in the development of its IT systems in order to meet the ever evolving operational needs of a constantly expanding network. In 2006 the project concerning the automatic integration within Goal of data originating from external systems such as clients, terminals and third party operators has been further developed.

New applications with an XML interface will be implemented in 2007 making it possible to acquire and process data coming from peripheral terminals which do not use Goal. Besides, an e-billing system will be realised with the objective of acquiring, checking and integrating billing data directly in the customers' accounting system.

Also in 2006 Hupac introduced "e-train", a new satellite-based train monitoring system that by the end of the year covered about 60% of Hupac's traffic network. The need to control train movements with railway partners that use different monitoring systems has led to the creation of the e-train system capable of monitoring train progression by means of a GPS unit installed on each train which signals possible time variations with respect to the theoretical preset traffic timetable. This information is then automatically integrated within the software Goal providing a constantly updated situation of the progression of each train. The new system allows for time and costs savings since it abolishes the need for costly requests of information from each railway company and achieves a consistent and integrated feed-back. The full implementation of the programme should be completed in 2007.

Quality, Security and Productivity

On long distance journeys the competitive edge of railway transport can be measured in terms of punctuality, speed and above all safety.

Train punctuality

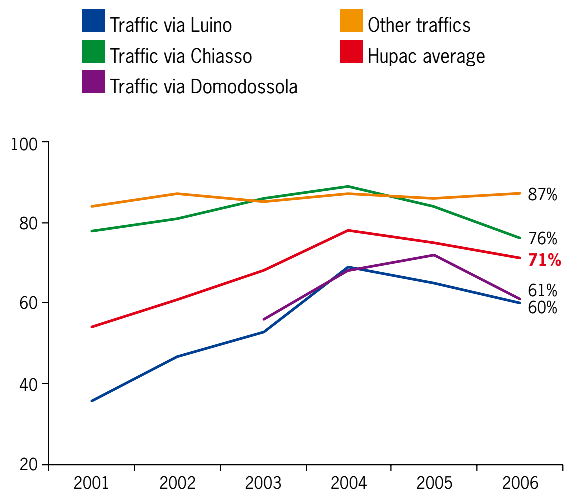
In 2006 train punctuality – i.e. the number of trains with less than an hour's delay – has seen a slight decrease compared to the previous year reaching 71% on the total number of trains. Major problems are still originated on the single track Luino line with a punctuality rate of 60% against 64% of the previous year. Also on other transalpine lines quality rates were slightly lower. Among the main reasons, we should mention problems linked to railway and terminal resources as a consequence to the steep increase in transalpine traffic, which rose well beyond expectations. Moreover, the initial operational difficulties occurred on the enlarged Busto Arsizio-Gallarate terminal have caused some delays.

On the other hand, along the east-west axis the punctuality rate is satisfactory at 87%. The cooperation with new railway companies has produced good results in terms of reliability and punctuality.

Hupac aims to achieve gradually a 90% punctuality rate by engaging constantly all members of the transport chain. For 2007, as an intermediate target, Hupac aims at 80% punctuality rate.

Development of quality Shuttle Net

% trains with delay <1h



Security

Security is among the foremost priorities at Hupac. The load units entrusted to us must be handled in conditions of total security. During recent years, the international situation, risks linked to acts of terrorism and the flow of cross-border migration have increased the need for enhanced security. As a consequence, also intermodal traffic is obliged to confront the same issues. In the course of 2006, Hupac took part in various international work groups focussed on the revision and definition of new rules and procedures for monitoring and training.

In the meantime, work programmes are ongoing with the aim of increasing security throughout all Hupac's different operations. In 2006, we improved control procedures relating to people obtaining access to our terminals. Monitoring of drivers is linked to a data bank, backed up at certain locations by photographic identification. Work on load control systems is being undertaken jointly with the railway operators, in order to ensure full compliance with all regulations concerning the cargo. In 2006, heightened awareness and training have reduced the number of security breaches by 20%.

Governing processes

Quality requirements are an important strategic directive of the Hupac Group in all work processes. The clients' needs must be met with flexible and reliable solutions. In order to efficiently sustain this objective, Hupac constantly invests in its Quality Management and Environment Systems according to ISO 9001 and 14001. In autumn 2007 the whole system certification is due to be audited and renewed.

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 under review, productivity, measured by the number of consignments per employee at the Head Office, rose by 11%, whilst average productivity figures at the terminals rose by 9%, when measured by transferred load units per person at the terminals. The running performance per wagon slightly increased as well.

Customers

Customer base composition

Hupac's customers are road hauliers, forwarding agents and logistics companies; in the maritime sector there are also maritime agents and ship owners. Unaccompanied traffic generally serves medium and medium-large companies which invest in suitable road vehicles for combined traffic and they have in place an organisation sufficiently structured to meet the operational needs of combined traffic. Rolling Highway services do not require purpose made equipment and can be therefore used by road hauliers of all sizes.

The geographical provenance of Hupac customers is very composite. Most customers are based in Switzerland, Germany, The Netherlands and Italy. A considerable number of clients are also Hupac's shareholders thus ensuring direct market control vis-à-vis the Group's strategies. Customer loyalty is very high – several customers work with Hupac since the company's formation at the end of the 1960s.

Hupac is constantly committed to attract to combined traffic new customers, for instance by assisting them in the process of purchasing and coding suitable road vehicles, as well as providing them with the needed support in the initial stages. During 2006 Hupac has initiated relationships of major volume with 30 new customers, transferring about 14,000 consignments of new customers to road.

Customer oriented policy

Hupac is committed to maintain and strengthen its market position by means of a policy focused on the customer's needs and expectations with the objective of achieving high quality services and optimising internal resources.

Hupac's policy regarding its customers is based, on one hand, on a strategy which favours dialogue and listening, while on the other hand on the commitment to satisfy all demands of the combined transport users, by constantly monitoring service quality levels, in terms of expected quality and perceived quality.

The dialogue with the customers

Every autumn Hupac organises focused meetings with its own customers at the major hubs of the Shuttle Net network. In 2006 these meetings have taken place in Rotterdam, Antwerp, Copenhagen, Cologne, Constance and Busto Arsizio. Approximately 250 delegates received first-hand information on the latest market developments. During last year's event special attention was drawn on opportunities and risks of combined traffic in a liberalised context, as well as the enlargement of the Shuttle Net network along the north-south and east-west axes. During these meetings customers propose a variety of optimisation opportunities which Hupac considers as important signals that will help the company to orient future activities.

Customer satisfaction

Customers are at the focus of Hupac's attention. For this reason special procedures have been implemented to constantly monitor customer satisfaction levels. In October a customer satisfaction assessment was carried out concerning the users of the terminals in Aarau, Basel, Chiasso, Lugano, Busto, Desio, Milano Greco Pirelli e Oleggio. On a sample of 535 truck drivers and dispatchers, 79% considers the situation very good or good, 15% satisfactory and 6% not satisfactory. Hupac takes advantage from this assessment in order to focus even more markedly on its' customer base.

Suppliers

Suppliers' profile and characteristics

Hupac's major suppliers are railway companies, terminal operators and the industries for the construction and maintenance of railway wagons.

Hupac's policy towards its suppliers

Hupac is well aware that its policy towards the suppliers is an essential part of the Group's strategy because of their role in ensuring service quality and the expected performance. This is why the purchase of each individual item of material, instrumentation, equipment, furniture as well as services is carried out in conformity with established procedures in line with the company's strategic requirements.

Criteria for the selection of suppliers

Suppliers are evaluated and selected according criteria set out in order to meet Hupac's specific requirements such as transparency, continuity, reliability and economic efficiency. Further assessment and selection criteria ensure that Hupac's supply companies enforce current health, safety and environmental laws and regulations with a particular focus on consumption reduction and waste material disposal.

Last but not least, the company's internal procedures ensure that suppliers are selected in an impartial way by adopting selection criteria which are objective and supported by the relevant documentation, thus constituting no bar for any candidate to compete in tenders and acquire contracts, provided they possess the statutory requirements.

Quality circles

Together with its partners, Hupac is constantly committed towards the improvement and consolidation of the Group's transport network system. In 2006 several work groups attended by Hupac's delegates and its major railway partners, such as railway companies and terminal operators, discussed issues related to the optimization of resources in various connections, the improvement of timetables, safe transport of the load units and safe process management of hazardous goods.

Hupac's environmental responsibility

Hupac's environmental responsibility regards the way the environmental impact is managed by measuring service performance and establishing objectives in line with best practice. In practical terms this means adopting measures for noise reduction and improve efficiency levels in all activities with the aim to reduce energy consumption and cut polluting emissions.

Environmental Management System certification

In 1997 Hupac was the first European intermodal operator to be certified according to the environment standard ISO 14100. Through this certification and by supporting the modal shift from road to rail, Hupac contributes substantially to a better quality of life of the communities in which it operates.

The Environmental Management System (EMS) is the mandatory standard for ecologically friendly production processes and for a moderate usage of natural resources. Staff are regularly made aware of environmental issues.

Environmental services

Noise abatement of freight wagons

In railway traffic, noise abatement is an important environmental issue and a constantly closer target also thanks to the support provided by the Government of the Swiss Federation. Hupac has been systematically adapting its own wagons according to the directives on noise reduction and is heralding the development and implementation of "whisper brakes". 75% of current wagon fleet owned by Hupac has been fitted with low-noise brakes made with synthetic materials. Unlike the old metal brakes made of grey cast iron, the so called K pad does not deform the running surface of the wheels which remains smooth thus making the train run up to 10 decibels quieter.

During 2006 Hupac has continued its commitment to extend this solution to all its rolling stock. In addition also other noise remediation measures have been implemented, such as brake systems with axle bearings of rubber instead of steel.

Hupac's wagons fitted for noise reduction

	Total	With synthetic pads	%
Own UCT wagons	3.140	2.270	72
Own Rola wagons	437	420	96
Total own rolling stock	3.577	2.690	75
Leased wagons	848	4	0,5
Total	4.425	2.694	61

Eco-compatible equipment

Hupac places great importance in using equipment that helps to reduce energy consumption, polluting emissions and noise. The procurement process of work material and equipment such as cranes, wagons and locomotives takes into account environmental requirements and complies with current laws and regulations. By way of example, the locomotives acquired in 2006 for the Busto Arsizio terminal are fitted with a low energy consumption MTU engine.

Efficient procedures for the benefit of the environment

Great importance is also given to the efficiency of single activities in order to optimise resources, as in the loading and unloading operations of trains and their circulation. In 2006 important goals have been achieved by improving work processes in the terminals aimed at minimising or even abolishing redundant operations which used to generate unnecessary working time for the equipment with subsequent higher consumptions.

In the Busto Arsizio-Gallarate terminal a coordinate system has been established on the yard which helps to find the exact position of vehicles ready for collection, thus noticeably reducing truck traffic in the terminal. Such system has proved to be beneficial for both customers in terms of faster collection, and the environment in terms of lower consumptions and emissions.

Sound protection

In the course of 2006 Hupac has erected the sound barriers envisaged in the project for the enlargement of the Busto Arsizio-Gallarate terminal in accordance with the established time schedule and as set out in the agreements with the local communities.

Lower consumption at administrative level

The consumption of fuel, electric energy, gas and other consumables at the Chiasso headquarters remained unchanged also in 2006. In the near future, issues related to the filing of paper documentation will be addressed, possibly by means of electronic filing systems already in use for a large part of documents in order to reduce and compact their overall volume.

The Busto Arsizio-Gallarate terminal: an environmentally friendly project

In designing the extension of the Busto Arsizio-Gallarate terminal, specific environmental requirements have been taken into serious consideration, according to an agreement with Consorzio Parco Lombardo della Valle del Ticino which is responsible for environmental issues in this area. Among the works carried out there are river embankment enhancements to manage the seasonal high tides of the Rile and Tenore rivers, a biotope irrigated by the rain waters collected in the terminal, construction of underpass tunnels below the terminal in order to allow the safe transition of animals, reforestation and parkland restoration in areas outside the terminal itself. In addition, Hupac has committed, for the next five years, to the maintaining the biotope, including monitoring the underpass for the animals.

Reforestation works inside and outside the terminal have been completed in 2006. The Consorzio del Parco del Ticino has carried out the assessment of the works in respect to their compliance with the agreement and has certified that all works have been executed in accordance with the set terms and timeframe. Hupac has further committed to maintain and monitor the biotope and related areas, as well as to improve forestation in a residual area which currently is still being used as building site.

Combined transport of hazardous materials

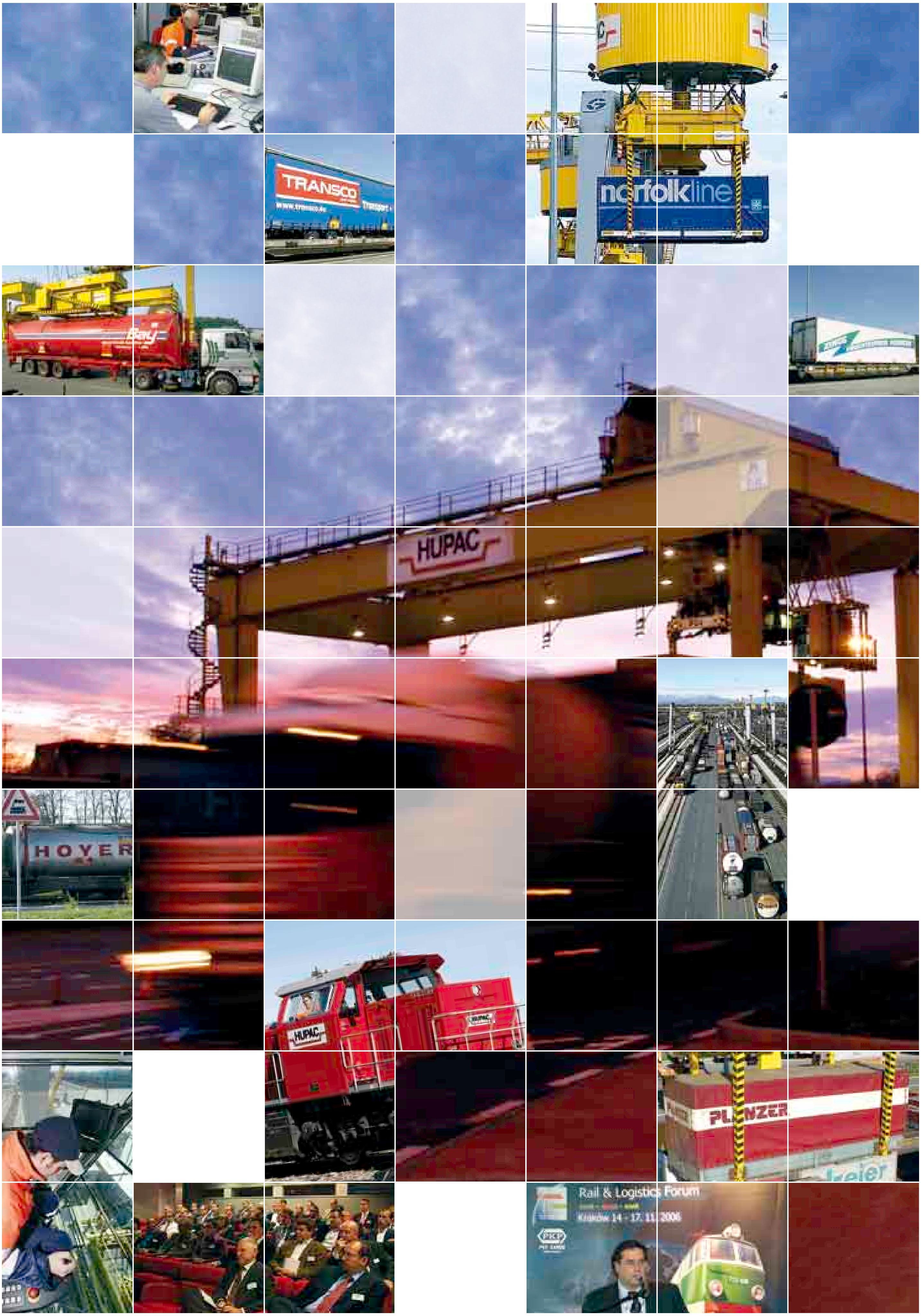
In our present society, hazardous goods have become important substances for production cycles. An increasing number of products in the pharmaceutical, medical, chemical, food and textile industries require specific substances which can be transported safely provided the appropriate standards and regulations established by international regulatory bodies are observed.

In the last few years, the transport of hazardous goods by rail is acquiring an increasingly higher importance thanks to the safety and reliability of the railways as a means of transport but also thanks to the political will to support the shift in transport of such goods from road to rail.

Hupac has put in place a centralised service specifically dedicated to this kind of transport, headed by an Hazardous Goods compliance advisor, appointed and trained according to the provisions of Directive CE 96/35. This service deals with all aspects which ensure that traffic is carried out safely. Its tasks include compliance with:

- ADR, RID, IMDG, IATA regulations
- national laws
- directives for customers and staff
- contacts with the relevant offices
- staff training
- centralised data bank

The Hazardous Goods Service has also the task of coordinating a seamless cooperation between combined traffic operators, customers and terminals in order to handle and solve the whole range of problems. Hupac's staff is regularly trained by means of focussed meetings and in the course of 2006 several training sessions have taken place involving the Fire Service and external advisors.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Social responsibility

Hupac practices its social responsibility under appointment by, and with the support of the Swiss Government by championing the modal shift policy from road to rail. Motivation and training of the staff, being Hupac's most important resource, together with an open and constructive dialogue with the Institutions, are essential processes for the achievement of such target.

Employees

During the year under review the number of employees of the Hupac Group has increased from 347 to 396, of which 130 are employed at Hupac Intermodal in Switzerland, Denmark and Poland, 237 at the Italian subsidiaries Hupac SpA and Fidia SpA in Italy and 29 at the remaining subsidiaries in Germany and The Netherlands.

Our employees are offered attractive working conditions and an ongoing and regular training. Motivation, team spirit and individual responsibility are at the core of Hupac's corporate culture and preconditions to operate with a customer focused approach within the current general framework conditions which are undergoing a deep transformation.

Training

Professional training and instruction courses are mainly focused on safety issues, foreign languages and IT applications. In particular, with regard to terminal operations, regular training courses are organised in order to draw staff attention towards risks linked to transhipment activities and learning how to deal with hazardous goods. An in-house trainee programme aimed at newly recruited personnel offers ongoing language and professional training and takes place in various subsidiaries. This fosters intercultural competence for the benefit of both our customers and partners.

Hupac's efforts in this area have also meant that training has been given to four trainees for whom a personalised training programme has been drawn up that will last a number of years at the end of which they will obtain the Diploma for Commercial Employees.

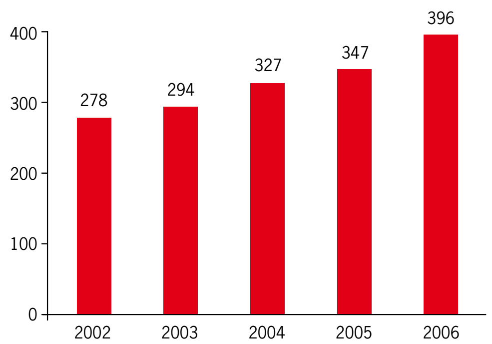
Health & Safety

In 2006 the reviewing phase of the project regarding safety on the workplace has been completed, in compliance with the relevant law (Swiss law 626, Ekas) and a document containing the evaluation of risks linked to the company's activities has been drawn up. The assessment has targeted the Swiss terminals in Aarau, Basel and Chiasso, as well as the Italian terminals in Busto, Desio and Milano Greco Pirelli. This assessment project has allowed the company to remain in compliance with the standards required by the law but also to update its safety procedures.

Also in 2006, a study in the Busto Arsizio terminal has been carried out concerning the level of noise within the work environment by assessing the noise to which all staff, from crane operators to office employees, are exposed. All assessments resulted in a satisfactory outcome since all work environments comply with noise regulations.

Workforce of the Hupac Group

Number of employees



Internal communication

During the year under review the internal communication system has been strengthened. Twice a year, all Hupac's staff attend informative events held by the top management about the market framework situation, the company's strategy and novelties in the commercial, operational and organisational areas. Once a year a 2-day work group attended by approximately 70 members of staff addresses specific subjects – last year the characteristics and issues related to group work.

Approximately 70% of Hupac staff can access InfoNet, the information system that allows data sharing with intranet functions. Besides, all employees receive "Moving", the company's magazine.

Activities of the in-house organ "Group Voice" have continued in 2006 allowing proposals made by employees to circulate within the company. Over 30 recommendations have been posted, mostly concerned with the possible improvement of internal processes.

Employees satisfaction

Every year Hupac assesses the satisfaction of its own staff on the occasion of the meeting with their superior and through a questionnaire with answers in the scale of 1 to 100. The average evaluation achieved in 2006 was 84/100, definitely satisfactory and rewarding of all the efforts devoted to internal communication. Such response confirms the satisfaction of Hupac staff in respect to the workplace conditions, in particular regarding training, equipment and remuneration.

Responsibility for the mobility of the future

In 2006 Hupac reached, just in the segment of transalpine traffic, a volume of 458,000 consignments or 8.4 million tonnes confirming therefore its role as an important player in the modal shift of traffic. In the years to come the company will further reinforce its position by continuing to develop new infrastructures thus supporting the Swiss modal shift policy based on sustainability.

Public subsidies

The Swiss Federation has envisaged a series of measures to support modal shift from road to rail. On one hand, revenues originating from the fuel tax, provide funds to finance terminal infrastructures, given the fact that investments in transhipment equipment cannot guarantee to be profitable when financed by capital markets. And on the other hand, intermodal transport operators, particularly in transalpine traffic, are unable to fully cover the costs by using their income. Based on a range of laws and decrees, the Swiss Government guarantees financial support to the providers of intermodal transport. The following investment projects for the terminal infrastructure of Termi SA and Termi SpA are mainly subsidised by the Swiss Government:
- Terminal Busto Arsizio (completed)
- Track connection to Gallarate (completed)
- Singen Terminal (completed)
- Extension of the Busto Arsizio terminal on the district grounds belonging to Gallarate and Busto Arsizio (partly completed).

By 2042 Hupac will have to repay a considerable part of such public subsidies, amounting to CHF 114,4 million including interests (see table below).

For the coming years the Swiss Government has the intention of progressively reducing its yearly subsidies allocated by consignment-kilometre. In the years 2004 and 2005 the ratio of the average subsidy by consignment-kilometre across Switzerland between the Rolling Highway and the Shuttle Net (unaccompanied combined transport) was 3:1; in 2006 the ratio developed to 2,7:1 (see diagram below).

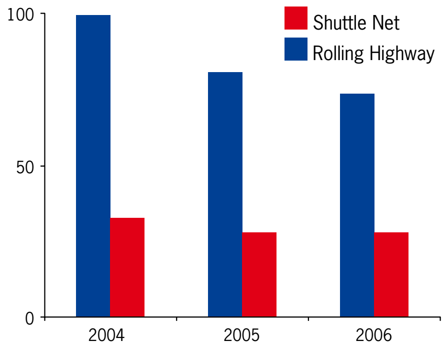
New Swiss Act on freight traffic

During 2006 the Swiss Federation has started consultations concerning the bill on freight transport for the period 2011-2017. Hupac has made it clear that the current modal shift policy should be maintained; it prioritises unaccompanied combined traffic (UCT) and considers the Rolling Highway an additional offer.

Given the successful transalpine freight traffic relocation from road to rail in Switzerland – a 16% reduction in heavy goods vehicles crossing the Alps since the year 2000, with a concurrent 66% increase of combined traffic – Hupac demands that subsidies remain unchanged so as not to jeopardise the positives results achieved to date. Until the opening of the flat rail route through the Gotthard, envisaged in about 10 years time, the railways will continue to require the same level of the current subsidies to maintain its attractiveness when competing against the road.

Supporting measures for Shuttle Net and Rolling Highway

Per consignment-kilometre in Switzerland, indexed; Rolling Highway 2004 = 100



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

Years	2006	2007	2008-2026	2027-2030	2031-2035	2036-2042	2006-2042 Total
Loan repayment	262	4,777	3,615 - 4,075	2,822	2,123	321	103,741
Interests		356	193 - 872	18 - 129			10,642
Total	262	5,133	3,935 - 4,947	2,840 - 2,951	2,123	321	114,383

Relationship with public Institutions

The European transport policy is facing a challenge: how to manage efficiently and in an environmentally friendly way the ever increasing flow of goods.

Hupac's focus is on unaccompanied transalpine transport across Switzerland which is strongly affected by the Swiss transport policy whose constitutional objective is the modal shift of transalpine freight traffic from road to rail.

It is therefore essential for Hupac, and one of its top objectives, to maintain a constructive relationship with the Swiss and European Institutions based on transparency and dialogue.

Hupac has therefore strengthened its relationship policies with international Institutions by receiving guests and delegation from all over Europe and from Japan in order to show and explain how combined traffic works and how the Busto Arsizio-Gallarate terminal operates.

In addition Hupac has attended several conferences where it could share the experience of the Group, pointing out the needs and priorities at political, regulatory and infrastructural level necessary to support the growth of intermodal traffic.

Consolidated financial statements
Financial statements Hupac Ltd

Consolidated income statement 2006 and 2005

Amounts in 1 000 CHF	2006	2005
Revenues from supplies and services	476 929	406 803
Net cost of the services	(374 533)	(318 124)
Gross profit	102 396	88 679
Payroll expenses	(30 281)	(26 075)
General expenses	(12 118)	(11 164)
Depreciation and provisions	(52 187)	(43 834)
Gains from disposal of fixed assets	368	280
Losses from disposal of fixed assets	(483)	(19)
Operating profit	7 695	7 867
Financial income	613	470
Financial expenses	(1 276)	(1 380)
Result from associates	2 458	1 816
Foreign exchange differences	(431)	(92)
Profit before extraordinary items	9 059	8 681
Non-operating income	155	145
Extraordinary income	895	172
Extraordinary expenses	(169)	(123)
Profit before taxes	9 940	8 875
Taxes	(2 826)	(2 444)
Profit before minority interest	7 114	6 431
Minority interest	(156)	46
Group profit	6 958	6 477

Consolidated balance sheet at 31 December 2006 and 2005

Amounts in 1 000 CHF	31.12.2006	31.12.2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	65 881	29 858
Receivables from supplies and services	71 726	68 762
- third parties	71 703	67 927
- shareholders	23	835
Other receivables	13 458	21 538
Stocks	1 367	1 100
Accrued income	30 675	21 325
Total current assets	183 107	142 583
FIXED ASSETS		
Financial fixed assets	27 677	24 702
- Investments	25 373	22 314
- Deposits and other financial assets	683	959
- Deferred tax assets	1 621	1 429
Tangible fixed assets	212 489	211 143
- Advance to suppliers	21 324	34 974
- Technical equipment	8 173	9 561
- Rolling stock	73 251	82 464
- Plants on third parties' lands	1 538	1 687
- Terminals, buildings and land	104 219	79 750
- Other tangible fixed assets	3 984	2 707
Intangible fixed assets	254	547
Total fixed assets	240 420	236 392
Total assets	423 527	378 975

Amounts in 1 000 CHF	31.12.2006	31.12.2005
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Short-term financial debts	2 466	250
Account payables from supplies and services	42 824	49 702
- third parties	37 242	45 413
- shareholders	5 582	4 289
Other short-term debts	3 620	2 561
Accrued expenses	71 043	50 488
Short-term provisions	7 479	6 103
Total short-term liabilities	127 432	109 104
Long-term liabilities		
Long-term debts	156 812	157 634
Long-term provisions	65 753	45 115
Deferred tax liabilities	2 301	2 593
Total long-term liabilities	224 866	205 342
Total liabilities	352 298	314 446
Minority interests	1 141	955
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
Reserves	42 757	37 825
Translation difference	373	(728)
Group profit	6 958	6 477
Total shareholders' equity	70 088	63 574
Total liabilities and shareholders' equity	423 527	378 975

Consolidated cash-flow statement 2006 and 2005

Amounts in 1 000 CHF	2006	2005
Group profit	6 958	6 477
Depreciation of tangible assets	39 231	39 135
Depreciation of intangible assets	347	489
Increase of provisions	20 592	10 408
Gain from sale of tangible assets	115	(261)
Foreign exchange differences	(3 889)	(796)
Income from associated companies	(2 458)	(1 816)
Minority interests	186	(65)
Increase of receivables	(3 772)	(29 612)
Variation of inventories	(232)	(26)
Variation of short-term payables	18 599	(8 700)
Cash flows from operating activities	75 677	15 233
Purchase of tangible assets	(49 163)	(61 385)
Proceeds from sale of tangible assets	11 569	20 399
Purchase of intangible assets	(51)	(46)
Proceeds from sale of intangible assets	1	
Purchase of investments	(147)	(594)
Proceeds from sale of investments	243	350
Cash flows from investing activities	(37 548)	(41 276)
Variation of long-term loans	(899)	13 057
Dividends payment	(1 600)	(1 600)
Cash flows from financing activities	(2 499)	11 457
Variation	35 630	(14 586)
Cash at beginning of the year	29 858	44 378
Foreign exchange differences on cash	393	66
Cash at end of the year	65 881	29 858

Notes to the consolidated financial statements 2006

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 2006 also include a general risk provision of CHF 7.9 million (December 31, 2005: CHF 5.2 million; December 31, 2004: CHF 4 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.

The following companies were fully or pro rata consolidated:

Company		Share or company capital	Interests as % 31.12.2006	31.12.2005
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	95.55
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
Sub-interests of Hupac Intermodal NV, Rotterdam:				
- Hupac Intermodal BVBA, Antwerp	EUR	1 600 000	3.00	
Hupac Intermodal BVBA, Antwerp	EUR	1 600 000	97.00	
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 % 31.12.2006	31.12.2005
Cemat SpA	Milano (Italy)	34.48	34.48
D & L Cargo NV	Boom (Belgium)	40.00	40.00
RAlpin Ltd	Olten (Switzerland)	30.00	30.00
Cesar Information Services Scarl	Brussels (Belgium)	25.10	25.10

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.

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	
	31.12.2006	31.12.2005	2006	2005
CHF/EUR	1.6059	1.5561	1.5729	1.5481

Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	Reserves	Translation differences	Total	Minority interests
Balance at 1 January 2005	20 000	37 936	(934)	57 002	1 020
Translation differences			95	95	6
Translation differences of associated companies			111	111	
Increase in investments					(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)	63 574	955
Translation differences			468	468	30
Translation differences of associated companies			633	633	
Net equity adjustment of associated companies		55		55	
Parent company dividend		(1 600)		(1 600)	
Consolidated profits 2006		6 958		6 958	156
Balance at 31 December 2006	20 000	49 715	373	70 088	1 141

Other information in accordance with legal requirements

Amounts in 1 000 CHF	31.12.2006	31.12.2005
1. Guarantees, other indemnities and assets pledged in favour of third parties	10	10
2. Pledges on assets to secure own liabilities	120 038	113 925
3. Leasing commitments not recorded in the balance sheet This amount includes all future commitments arising from existing leasing contracts, including interest and expenses.	13	19
4. Fire insurance value of tangible fixed assets	182 424	173 861

Report of the Group Auditors to the General Meeting on the Consolidated Financial Statements 2006

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement and notes, from page 34 to page 39) of Hupac Ltd for the year ended 31 December 2006.

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, 13 April 2007

Income statement 2006 and 2005

Amounts in 1 000 CHF	2006	2005
Income from supplies and services	61 553	66 240
Cost of services	(17 890)	(24 093)
Gross profit	43 663	42 147
General expenses	(695)	(753)
Depreciation of tangible fixed assets	(31 267)	(32 958)
Amortisation of intangible fixed assets	(26)	(35)
Provision and value adjustments	(3 880)	(1 282)
Dividend income	282	453
Gains on disposal of fixed assets	14	264
Gains on disposal of investments	18	0
Losses on disposal of fixed assets	(1)	(5)
Ordinary operating profit before financial items	8 108	7 831
Financial income	211	241
Financial expenses	(1 142)	(1 330)
Foreign exchange differences	205	11
Ordinary operating profit	7 382	6 753
Extraordinary income	320	0
Extraordinary expenses	(101)	0
Profit before taxes	7 601	6 753
Taxes	(1 741)	(1 660)
Profit for the year	5 860	5 093

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. Compared to the previous year the lower income of approx. CHF 4.7 million can be explained with the fact that the rolling stock leased out to RAlpin Ltd in 2006 does not include maintenance costs.

Compared to the previous year *Costs of services* have also decreased by about CHF 6.2 million. Similarly in this item, this is mainly due to the decrease of maintenance costs that from year 2006 have been borne directly by the renter.

As a consequence the *Gross profit* is approx. CHF 1.5 million higher compared to the previous year.

Compared to 2005 *General expenses* could be reduced by approx. 7.7%

Depreciation of tangible fixed assets decreased by approximately CHF 1.7 million as a result of less rolling stock being delivered than in the previous year. The item *Provisions and value adjustments* have increased by about CHF 2.6 million, compared to year 2005.

In the reporting year, after financial items, Hupac Ltd shows an *Ordinary operating profit* of CHF 7.382 million. The after tax result for 2006 which also includes extraordinary items shows a *Profit for the year* of CHF 5.86 million.

Balance sheet at 31 December 2006 and 2005

Amounts in 1 000 CHF	31.12.2006	31.12.2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	18 530	5 508
Receivables from supplies and services	7 380	8 388
- third parties	1 670	2 843
- group companies	5 787	4 860
- shareholders	23	1 805
- Provisions for doubtful debts	(100)	(1 120)
Other receivables	428	404
- third parties	428	404
Prepayments and accrued income	3 520	1 495
Total current assets	29 858	15 795
FIXED ASSETS		
Financial fixed assets	33 802	34 525
- Investments	30 860	28 230
- Loans third parties	530	825
- Loans group	2 409	5 468
- Other financial fixed assets	3	2
Tangible fixed assets	87 672	87 299
Intangible fixed assets	33	31
Total fixed assets	121 507	121 855
Total assets	151 365	137 650

Amounts in 1 000 CHF	31.12.2006	31.12.2005
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Payables from supplies and services	9 207	7 740
- third parties	3 625	3 451
- group companies	0	1
- shareholders	5 582	4 288
Short-term loans	2 466	250
- third parties	2 216	0
- shareholders	250	250
Other short-term debt	1 204	694
- third parties	1 204	694
Accrued expenses and short-term provisions	4 746	6 308
Total short-term liabilities	17 623	14 992
Long-term liabilities		
Long-term debts	40 304	47 500
- third parties	40 054	47 000
- shareholders	250	500
Long-term provisions	36 970	22 950
Total long-term liabilities	77 274	70 450
Total liabilities	94 897	85 442
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
General reserve	4 622	4 562
Statutory reserves	25 800	22 300
Retained earnings	6 046	5 346
- Profit carried forward	186	253
- Profit for the year	5 860	5 093
Total shareholders' equity	56 468	52 208
Total liabilities and shareholders' equity	151 365	137 650

Notes to the balance sheet

Hupac's total assets increased by approximately 10% compared to the previous year. This is to attribute on the side of the assets in particular to the increase of the *Cash* and on the liability side on the rise of the *Long Term Provisions*.
The fixed assets remained almost unchanged in comparison with the former year. During the course of the year we are pleased to report that bank debt has been further reduced by several CHF million.

As at the end of 2006 Hupac Ltd had CHF 56.5 million of *Shareholder equity* corresponding to an equity ratio of 37.3%.

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	31.12.2006	31.12.2005
2.1 Guarantees and assets pledged in favour of third parties	10 337	11 284
2.2 Fire insurance value of tangible fixed assets	108 476	93 011

2.3 Significant investments in subsidiary companies

Company	Business activity		Registered capital in 1 000	Share of capital as % 31.12.2006	31.12.2005
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	95.55
Sub-interests of Hupac SpA, Milan: - Fidia SpA, Oleggio	Terminal management/Warehousing & logistics	EUR	260	3.00	3.00
Hupac GmbH, Singen	Terminal Management/ Railway operating	EUR	210	100.00	100.00
Termi Ltd, Chiasso	Terminal Engineering	CHF	500	80.00	80.00
Sub-interests of Termi Ltd, Chiasso: – Termi SpA, Busto Arsizio	Terminal Engineering	EUR	2 000	95.00	95.00
Termi SpA, Busto Arsizio	Terminal Engineering	EUR	2 000	5.00	5.00
Fidia SpA, Oleggio	Terminal Management/ Warehousing & logistics	EUR	260	97.00	97.00
Hupac Intermodal NV, Rotterdam	Service Provider	EUR	200	100.00	100.00
Sub-interests of Hupac Intermodal NV, Rotterdam: - Hupac Intermodal BVBA, Antwerpen	Terminal Engineering/Terminal Management	EUR	1 600	3.00	
Hupac Intermodal BVBA, Antwerpen	Terminal Engineering/ Terminal Management	EUR	1 600	97.00	
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	34.48
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, Olten	Traffic Management/Terminal Management	CHF	300	30.00	30.00
SWE-Kombi AB, Helsingborg	Traffic Management/Terminal Management	SEK	1 200		45.00

3. Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	General reserve	Statutory reserves	Retained earnings	Total
Balance at 1 January 2005	20 000	4 502	18 300	5 913	48 715
Dividends				(1 600)	(1 600)
Transfer to the general legal reserve		60		(60)	
Transfer to the statutory reserves			4 000	(4 000)	
Profit for the year				5 093	5 093
Balance at 31 December 2005	20 000	4 562	22 300	5 346	52 208
Dividends				(1 600)	(1 600)
Transfer to the general legal reserve		60		(60)	
Transfer to the statutory reserves			3 500	(3 500)	
Profit for the year				5 860	5 860
Balance at 31 December 2006	20 000	4 622	25 800	6 046	56 468

4. Long-term debts

The account Long-term debts to third parties includes bank debts of CHF 20,0 million (in 2005: CHF 19,0 million) which are formally due on short-term, but economically considered long-term liabilities.

Proposal for the distribution of retained earnings

		2006
Profit carried forward	CHF	185 778
Profit for the year	CHF	5 860 483
Retained earnings at the disposal of the General Meeting	CHF	6 046 261

Proposal of the Board of Directors:

Dividends	CHF	1 600 000
Foundation anniversary dividends	CHF	800 000
Transfer to the general reserve	CHF	140 000
Transfer to the statutory reserves	CHF	3 300 000
To be carried forward	CHF	206 261
	CHF	6 046 261

Report of the Statutory Auditors to the General Meeting on the Financial Statements 2006

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes, from page 40 to page 43) of Hupac Ltd for the year ended 31.12.2006.

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, 13 April 2007

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