Annual Report 2007

HUPAC

Profile of the Hupac Group

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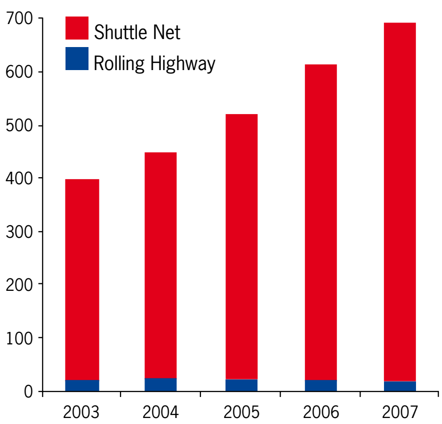
Hupac is the leading rail transport provider of intermodal traffic through the Swiss Alps. We work hard to ensure that an increasing volume of goods can be transported by rail and not by road, thus helping to reduce global traffic and protect the environment.

Hupac was formed in 1967 in Chiasso. The Hupac Group is composed of ten companies based in Switzerland, Germany, Italy, the Netherlands and Belgium. The head office is based in Chiasso.

With a workforce of 443 employees, Hupac manages a network of over 130 trains each day, connecting the main European economic areas and the most important ports with mainland Europe. The aim of the company is to provide fast, regular and reliable services for freight rail transport.

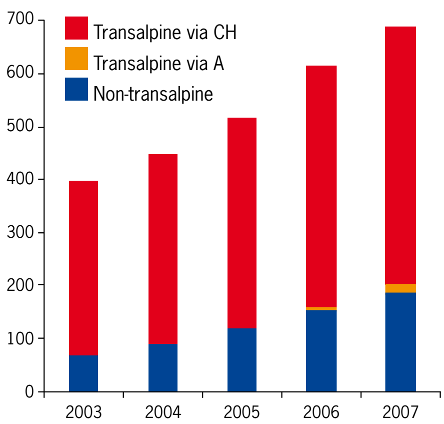
Traffic development by business areas

Road consignments in 1000



Traffic development by typology

Road consignments in 1000



Year of incorporation	1967
Share capital	CHF 20 million
Shareholders	100
Capital structure	72% logistics and transport companies 28% rail companies
Headquarters	Chiasso
Operational branches	Basel, Busto Arsizio, Oleggio, Singen, Mannheim, Cologne, Duisburg, Rotterdam, Antwerp, Taulov, Warsaw
Business profile	Independent intermodal transport operator
Business areas	**Shuttle Net (UCT)** 126 shuttle trains per day 669,213 road consignments 11.7 million net tonnes **Rolling Highway** 4 trains per day 20,730 road consignments 0.4 million net tonnes
Rolling stock	5,667 wagon modules 13 main-line and/or shunting locomotives
Terminal management	Busto Arsizio-Gallarate, Oleggio, Desio, 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 350 terminals E-train, satellite train monitoring system Ediges, data exchange system based on XML
Employees	443
Quality and environment	Quality management system ISO 9001:2000 Environmental management system ISO 14001:2004
Financial results	Annual turnover CHF 574.97 million (EUR 350.0 million) Profit for the year CHF 7.2 million (EUR 4.4 million) Cash flow CHF 60.3 million (EUR 36.7 million)

Situation at 31.12.2007

Annual report 2007

Foreword

Growth despite strike

Almost no event affected the past financial year as much as the waves of strikes in rail and road freight transport. Rail strikes lasting for days led to irregularities over many weeks. Because of the established priority regulation, which gives the right of way to passenger traffic in all cases, with strikes it often takes an agonisingly long time for the accumulated freight trains to reach their destination and for the situation to return to normal. It was not just the strikes actually carried out that were crucial but also the announced strikes, because they represent a major factor of uncertainty for logistics and lead to pre-emptive transfer to the most reliable carrier. Furthermore, CT chains are generally most sensitive to strikes as they require two if not three functioning carriers. The italian HGV drivers' strike in December thus hindered combined transport due to the lack of collection and delivery of the loading units, which led to overflowing terminals that were therefore unable to act.

At the end of the year we posted transport growth of 12.6% in total traffic and 10.1% in transalpine traffic. The fact that Hupac was able to achieve its strategic growth targets in full under these conditions is almost a miracle. Yet even miracles have their explanations.

Firstly, Hupac deployed an enormous amount of resources in an effort to keep the effects of the strikes on its customers to a minimum. When the GdL strike brought Germany's railways to a halt, a ship was even hired so that the most urgent shipments could be brought safely to their destination via the Rhine.

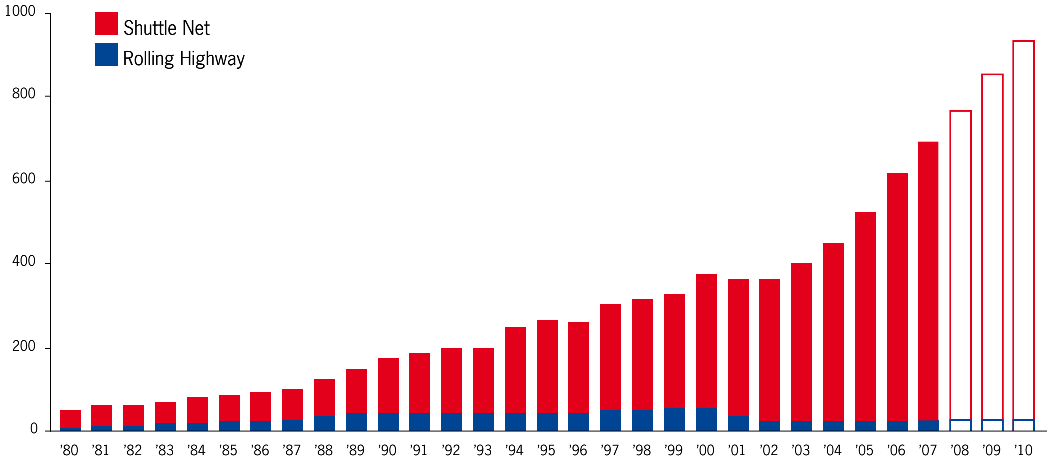
Secondly, Hupac's strategy of taking advantage of the opportunities created by the opening up of the market has paid off again. Private railway companies such as Rail4Chem, DLC and Veolia, not to mention the in-house railway company of Hupac SpA leapt in to guide the wagon compositions to their destination. Although a low percentage of trains had to be cancelled despite all efforts, it was possible to keep the Hupac network running even on the worst strike days.

Thirdly, today we are reaping the rewards of the investments made in the past years in the expansion of our network. Hupac is sharing in the growth of the commodity flows that are entering Europe via the major ports. Important growth markets in Eastern and South Eastern Europe are connected to the Shuttle Net of Hupac. Transalpine transport is being expanded and differentiated, for example with the 4-metre corridor at the Lötschberg and the new connections via Brenner to the vibrant economic area in North Eastern Italy.

Although Hupac itself grew substantially in 2007, this time it was not possible to achieve the objective of an increase in the market share of combined transport in the overall goods transport through Switzerland. In the last year the roads grew faster than the railways for the first time in quite a while. The reasons to be cited are firstly the one-month blocking of the Gotthard motorway in summer 2006, which was reflected in a high percentage increase in road transport volume in the following year, and secondly the strikes in autumn 2007, which had a huge impact on rail transport.

Traffic development 1980-2010

Road consignments in 1000



Does this mean the shift policy of Switzerland has failed? We think not. Since the reference year 2000, shipments in transalpine combined transport have increased by 73%, whilst shipments in road transport have fallen by 10%. Combined transport has thus completely overtaken the growth of road freight transport and moreover it has shifted a good proportion of the existing traffic. Without the positive development of combined transport since the year 2000, around 400,000 additional shipments would have crossed the Swiss Alps by road in 2007 – not including the other positive effects of the shift policy such as the improved utilisation of HGVs as a result of the LSVA.

How can further growth in combined transport and therefore a positive shift effect be achieved? In our view, three factors play a crucial role: quality, price and availability. In the past year, Hupac trains ran at an average punctuality rate of 75%. That is an improvement of 4% over the previous year and a great advance from the year 2001, when the punctuality rate was at a low at less than 50%. Yet combined transport will only show its full competitiveness against the roads when punctuality once again reaches at least 90%. Appropriate infrastructure, a freight-friendly priority regulation and customer-oriented railway companies are the imperative requirements for the achievement of this objective.

A vital success factor for combined transport is of course also a competitive price compared to the road: a price that allows for the inbuilt disadvantages of rail transport against the roads, such as reduced flexibility and greater susceptibility to failure, and compensates for them. The subsidy policy of the Federal Government sets an example here, as it compensates for the high traction costs on the mountain lines among other things, allowing us to offer prices that are competitive with the roads.

And lastly there must be adequate capacities for combined transport, today and in future: transhipment terminals in central business locations, attractive train paths and adequate rail resources. We expect that the Swiss law on shifting transport for 2011-2018 will take sufficient account of all these factors and thus create the basic conditions for further growth in combined transport.

Our thanks go to all who have made Hupac's positive result in 2007 possible, most of all the employees, shareholders and customers, the business partners and institutions. Hupac will continue to expand its business operations in the current year and do its utmost to ensure that the quality and efficiency of its services continue to rise. We are convinced that in doing so, we will make an active contribution to sustainable and reliable freight transport logistics in Europe.

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

Chiasso, May 2008


HUPAC
Gruber
norfolkline
HOYER

The Hupac Group

Hupac Ltd
Chiasso
Parent company

100% **Hupac Intermodal Ltd** Chiasso Sales & Customer Service Traffic Operations Terminal Operations	100% **Hupac Intermodal NV** Rotterdam Service Provider	97% **Hupac Intermodal BVBA** Antwerp Terminal Engineering Terminal Operations 3% Hupac Intermodal NV
95,55% **Hupac SpA** Milano Terminal Operations Railway Operations	100% **Hupac GmbH** Singen Sales & Customer Service Railway Operations	97% **Fidia SpA** Oleggio Terminal Operations Warehouse Logistics 3% Hupac SpA
50% **Terminal Singen TSG GmbH** Singen Terminal Operations	80% **Termi Ltd** Chiasso Terminal Engineering	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	51	Chairman since 1993	Swiss	1987	2010
Daniel Nordmann*	53	Deputy Chairman since 2001	Swiss	2001	
Theo Allemann	70	Member	Swiss	1999	2008
Dr. Thomas Baumgartner	54	Member	Italian	1990	2010
Thomas Hoyer	58	Member	German	1988	2010
Bruno Planzer	65	Member	Swiss	1989	2010
Peter Hafner	52	Secretary	Swiss	1999	2010

* Until August 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 — *Operations Director*

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
Peter Hafner — *Chairman*

Situation at 31.12.2007

Corporate Governance

Structure of the Hupac Group

At the end of 2007 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.

In the past year at corporate level, two changes in the Internal Logistics division are worthy of mention. In mid-May the Fleet Management sub-division was established under the leadership of Leonardo Fogu. The new organisational unit has the task of managing the rolling stock of Hupac efficiently. Also in May, the Rolling Stock Development department led by Michael John was put under the control of the Internal Logistics division as a sub-division of its own. In the course of this restructuring, Leonardo Fogu and Michael John were appointed to the management of Hupac Intermodal Ltd.

Unfortunately, December saw the untimely death of Angelo Grassi, acting Vice President of Termi SpA. The management recognises the significant achievements over many years of a person inspired by the business idea of Hupac from the start. No replacement was appointed; the tasks were taken over by the Chairman of Termi SpA, Peter Hafner.

Board of Directors

Changes also took place in the Board of Directors of Hupac Ltd. In August Daniel Nordmann stepped down as Vice President of Hupac Ltd. The election of a replacement is arranged for the General Meeting in May 2008.

The Board of Directors of Hupac Ltd currently comprises five members. According to the company's by-laws, the shareholders of Hupac are 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 composition of both Hupac Intermodal Ltd and Termi Ltd's Boards of Directors is identical to that of Hupac Ltd. At the other companies of the Hupac Group, the Boards are composed mainly of members of the management of the parent company.

Capital structure

In the year covered by this report Hupac Ltd had a share capital of CHF 20 million. The company is owned by 100 shareholders. Transport companies and forwarding agents from Switzerland, Germany, Italy, France, Austria and the Netherlands hold 72% of the share capital, with the remaining 28% held by railway companies. This takes care of closeness to the market, while independence from the railways remains guaranteed.

Substantial minority shareholdings

Alongside the shareholdings in the companies of the Group, Hupac Ltd maintains substantial minority shareholdings in various companies within the field of combined transport. At the end of 2007 these were the combined transport operators Cemat and RAlpin, the Belgian private rail company DLC and the data processing service provider Cesar Information Services.

Organisation regulations

Hupac's Group organisation regulations govern the constitution and passing of resolutions as well as the tasks and responsibilities of the Board of Directors, the Chair of the Board of Directors and the Management Board. 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 system consists of a list of risks whose regular updating is entrusted to Hupac Ltd's Management Board. The current information on the status of risk management is regularly presented to the Board of Directors.

Measures were also taken in 2007 to allow the selective reduction of risks. The focus was on reducing risk in the area of goods handling by actively advising the customers and making constant checks at the terminal concerning the use of suitable loading units. In the area of the Rolling Highway, the problem of occasionally imprecise declarations of loading unit weights was lessened by the installation of a scale. The loss of key personnel within the Hupac organisation was also prevented with appropriate measures. The introduction of a Business Intelligence System facilitates the early identification of potential dangers.

The year 2007 in review

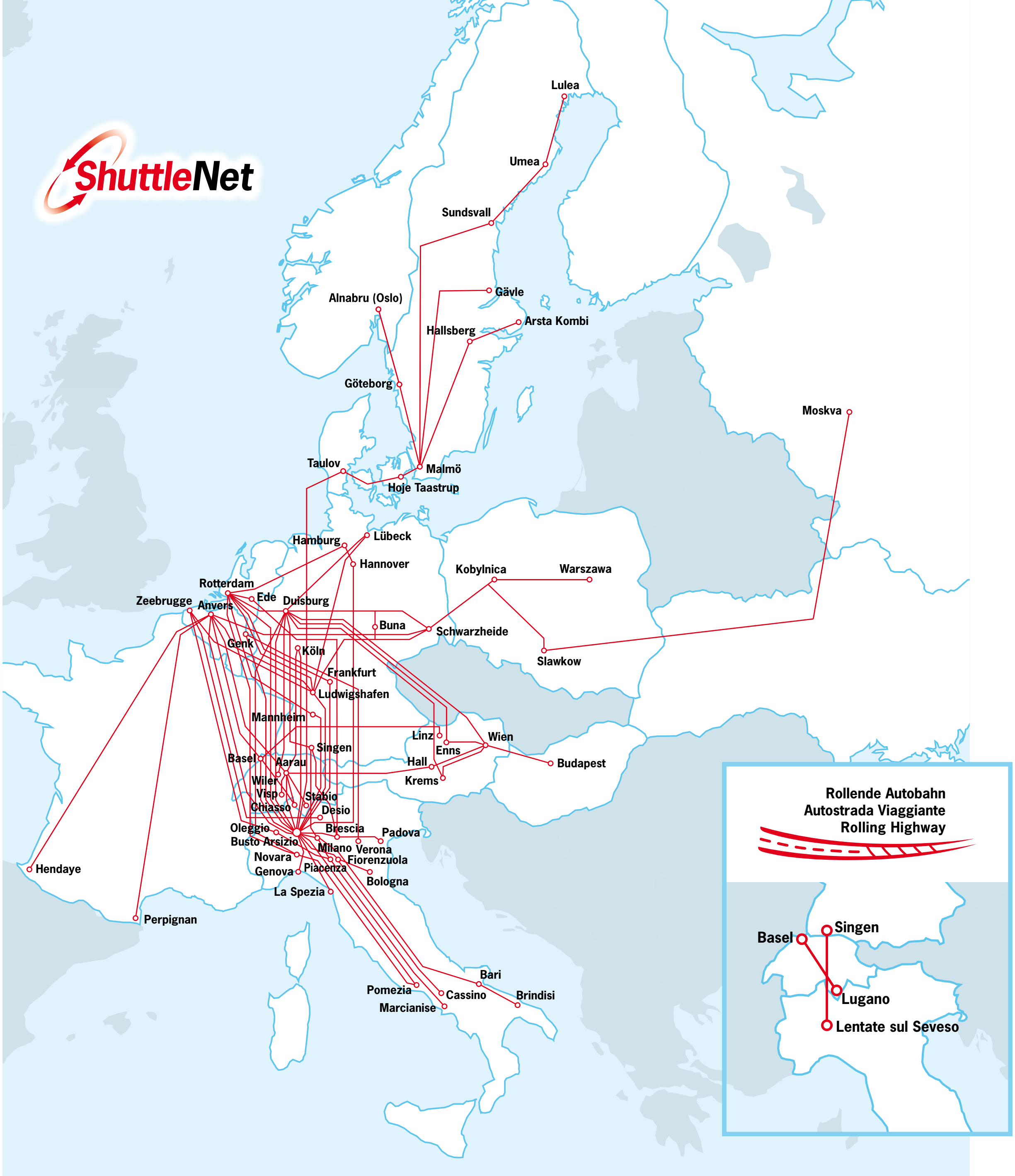
January	▸ Ordering of 150 flat wagons
February	▸ Introduction of a daily Singen ⇆ Brescia connection ▸ Start-up of the daily Rotterdam ⇆ Busto shuttle train for gateway traffic ▸ Expansion of the gateway connections in Italy with a Busto ⇆ Bologna feeder train ▸ Introduction of the Rotterdam ⇆ Lübeck connection
March	▸ Start-up of traffic at the Visp terminal with a Visp ⇆ Aarau ⇆ Duisburg connection ▸ Introduction of a daily Genk ⇆ Verona shuttle train via Brenner
April	▸ Start-up of traffic between Belgium and the South of France with a daily Antwerp ⇆ Perpignan shuttle train
May	▸ Weekly Busto ⇆ La Spezia shuttle train for maritime transport
June	▸ 40-year celebration of Hupac in Lugano
September	▸ Rolling stock exhibition in Biasca and Erstfeld marking the 125th Gotthard anniversary ▸ Introduction of a Duisburg ⇆ Buna/Schwarzheide shuttle train ▸ New Rotterdam Botlek ⇆ Frankfurt shuttle train ▸ Increase in the frequency of the Duisburg ⇆ Wien shuttle from six to seven train pairs per week
October	▸ Ordering of 200 pocket wagons for 60-foot containers and 50 T5 pocket wagons for mega-trailers and containers ▸ Start-up of the twelfth gantry crane at the Busto Arsizio-Gallarate terminal ▸ New Antwerp ⇆ Hendaye shuttle train with three weekly departures ▸ Recertification of the quality and environmental management system according to ISO 9001:2000 and ISO 14001:2004
November	▸ First Slawkow ⇆ Moscow test runs with partner Russkaya Troyka ▸ Start-up of the Rotterdam ⇆ Verona shuttle train via Novara ▸ New link Duisburg ⇆ Switzerland
December	▸ Start-up of the Oleggio ⇆ Busto and Oleggio ⇆ Piacenza feeder trains ▸ Ordering of a mobile crane with fine particle filter for the Basel terminal

Traffic techniques

Intermodal transport combines different means of transport: road, rail, sea and air. In unaccompanied combined transport (UCT), the loading units – containers, semi-trailers or swap bodies – are carried by road or by vessel to the transhipment terminals where they are loaded onto 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.

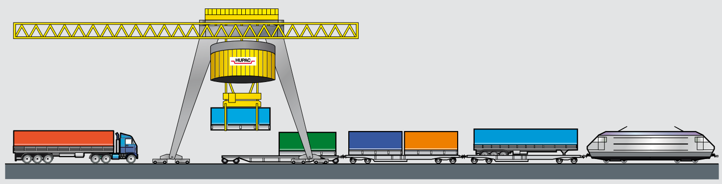
On transalpine routes, unaccompanied combined transport is competitive from 300 km onwards. With Shuttle Net, one of the largest networks in terms of route density and traffic frequency, Hupac connects the principal economic areas of Europe and offers all the advantages of unaccompanied combined transport.

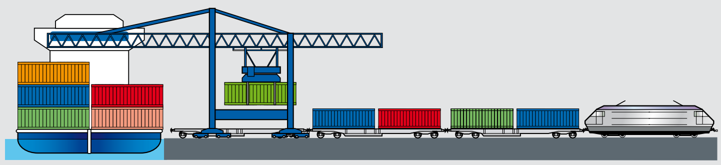
The Rolling Highway is an important additional service for transalpine transport, which allows trucks without the necessary fittings for unaccompanied transport to cross the Alps by rail. Whole trucks are loaded onto special rail wagons at the terminal. Drivers travel in a separate sleeping car, where they spend their statutory rest periods.



Unaccompanied combined transport:
Shuttle Net

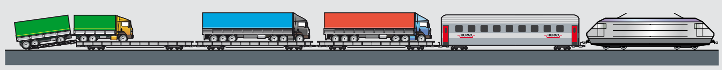
- Transportation of containers, semi-trailers and swap bodies by rail
- Transportation from terminal to terminal or from port to inland terminal
- Competitive on routes of 300 km and over

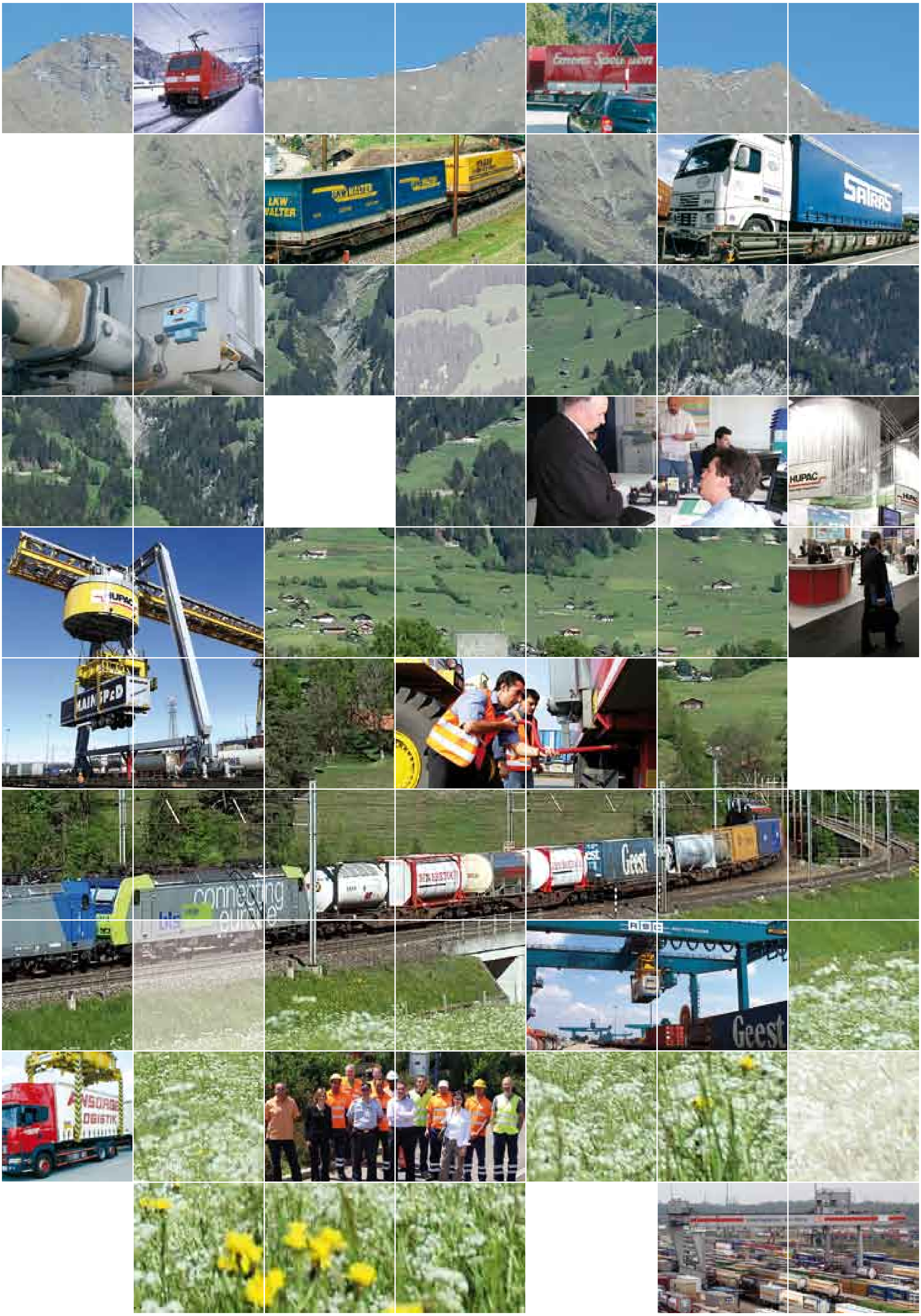




Rolling Highway

- Transportation of whole trucks by rail
- Drivers travel in a separate sleeping car
- Additional offering for crossing the Alps

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HUPAC
connecting europe
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Vision and guidelines of the Hupac Group

Vision

Hupac is one of Europe's leading, independent intermodal transport operators. We endeavour to ensure that – in an expanding transport market – an increasing amount of freight is transported by rail. By doing so, we help to preserve the environment and discharge our social responsibilities.

By maximizing efficiency we aim to lower the cost per loading unit further.

We aim to grow alongside our customers as a reliable partner. Our 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 an 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 advance the development of intermodal traffic among European business areas, making it the preferred transport method. 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 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 existence and 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 commensurated 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

Road and rail together for a policy of sustainability

European transport policy faces a great challenge: it must control the constantly growing flow of goods in an efficient and environmentally friendly way. It is about preserving mobility and securing the supply of goods without traffic causing an excessive burden on humans and the environment.

Combined transport makes an important contribution to that. Compared to pure road transport, this mode of transport offers higher energy efficiency and substantially lower CO_2 emissions (see box). In addition, rail transport is generally characterised by a smaller space requirement in relation to the quantity being transported and greater transport safety.

By operating combined transport, Hupac contributes to the development of sustainable mobility. We offer the European road and maritime transport industries an efficient transport network for combined transport. Supported by investigations on market potential and on behalf of our customers, the CT-oriented transport and logistics companies of Europe, we continuously expand our transport network.

Crucially important in that process is the support provided by the transport policy of Switzerland and the European Union, which have made it their aim to promote combined transport in order to shift goods transport from the roads to the railways.

The railway liberalisation

The railway 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 the competitiveness of the rail against the road it is essential to achieve separation of infrastructure and operations, 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. It is also of crucial importance to overcome the numerous technical and administrative hurdles that still stand in the way of a functioning, Europe-wide railway market today.

Hupac endorses and supports the liberalisation of the railways in Europe. Since 2005 Hupac has transferred the traction of trains to its rail partners according to the business model of internationally integrated traction responsibility. 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 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.

Hupac works together with a wide range of high-performance railway companies and supports new-

Combined transport protects the climate

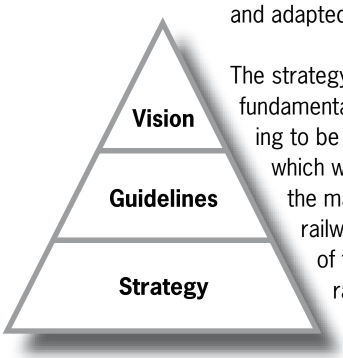
Every shipment shifted to the railways reduces the use of energy and contributes to climate protection. This is the result of a study by the UIRR on the CO_2 reduction of combined transport on selected routes in Europe based on actual operating data. Unaccompanied combined transport saves on average 29% of energy on the railway compared to the road, whilst the Rolling Highway saves around 11%. On the transalpine routes in UCT the savings are far higher. The CT chain between Cologne and Milan via Busto Arsizio, i.e. the transportation of a road consignment on the railway including road trucking from/to the terminal, uses 46% less energy than pure road transport for example.

According to the UIRR study, the balance for the saving of the greenhouse gas CO_2 is even more positive. Unaccompanied combined transport reduces CO_2 emissions by an average of 55% compared to road transport, whilst CT chains with the Rolling Highway yield a reduction of around 18%. Here too, the effects in transalpine transport through Switzerland are particularly favourable. For example, transport companies using the Hupac Cologne ⇆ Busto shuttle spare the environment about 1,000 kg of climate-damaging carbon dioxide per road consignment, which is 67% less than in pure road transport.

comers as well as traditional railways in the implementation of innovative projects. Hupac is licensed as a railway company in Italy and Germany, has thirteen shunting and main line locomotives at its disposal and operates transport of its own in niche market sectors.

The 2006-2010 strategy

Every five years Hupac subjects the principles of its corporate action to a systematic review. After the expiration of the 2001-2005 strategy period, the vision, guidelines and strategy were revised and adapted to the new 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 should increase from 519,000 consignments in 2005 to 928,000 consignments in 2010. The top requirements of the 2006-2010 strategy include:

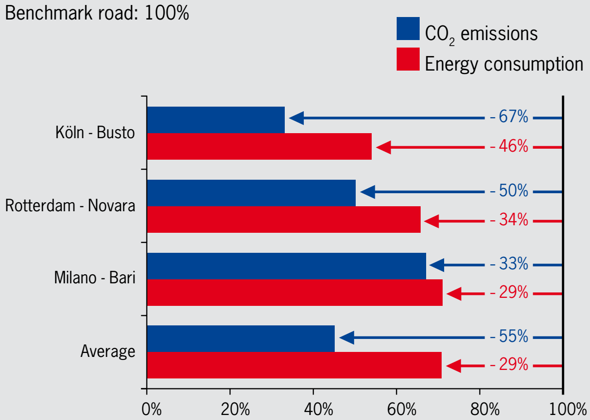
- Endorsement of the traffic shift policy
- Endorsement of the railway liberalisation and intramodal competition
- Expansion of the network:
  – on the North-South axis as a priority
  – on the East-West axis in addition
  – selectively on the transit corridors via Brenner and France
- Maintenance of import/export traffic
- Maintenance of the Rolling Highway as a complementary offer
- Investments in rolling stock, terminals, information technology
- Optimisation of the rolling stock maintenance
- Consolidation of terminal capacity
- Creation of profit

The savings result most of all from the energy mix used, i.e. the country-specific type of power generation (hydroelectric power, nuclear, fossil fuels). Combined transport through Switzerland has particularly low carbon dioxide emissions because of the high proportion of hydroelectric power in railway power generation (100%). Another crucial factor is energy use, which is determined mainly by the ratio of the cargo to the total weight: long, heavy, well-utilised trains make particularly efficient use of the energy deployed. Other factors that have a positive impact are low gradients on the route, central terminal locations and little need for shunting.

The UIRR study can be downloaded on the Internet at www.uirr.com or www.hupac.ch

CO_2 emissions and energy consumption of the combined transport chain in comparison to road transport

Benchmark road: 100%



Source: UIRR/PACT, 2003

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 was the first European intermodal operator to be certified according to ISO 14001 for its 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 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 strict quality standards. Hupac views quality as an obligation to improve services constantly and as a foundation for a relationship of mutual trust with its customers, partners and suppliers.

Certifications according to ISO 9001 and 14001 concern:
- Organisation, management and commercialisation of transport
- Management of combined transport terminals
- Rolling stock development, acquisition and maintenance
- Development and implementation of combined transport software solutions and IT systems for the customers

Certification applies to all companies of the Hupac Group which are active in the areas stated, namely the parent company Hupac Ltd, the subsidiary responsible for the operational business, Hupac Intermodal Ltd, the Dutch subsidiary Hupac Intermodal NV and Hupac SpA of Italy.

Communication policy

The Hupac Group aims to maintain and further develop a trustworthy relationship with its stakeholders, i.e. all those individuals, groups or 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 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 effective communication.

Hupac's economic responsibility

Hupac's economic responsibility is based on the pursuit of efficiency, cost-saving and result-focused management, constantly improved financial results and strategic decisions that generate an ever higher company asset value capable of ensuring Hupac's existence.

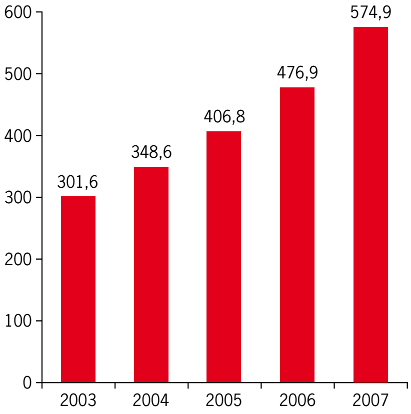
Economic development

In 2007, the Hupac Groups' revenues from supplies and services rose by 20.6% to just under CHF 575 million. The net cost of supplies and services amounted to CHF 465.6 million, which equates to an increase of 24.3% compared to the previous year. Various factors contributed to this relatively sharp rise, including the increased railway costs, the expenses incurred in order to maintain operations during the rail strikes in autumn 2007 and the leasing of a large number of rail wagons. Gross profit therefore grew by 6.8% to CHF 109.3 million.

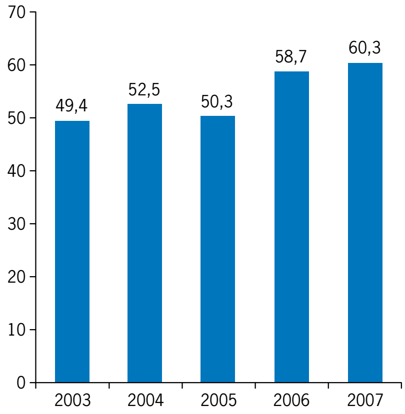
Despite the partly challenging framework conditions and the comprehensive measures to expand the network, Hupac was able to increase its annual profit by 3.8% to CHF 7.2 million. The Group's cash flow also increased slightly to reach CHF 60.3 million by the end of the year. Overall, the economic development of the Hupac Group can be described as satisfactory.

Values in 1000 CHF	2007	2006	Variation in %
Income from supplies and services	574,973	476,929	20.6
Net cost	465,637	374,533	24.3
Gross profit	109,336	102,396	6.8
Group's operating profit	7,223	6,958	3.8
Group's cash flow	60,347	58,730	2.8

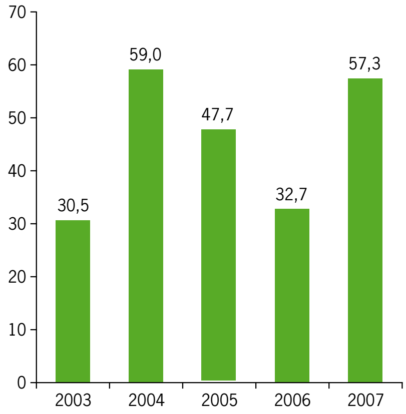
Annual turnover
In million CHF



Cash flow
In million CHF



Investments in tangible fixed assets
Without advances, in million CHF



Traffic development

In the year covered by this report, Hupac carried 689,943 road consignments by rail, which corresponds to an increase of 12.6% compared to 2006. In the course of five years Hupac has thus achieved traffic growth of 93%. The growth is even greater in the Shuttle Net business area (unaccompanied combined transport). Here the increase from the previous year amounted to 13.2%, whilst over the five-year period there has been a doubling of traffic (+101%). In contrast, the Rolling Highway was forced to accept a reduction of 2.8% to 20,730 consignments in the year under review.

Whereas the growth of the Shuttle Net business area was highly dynamic in the first half of the year and ended the period with increases of 17.4% in total traffic and 14.3% in transalpine traffic, the development slowed in the second half to an increase of 8.9% in total traffic and 5.9% in transalpine traffic, compared to the same period in the previous year in each case. This was due to the numerous strikes and strike announcements in autumn 2007. Hupac incurred great expense for capacity and locomotive resources in order to minimise the effects of the strikes for customers as much as possible. Nevertheless, due to a residual risk some particularly time-critical shipments were lost to the road.

Development of the Shuttle Net business area

In the Shuttle Net business area Hupac achieved an increase in volume of 78,044 to 669,213 road consignments. The highest growth rate was recorded by non-transalpine combined transport with an increase of 21.9% compared to 2006. The rapidly increasing traffic volume of the western ports of Rotterdam, Antwerp and Zeebrugge is having an impact in this sector.

In the core business area of transalpine traffic, the volume increased by 44,263 or 10.1% to 480,941 road consignments. The volumes on the traffic corridor via Brenner opened at the end of 2006 developed according to plan.

Scandinavia ⇆ Italy
An increase in train frequencies from/to Italy made it possible to enhance the attractiveness of the market and increase the volumes by 6.7%. The Swedish traffic alone recorded growth of 12.5%.

Germany ⇆ Italy
In this sector the volumes grew by 4.6% to more than 230,000 road consignments. Volume in the North Germany ⇆ Italy market segment grew

Transport volumes

		Road consignments			Net weight in tonnes		
		2007	2006	%	2007	2006	%
Shuttle Net	Transit via CH	441,787	410,453	7.6	8,019,000	7,554,000	6.2
	Import/export CH	9,862	9,173	7.5	183,000	161,000	13.7
	National CH	16,268	16,179	0.6	259,000	257,000	0.8
	Total transalpine via CH	467,917	435,805	7.4	8,461,000	7,972,000	6.1
	Transit via A	13,024	873	1392.7	259,000	16,000	1518.8
	Total transalpine	480,941	436,678	10.1	8,720,000	7,988,000	9.2
	Import/export CH	65,444	63,073	3.8	942,000	891,000	5.7
	Rest of Europe	122,828	91,418	34.4	2,057,000	1,508,000	36.4
	Total non-transalpine	188,272	154,491	21.9	2,999,000	2,399,000	25.0
	Total	669,213	591,169	13.2	11,719,000	10,387,000	12.8
Rolling Highway		20,730	21,319	- 2.8	385,000	403,000	- 4.5
Total transport volume		689,943	612,488	12.6	12,104,000	10,790,000	12.2

Road consignment: number of loading units that would equate to one HGV in road haulage, i.e. one semi-trailer or two swap bodies 7.15 metres long or one heavy tank container or two light 20-foot containers
Net weight in tonnes: weight of the goods carried

above average due to the increase in train frequencies on the Hamburg/Hanover ⇆ Busto and Lübeck ⇆ Novara connections for semi-trailers with a corner height of 4 metres.

Despite terminal capacity problems in the Rhine/Ruhr area in the first half of the year and several weeks of strikes by the GdL engine drivers in the second half, further increases in volumes were possible in the Ruhr. In the East Germany market sector we recorded substantial increases once again thanks to new acquisitions and an improved operational concept. The introduction of a new Singen ⇆ Brescia shuttle connection integrated the economic area east of Milan even more closely into the Hupac network, which led to a volume increase of more than 15%.

Netherlands ⇆ Italy
The strong demand for transport continued in 2007. However, growth was restricted by the strikes in Germany in the second half of the year.

Due to frequency increases and the introduction of a Rotterdam ⇆ Busto shuttle connection for gateway traffic to Central and Southern Italy, the volumes increased by a total of 8.4%, with the Southern Italy traffic growing above average by more than 40%. The 4-metre Rotterdam ⇆ Novara corridor for semi-trailers with P400 profile also had a positive impact.

Belgium ⇆ Italy
An enormous growth spurt of more than 32% was recorded for the Belgium ⇆ Italy market sector.

The restructured connections between Zeebrugge and Italy achieved a high level of demand. Alongside the Genk ⇆ Busto connection introduced in 2006, the Genk ⇆ Verona link via Brenner was also opened in March. The latter was boosted in autumn 2007 with an additional train pair to six departures per week in each direction.

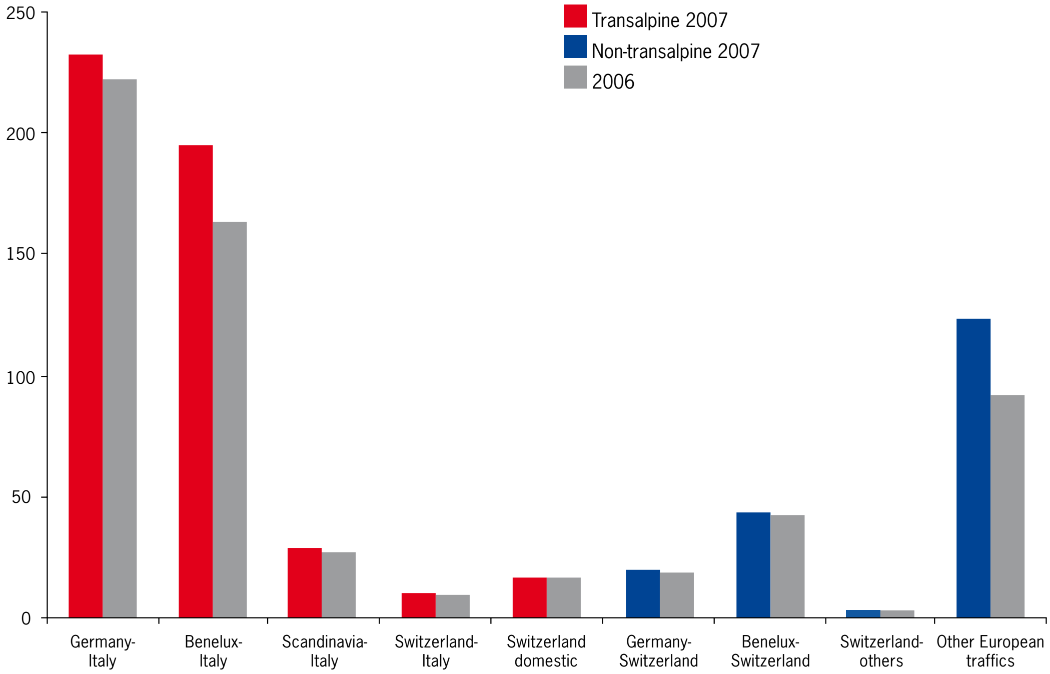
In order to fulfil the strong demand, we also increased the train frequencies between Antwerp and Busto Arsizio-Gallarate, which also had a positive impact on the development of traffic towards Central and Southern Italy.

Swiss import/export transalpine
In this market sector we were able to record a traffic increase of 7.5% thanks to the gaining of new traffic. Whilst the volume from/to Northern Italy grew strongly, the volumes from/to Central and Southern Italy continued to shrink.

Swiss domestic transalpine traffic
Thanks to very high quality and an improved operational concept, it was possible to maintain the traffic gained due to the blocking of the Gotthard motorway in 2006 and even slightly increase it. In particular the Basel ⇆ Stabio/Chiasso connection showed a very pleasing development.

Swiss import/export non-transalpine
We recorded growth of 3.8% in this market sector. The growth drivers were the existing connections from Cologne and primarily the newly introduced link between Duisburg and Switzerland. Connec-

Development of the Shuttle Net market segments
Road consignments in 1000



tions to Rotterdam can once again be offered via the Duisburg hub. However, the single-wagon traffic from/to Austria stagnated.

Other European non-transalpine traffic
Once again the volumes in this sector grew extraordinarily strongly, rising by more than 34% to around 123,000 road consignments. Within two years the volume has almost been doubled. The introduction of the new Antwerp ⇆ Perpignan and Antwerp ⇆ Hendaye connections contributed to this leap in volume. Both connections are operated by SNCF Fret according to the business model of integrated traction responsibility. Connections from Rotterdam to Frankfurt and from Duisburg to Central Germany were also introduced in the autumn of the financial year.

Alongside the launch of new products, increases in the frequency of departures on various connections, particularly between Antwerp and Poland as well as Duisburg and South Eastern Europe, contributed to the growth of this sector.

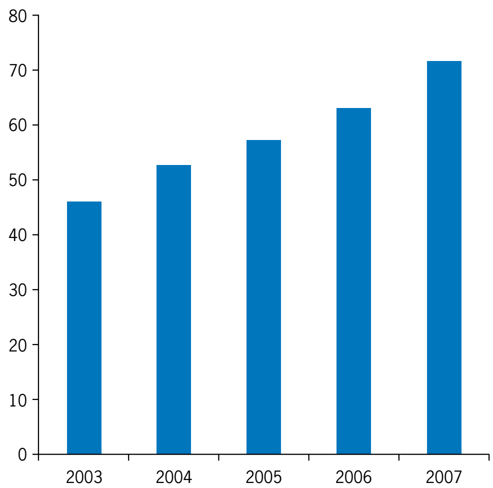
Maritime traffic
In the year under review, maritime traffic reached a volume of TEU 71,500, which corresponds to an increase of 13% over the previous year. The strongest growth is still being recorded in non-transalpine traffic. In particular the traffic from Antwerp showed a very pleasing development. The traffic from Genova and La Spezia grew by 17%; in some cases the Mediterranean ports are used as an alternative to the overloaded western harbours.

Development of the Rolling Highway segment

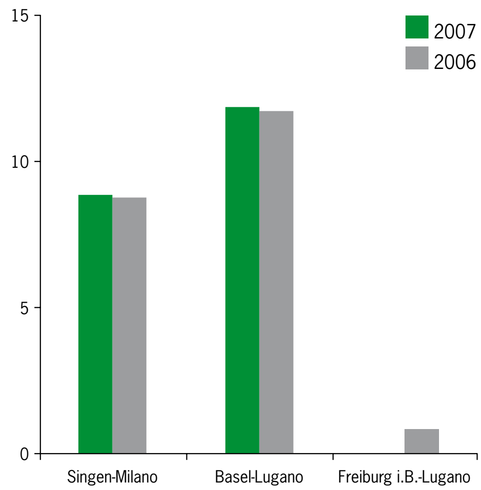
In the year under review, the Rolling Highway achieved traffic volumes of 20,730 road consignments on the Gotthard route, which corresponds to a reduction of 2.8% compared to the previous year. Due to a lack of demand, the Freiburg ⇆ Lugano connection was first reduced in steps and ultimately stopped altogether. In December the Singen ⇆ Milan Greco Pirelli train had to be stopped due to terminal difficulties pending the availability of a new terminal location. Since January 2008 the connection has been active again using the Lentate sul Seveso terminal north of Milan.

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. Hupac has therefore developed special low-floored wagons to allow the carriage of trucks with a corner height up to four metres. These special wagons have been in use on the Basel ⇆ Lugano route since 2004. In December 2007 they were licensed for Germany. As licensing for Italy is still outstanding, it is not yet possible to use the wagons on the Singen ⇆ Milan or Lentate sul Seveso route.

Development of maritime traffic
TEU in 1000



Development of the Rolling Highway
Road consignments in 1000



Operating resources

Rolling stock

Since its formation, Hupac has operated primarily with its own wagons. By the end of 2007 the fleet consisted of 5,667 wagon modules, equal to an increase of 28.1% compared to the previous year. This growth was achieved primarily by means of leased rolling stock (+107%). The purchasing of owned rolling stock (+9.3%) remained slightly behind the planned target due to delays in delivery. By the end of 2007, the percentage of leased wagons as a proportion of the whole wagon fleet stood at 31%, up by 12 per cent from the previous year.

The substantial increase of the rolling stock is primarily due to the rise in demand prompted by the rapid expansion of the traffic network. The looming supply shortage in the rolling stock sector and the long downtime of the wagons also led to the decision to safeguard the company's scope for development by leasing rolling stock.

The expansion of the company's own wagon fleet continued as planned in the year under review. 400 rail cars totalling approximately CHF 48 million were ordered from Swiss manufacturers. The delivery of the new wagons will continue until 2008.

In the year under review, around 330 wagon modules including those ordered in the previous years were put into operation. The models concerned were the T4.2 pocket wagon for P(386)-coded semi-trailers, the flexible T5 pocket wagon for use with mega-trailers and heavy containers and the new weight-reduced 60-foot container flat wagons.

Hupac develops its rolling stock in close cooperation with the wagon manufacturers in order to meet the requirements of the market and constantly improve its performance. One of the priorities is the development of wagons with a tare weight up to 10% lower. The extra-light flat wagons use the scarce rail resources more efficiently and increase the payload per train.

In the area of wagon maintenance, the efforts continued in collaboration with the partners to identify potential for rationalisation in the maintenance of the rolling stock. The aim is to reduce the maintenance-related wagon downtimes by process optimizations.

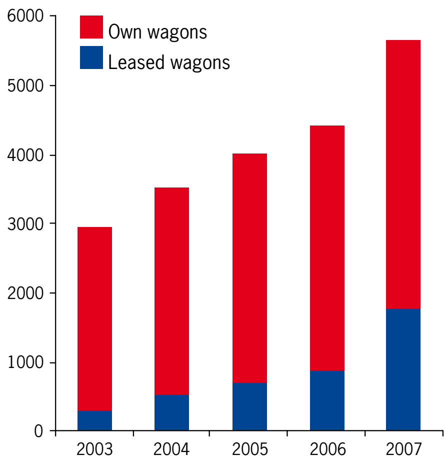
Rail traction

Over 95% of Hupac's transport is conducted in accordance with the principle of integrated traction. Markets such as Eastern Europe, where the structures do not yet allow this business model, are an exception. In the year under review, the main freight carriers of the Hupac trains included SBB Cargo, Intermodal DB Logistics, Trenitalia Cargo, Rail4Chem, DLC, Ferrovie Nord Cargo, Veolia Cargo, WLB Wiener Lokalbahnen, SNCF Fret, B-Cargo and PKP Cargo. In many cases these companies collaborate with other rail partners, for example BLS Cargo, TX Logistik and Greencargo.

In the course of product development it was possible to intensify the collaboration with Trenitalia

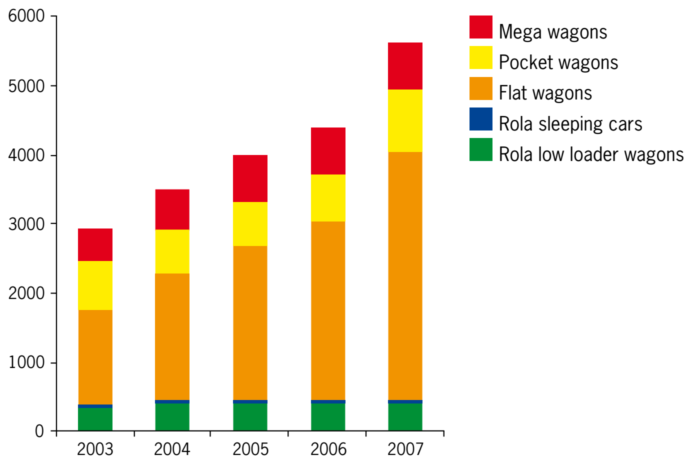
Rolling stock

Number of wagon modules



Rolling stock by type

Number of wagon modules



Cargo, Intermodal DB Logistics and SBB Cargo. In the first half of 2007, Hupac began a collaboration with Veolia for the traction of the Rotterdam ⇆ Hamburg/Lübeck train. The cooperation with SNCF Fret on the Antwerp ⇆ Perpignan and Antwerp ⇆ Hendaye routes is very satisfactory. With Hupac, the French national railways implemented the concept of integrated traction between Belgium and France for the first time. In the second half of the year, Hupac began test runs between Slawkow and the Vostoktrans terminal in Moscow in collaboration with its partner, Russkaya Troyka.

In 2007 the Italian railway company Hupac SpA has significantly strengthened its operations. By the end of the year it had eight shunting and two main line locomotives as well as appropriately trained staff at its disposal. In addition to the traction of empty wagons between Gallarate or Novara and the Tessin's workshops, which has taken place since 2003, the company is now also performing traction services for daily feeder transport between Gallarate and Milan Smistamento as well as between Gallarate and Oleggio. Hupac SpA also takes charge of shunting services and train handovers at the Busto Arsizio, Desio and Oleggio terminals and intervenes if other railway companies are prevented from providing their service due to operational problems.

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. By the end of 2007, Hupac's transport network numbered just under 70 terminals. Nine transhipment facilities are directly owned or operated by Hupac, including the hub in Busto Arsizio-Gallarate and the terminal facility in Singen established in 1996. Around 60 terminals are operated by third parties. In the course of the rapid expansion of the transport network in 2007, Hupac began collaborating with the terminals of Perpignan, Hendaye, Piacenza, Zeebrugge P&O, Zeebrugge Cobelfret, Wiler, Visp and Moscow Vostoktrans.

About 70% of the terminals in the Shuttle Net network manage their traffic with Goal. The aim is to achieve the fullest possible coverage, thus ensuring that data are consistent across the network and quality standards are high. Terminals without a Goal connection transfer the traffic data to the head office in Chiasso for manual entry into the IT system.

As far as future developments are concerned, Hupac aims at consolidating terminal capacity in areas characterised by strong traffic relevance, in particular the areas of Antwerp, Rotterdam and Cologne as well as Northern Italy. In the year under review, great advances were made in the planning for the expansion of terminal 468 in Antwerp. The expansion area is located on an adjacent plot of land to be leased by the subsidiary Hupac Intermodal BVBA. The construction work will begin in 2008 and is forecast for completion by the end of 2009.

At the Busto Arsizio-Gallarate terminal, the expansion work is proceeding on schedule. Alongside the start-up of the twelfth gantry crane, the construction of a new railway siding with six sidings and four connecting lines for the planned workshop is worthy of mention. The renovation of a crane module is arranged for the first half of 2008.

Information technology

Goal – Global Oriented Application for Logistics – is an integrated software designed by Hupac and further developed in cooperation with Cemat. It 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 its constantly expanding network. The outstanding event in 2007 was the completion of the Ediges project – Electronic Data Interchange Goal with External Partners. The aim of this application is the exchange of information between Goal and external systems belonging to customers, terminals and third-party suppliers. The new applications in XML format were implemented in 2007. For example, they make it possible to integrate the data of the peripheral terminals working without Goal into Hupac's data processing systems without additional human resources and to make them available to all parties involved in real time. Of particular interest to the customers is the booking facility between the customer's system and the Goal software as well as the e-billing system for the receipt, review and direct entry of the billing data into the customer's accounting system, also implemented in 2007. By the end of 2007, around 30 customers and partners were using the Ediges system.

The "e-train" project, a satellite-based train monitoring system, was also pursued further. 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 Goal software providing a constantly updated situation of the progression of each train. In the year under review, the main traffic axes such as Germany ⇆ Italy and the axes with severe quality problems, such as the traffic between the Netherlands and Italy, were monitored as a priority.

Quality, safety and productivity

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

Train punctuality

Quality measured by train punctuality improved slightly in 2007 compared to the previous year. In total, 75% of the Shuttle Net trains ran punctually (previous year 71%), i.e. less than 60 minutes late. The highest punctuality rate was once again achieved by non-transalpine traffic at an unchanged 87%, followed by the traffic via Chiasso, for which punctuality rose from 76% to 81%. Quality has improved distinctly on the Luino route, with a punctuality rate of 68% compared to 60% in the previous year. The situation with the traffic via Lötschberg is alarming. The drastic reduction from 61 to 42% is due to severe infrastructural and resource-related problems in the North.

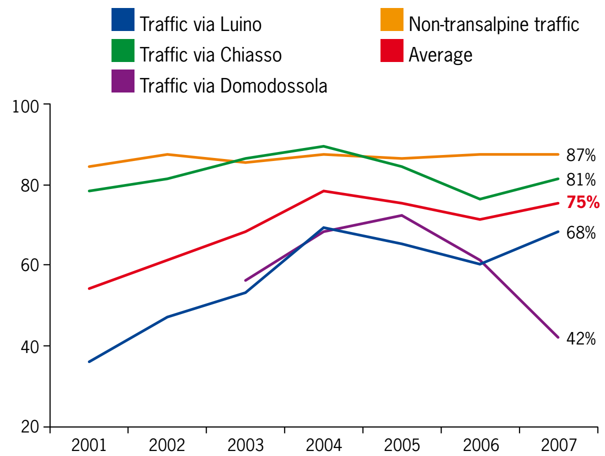
Hupac adheres to the target of a punctuality rate of 90%. This should be achieved gradually through additional efforts by all members of the transport chain. The intermediate target of an 80% punctuality rate was not achieved in 2007 and is now set as a target for 2008.

Safety

Safety is among the foremost priorities at Hupac. The load units entrusted to the company must be handled securely at all times. Constant training of the terminal staff on occupational health and safety, hazardous goods and the proper handling of equipment and devices raises awareness of the responsible handling of potential dangers.

Development of Shuttle Net quality

% of trains with delay < 1h



In a large-scale civil defence exercise at the Busto Arsizio-Gallarate terminal in June 2007, Hupac's internal security team was able to test its capacities for deployment in case of emergency. Further exercises and tests were conducted in cooperation with customers and manufacturers at various terminal locations.

Also in 2007, Hupac was the subject of various external audits in which security and the correct application of regulations were reviewed on the initiative of authorities, customers or partners. The Swiss Federal Office of Transport inspected the facilities and processes at the Aarau, Basel, Chiasso and Busto Arsizio-Gallarate terminals as well as the security conditions of the trains on the Swiss network. The audits by the Pro Check working group from SBB Cargo concerned load security, the handling of hazardous goods, the condition of the rolling stock and the administrative procedures. The Shell Group also subjected the facilities and processes of the Desio, Busto Arsizio-Gallarate, Oleggio and Novara terminals to a critical review. Hupac passed all the audits successfully and values them as an important touchstone of its high safety standards.

Access control at the Busto Arsizio-Gallarate terminal was further improved in 2007 with entrance barriers and video surveillance. Various measures to enhance transport security were also implemented. Measures to heighten the drivers' awareness of the safety issue were on the agenda at all Hupac terminals.

Analysis of the safety-related irregularities yields a positive picture for the year under review. It was possible to maintain a constant level of security. Irregularities concerning the rolling stock and the disruptions at the terminals are falling. We recorded an increase in irregularities involving load units.

In the construction projects managed by the subsidiary Termi SpA, occupational health and safety is guaranteed by specially trained internal staff. Expenses for safety are shown separately in the project phase. In the construction phase, all safety aspects are constantly reviewed.

Quality management

In October 2007 the Hupac Group's quality management system was reviewed in detail by auditors of Bureau Veritas and subsequently re-certified according to ISO 9001 for three years. Hupac thus proves that the requirements of its customers and partners are recognised and fulfilled at a consistent level of quality.

Productivity

Constant increases in productivity are one of Hupac's objectives. They will make it possible to ensure the competitiveness of combined transport in the long term. In the year under review, the productivity of Hupac wagons calculated from the annual running performance rose slightly for the Shuttle Net, whilst the same figure for wagons on the Rolling Highway fell by 1% (see chart).

Another figure, namely the number of loading units processed per person at the various terminals, showed a variable trend in 2007. Whilst productivity rose sharply in Aarau and Oleggio, the figure in Busto and Desio fell in comparison to the previous year. In the year under review, the number of road consignments transported in relation to the average number of employees at the headquarters was increased once again (see chart).

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 have in place an organisation sufficiently structured to meet the operational needs of combined transport. Rolling Highway services do not require purpose-built equipment and can be therefore used by road hauliers of all sizes.

The geographical provenance of Hupac customers is very mixed. 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 have worked with Hupac since the company's formation at the end of the 1960s.

Customer policy

Hupac is committed to maintaining and strengthening 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.

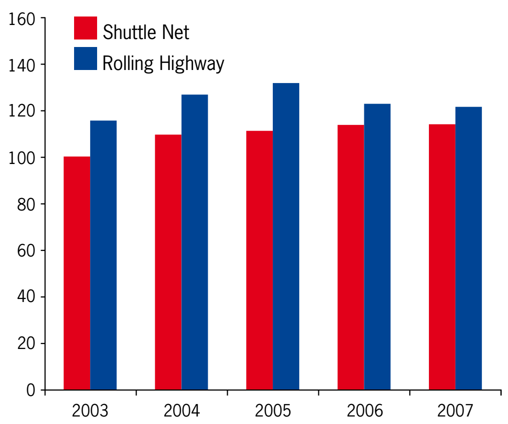
Hupac is constantly committed to attracting new customers to combined transport, for instance by assisting them in the process of purchasing and coding suitable road vehicles, as well as providing them with the necessary support in the initial stages. During 2007 Hupac has initiated large-scale relationships with 50 new customers, transferring about 19,000 consignments of regular new customers to rail.

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 2007 the Customer Conventions took place in Rotterdam, Antwerp, Copen-

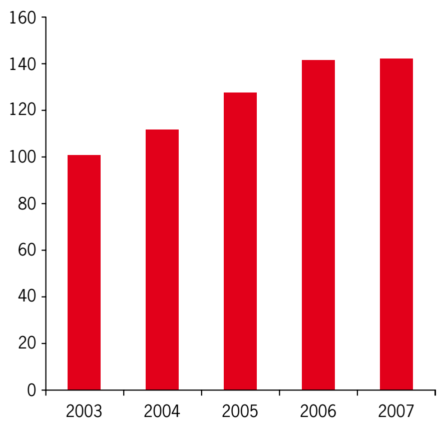
Running performance of rail cars

Average kilometre per rail car, indexed;
Shuttle Net 2003 = 100



Productivity at the headquarters

Road consignments per average number of employees
in Chiasso, indexed; 2003 = 100



hagen, 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 to the lack of resources in freight traffic, as well as the enlargement of the Shuttle Net network along the North-South and East-West axes.

Customer satisfaction

Several procedures aim 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, Milan Greco Pirelli and Oleggio. On a sample of 593 truck drivers and dispatchers, 75% consider the situation very good or good, 17% satisfactory and 8% unsatisfactory. The friendliness and operational readiness of the Hupac staff were rated as good or very good by 80% of respondents, acceptable by 17% and unsatisfactory by 3%. These results are slightly below the previous year's level, which can be explained by the numerous operational difficulties in the year under review.

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 its role in ensuring the quality and safety of the service supplied. This is why the purchase of each 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.

Selection of suppliers

Suppliers are evaluated and selected according to 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.

Workshops with partners

Together with its partners, Hupac is constantly committed to the improvement and consolidation of the Group's transport network system. Various working groups also met in 2007 to discuss current issues.

Important results were achieved together with Intermodal DB Logistics in the restructuring of traffic on the Novara ⇆ Rotterdam route. The introduction of a headway system enabled the optimisation of circulation of wagon and locomotive compositions. Terminal slots can be used more effectively, which in turn has a positive impact on the wagon downtimes and the need for shunting. In total it was possible to increase the service volume on this stretch from 44 to 64 trains per week.

Good results were also achieved in the workshops with SBB Cargo. The traction and terminal resources were optimised on the Ludwigshafen ⇆ Busto stretch through the introduction of a synchronised timetable. In traffic via Gotthard, it was possible to increase the train length from 530 to 555 metres, equating to an increase in capacity of 4%.

A project to automate data exchange was successfully completed in collaboration with Trenitalia Cargo. The waybill data are automatically transmitted when the train is transferred, which improves processes and enhances data security.

The workshops initiated by the European Commission to identify shortages hindering the development of European freight transport are an interesting, forward-looking project. As well as infrastructure operators and authorities, the discussions also include representatives of the combined transport operators. In the Belgian traffic it has already been possible to implement the first measures to improve traffic in the Montzen-Aachen border zone.

Hupac's environmental responsibility

Hupac fulfils its environmental responsibility by keeping the environmental impact of its operations to a minimum, reviewing and evaluating its environmental services and setting itself objectives for constant improvement. Hupac is committed to noise reduction, to developing efficient operating processes that reduce energy consumption and polluting emissions and to the environmentally friendly transport of all types of goods.

Environmental certification

In 1997 Hupac was the first European intermodal operator to be certified according to the environment standard ISO 14001. 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 is the mandatory standard for ecologically friendly production processes and the moderate use of natural resources.

In October 2007, the Hupac Group's environmental management system was re-certified for three years. Hupac thus proves that the requirements of the environment are recognised and fulfilled at a consistent level of quality.

Environmental services

As envisaged in the environmental management system, Hupac invests in new facilities and equipment such as rail wagons, cranes and locomotives, which improve the company's environmental services. Preference is given to the best possible solutions in terms of noise reduction as well as the reduction of polluting emissions and energy consumption.

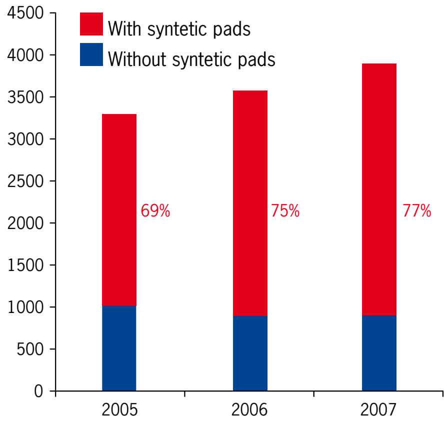
Noise abatement of freight wagons

In railway traffic, noise abatement is an important environmental issue and an ever-closer target partly 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". At the end of the year under report, 77% of the wagon fleet owned by Hupac were 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.

In addition also other noise remediation measures have been implemented, such as brake systems with axle bearings of rubber instead of steel.

Wagons fitted for noise reduction

Number of own wagons



Eco-compatible equipment

Hupac places importance on using equipment with low energy consumption and low noise and pollution levels. In many cases we go beyond the legal regulations to comply with environmental requirements. For example, the mobile crane ordered in 2007 for the Basel terminal was equipped with fine particle filters.

Lower consumption at administrative level

The consumption of fuel, electricity, gas and other consumables per employee at the Chiasso headquarters remained stable in 2007. In contrast, water consumption rose. The use of paper at the terminals has been reduced by around 30% through the conversion of the print process for transport documents. There are various projects dealing with the further reduction of paper consumption, from publication of timetables on the Internet to the conversion to electronic archiving.

The Busto Arsizio-Gallarate and Singen environmental projects

In designing the extension of the Busto Arsizio-Gallarate terminal, which went into operation in 2005, specific environmental requirements have been taken into 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 an underpass tunnel 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 itself for the coming years to maintaining the biotope, including monitoring the underpass for animals.

In 2007 the maintenance work on the biotope was carried out according to plan. The annual monitoring performed in August certifies the progress of renaturation.

The Singen terminal opened in 1996 also has a wetland. The drained rain water collected from the terminal site is channelled into a pond. The site is regularly maintained and forms a habitat for various animal species.

Combined transport of hazardous goods

The transport of hazardous goods by rail is of great 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 a Hazardous Goods compliance advisor, appointed and trained according to the provisions of CE Directive 96/35. This service deals with all aspects which ensure that traffic is carried out safely. Its tasks include compliance with:

- the regulations of ADR (road traffic), RID (rail traffic), IMDG (maritime traffic) and IATA (air traffic)
- national laws
- directives for customers and staff
- contacts with the relevant offices
- staff training
- centralised database

The Hazardous Goods Service also has the task of coordinating seamless cooperation between combined transport operators, customers, terminals and railway companies in order to handle and solve the whole range of problems.

In the year under review, Hupac received the new ADR, RID and IMDG regulations introduced in 2007. The hazardous goods database was reviewed and updated so that all relevant data can be accessed at any time across the company.

Also in 2007 the staff attended training courses on the handling of hazardous goods. A series of audits was intended to review the terminals and trains. Exercises and work groups with various railway companies and terminal operating companies also offered the opportunity for further improvement in hazardous goods management.

Hupac works hard to ensure that loading units are collected from the terminals within the legally prescribed period of 24 hours. Various measures were introduced in order to improve the customers' collection behaviour.


Luzern-Bahnhofquai
FERCAM
HUPAC
COSCO

Hupac's social responsibility

Hupac practises its social responsibility by championing the modal shift policy from road to rail under the appointment and with the support of the Swiss Government. Motivation and training of the staff, which is Hupac's most important resource, together with an open and constructive dialogue with the institutions, are essential processes for the achievement of this objective.

Employees

Composition

During the year under review, the number of employees of the Hupac Group increased from 396 to 443, of which 144 are employed at Hupac Intermodal in Switzerland, Denmark and Poland, 264 at the subsidiaries Hupac SpA, Fidia SpA and Termi SpA in Italy and 35 at the remaining subsidiaries in Germany and the Netherlands.

Employee policy

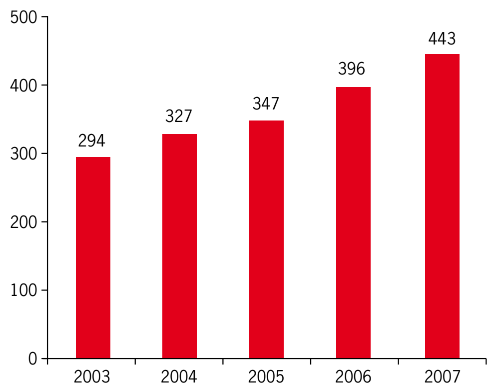
Our employees are offered attractive working conditions and ongoing training. Motivation, team spirit and individual responsibility are at the core of Hupac's corporate culture and preconditions to operate with a customer-focused approach within the current framework conditions, which are undergoing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

Training

Coaching and training courses were held for around 300 employees in the year under review. The main areas are IT applications, foreign languages, hazardous goods, administration, terminal equipment and railroading. New employees undergo an introduction programme over several days. In addition they have the option to take further linguistic and professional training within a management trainee programme and to attend training sessions at various subsidiaries. In 2007 Hupac continued the training of four apprentices, who are undergoing a personalised training programme lasting a number of years. At the end of their training they will obtain the Diploma for Commercial Employees.

Workforce of the Hupac Group

Number of employees



Occupational health and safety

Hupac takes care of healthy and safe workplaces in compliance with applicable regulations. In the year under review, eleven occupational injuries were registered along with around 280 lost working days. The ratio of occupational injury days to traffic volume was substantially lower than the previous year's value.

In Busto, workplace improvements involved the installation of new changing rooms and the implementation of various organisational measures. In Chiasso, Hupac participated in a cantonal project to increase the chances of survival in case of cardiac arrest. A defibrillator was installed and about fifteen employees took part in a training course.

There are various initiatives designed to improve the working climate. The focus is on sport and collective activities. In June the Hupac Chiasso football team took part in a tournament in Massagno. In September, six football teams from the Italian subsidiary held an indoor football tournament. In October, on the occasion of the 40-year company anniversary, the entire Hupac Group took an excursion to the Museum of Transport in Lucerne. The programme was completed with ski trips and traditional Christmas meals.

Internal communication

In January and September, all Hupac's staff attended informative events held by the top management. Also in January a two-day work group attended by approximately 70 members of the leading staff addressed 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. In addition, all employees receive "Moving", the company's magazine.

Activities of the work group "Voice" continued in 2007, allowing suggestions made by employees to circulate within the company. Over 25 recommendations have been posted, mostly concerned with the improvement of internal processes. A suggestion box set up in Busto has already generated many valuable ideas.

Employee satisfaction

Every year Hupac assesses the satisfaction of its staff on the occasion of the meeting with their superior and through a questionnaire with answers on a scale of 1 to 100. In 2007 an average score of 82 was achieved. This result is two points below the previous year's level and thus reflects the numerous operational difficulties in the year under review.

The modal shift policy

Responsibility for the mobility of the future

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.

In 2007 Hupac achieved a volume of 489,000 consignments or 8.8 million net tonnes in the segment of transalpine traffic through Switzerland alone, thus confirming 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 cover the costs in full by using their income. Based on a range of laws and decrees, the Swiss Government guarantees financial support to the providers of intermodal transport.

Numerous investment projects for the terminal infrastructure of Termi Ltd and Termi SpA were or are mainly subsidised by the Swiss Government. The following projects are already complete:

- Busto Arsizio terminal
- Gallarate connection sidings
- Singen terminal
- Extension of the Busto Arsizio terminal on the district grounds belonging to Gallarate and Busto Arsizio (as per final accounts 2006)

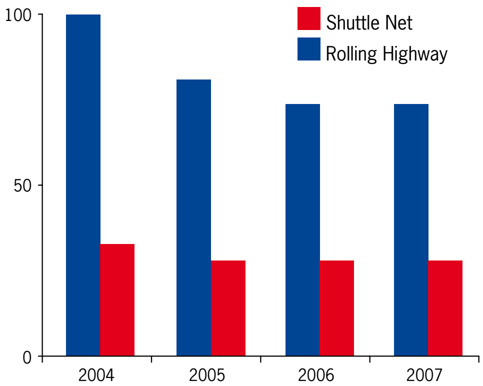
For the 2007-2010 period, the outstanding and new investments in the Busto Arsizio-Gallarate terminal complex are combined in a new Swiss Government decree. The extension work proceeded as planned in the year under review.

By 2042 Hupac will have to repay a considerable part of these public subsidies, amounting to CHF 114.5 million including interest (see table).

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 and remained unchanged in 2007 (see diagram).

Subsidies for Rolling Highway and Shuttle Net

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	2007	2008-2026	2027-2030	2031-2035	2036-2042	2007-2042 Total
Loan repayment	4,777	3,615 - 4,075	2,822	2,123	321	104,548
Interest	321	173 - 766	17 - 116			9,953
Total	5,098	3,903 - 4,756	2,905 - 2,938	2,123	321	114,501

Relationship with public institutions and communities

A constructive, open relationship with the Swiss and European institutions is a primary objective for Hupac.

Hupac has therefore strengthened its relationship policies with international institutions by receiving guests and delegations from all over Europe in order to show and explain how combined traffic works and how the Busto Arsizio-Gallarate terminal operates. Also in the year under report Hupac has attended several conferences where it was able to 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.

In 2007 we were able to emphasise our role as a socially committed company that acts responsibly with a multitude of initiatives. In the Busto Arsizio-Gallarate area we completed a dam in the potential flood plain of the Rile and Tenore rivers. The 1.5 km-long dam protects the extension area of the Busto Arsizio terminal, the Malpensa highway and residential areas of Busto Arsizio against flooding and thus represents an important protective measure for the population.

And lastly, Hupac has always supported projects and associations in the immediate environment of the company. Those represented are first and foremost leisure and youth sports, though there are also various social and cultural initiatives. Worthy of special mention is the participation at the 125-year Gotthard anniversary with an exhibition of rolling stock at the motorway service area in Erstfeld and at the public event in Biasca.

Law on shifting goods transport 2011-2018

The new Swiss law on shifting goods transport for the 2011-2018 period is expected to point the way for the development of combined transport. Hupac is watching the legislative process and presents its opinion at various levels. The main demands of Hupac are a restriction on the capacity expansion of the Rolling Highway to a maximum of 200,000 lorry spaces per year and continued subsidies for combined transport at the present level. Until the opening of the flat rail route through the Gotthard, envisaged in about ten years' time, the railways will require the same level of subsidies in order to remain competitive against the road.

Financial statements

Consolidated income statement 2007 and 2006

Amounts in 1 000 CHF	2007	2006
Revenues from supplies and services	574 973	476 929
Net cost of the services	(465 637)	(374 533)
Gross profit	109 336	102 396
Payroll expenses	(34 235)	(30 281)
General expenses	(11 271)	(12 118)
Depreciation and provisions	(53 750)	(52 187)
Gains from disposal of fixed assets	267	368
Losses from disposal of fixed assets	(74)	(483)
Operating profit	10 273	7 695
Financial income	1 286	613
Financial expenses	(1 840)	(1 276)
Result from associates	794	2 458
Foreign exchange differences	(940)	(431)
Profit before extraordinary items	9 573	9 059
Non-operating income	846	155
Extraordinary income	1 074	895
Extraordinary expenses	(77)	(169)
Profit before taxes	11 416	9 940
Taxes	(4 034)	(2 826)
Profit before minority interest	7 382	7 114
Minority interest	(159)	(156)
Group profit	7 223	6 958

Consolidated balance sheet at 31 December 2007 and 2006

Amounts in 1 000 CHF	31.12.2007	31.12.2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	49 525	65 881
Receivables from supplies and services	91 301	71 726
- third parties	91 301	71 703
- shareholders	0	23
Other receivables	16 110	13 458
Stocks	1 585	1 367
Accrued income	24 839	30 675
Total current assets	183 360	183 107
FIXED ASSETS		
Financial fixed assets	27 406	27 677
- Investments	25 693	25 373
- Deposits and other financial assets	701	683
- Deferred tax assets	1 012	1 621
Tangible fixed assets	235 734	212 489
- Advance to suppliers	29 025	21 324
- Technical equipment	11 380	8 173
- Rolling stock	85 772	73 251
- Plants on third parties' lands	1 365	1 538
- Terminals, buildings and land	103 836	104 219
- Other tangible fixed assets	4 356	3 984
Intangible fixed assets	134	254
Total fixed assets	263 274	240 420
Total assets	446 634	423 527

Amounts in 1 000 CHF	31.12.2007	31.12.2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Short-term financial debts	6 250	2 466
Account payables from supplies and services	54 524	42 824
- third parties	53 286	37 242
- shareholders	1 238	5 582
Other short-term debts	5 229	3 620
Accrued expenses	71 130	71 043
Short-term provisions	5 634	7 479
Total short-term liabilities	142 767	127 432
Long-term liabilities		
Long-term debts	149 502	156 812
Long-term provisions	74 818	65 753
Deferred tax liabilities	2 031	2 301
Total long-term liabilities	226 351	224 866
Total liabilities	369 118	352 298
Minority interests	1 334	1 141
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
Reserves	47 134	42 757
Translation difference	1 825	373
Group profit	7 223	6 958
Total shareholders' equity	76 182	70 088
Total liabilities and shareholders' equity	446 634	423 527

Consolidated cash-flow statement 2007 and 2006

Amounts in 1 000 CHF	2007	2006
Group profit	7 223	6 958
Depreciation of tangible assets	41 342	39 231
Depreciation of intangible assets	191	347
Increase of provisions	9 054	20 592
Net result from sale of tangible assets	(193)	115
Foreign exchange differences	(4 036)	(3 889)
Income from associated companies	(795)	(2 458)
Minority interests	193	186
Increase of receivables	(15 450)	(3 772)
Variation of inventories	(174)	(232)
Variation of short-term payables	15 656	18 599
Cash flows from operating activities	53 011	75 677
Purchase of tangible assets	(73 598)	(49 163)
Proceeds from sale of tangible assets	12 445	11 569
Purchase of intangible assets	(67)	(51)
Proceeds from sale of intangible assets	0	1
Purchase of investments	(2)	(147)
Proceeds from sale of investments	0	243
Dividends	1 199	0
Cash flows from investing activities	(60 023)	(37 548)
Variation of long-term loans	(7 386)	(899)
Dividends payment	(2 400)	(1 600)
Cash flows from financing activities	(9 786)	(2 499)
Variation	(16 798)	35 630
Cash at beginning of the year	65 881	29 858
Foreign exchange differences on cash	442	393
Cash at end of the year	49 525	65 881

Notes to the consolidated financial statements 2007

Accounting policies

Consolidation principles
The consolidated financial statements of Hupac Ltd have been prepared using the purchase price method, additional 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 2007 also include a general risk provision of CHF 7.9 million (31 December 2006: CHF 7.9 million; 31 December 2005: CHF 5.2 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 is used for joint ventures. Interests of minor significance are 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 % 31.12.2007**	**31.12.2006**
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 BVBA, Antwerp	EUR	1 600 000	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	3.00
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 % 31.12.2007**	**31.12.2006**
Cemat SpA	Milan (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 is 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 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 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	
	31.12.2007	31.12.2006	2007	2006
CHF/EUR	1.6571	1.6059	1.6427	1.5729

Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	Reserves	Translation differences	Total	Minority interests
Balance at 1 January 2006	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
Translation differences			560	560	34
Translation differences adjustment		(176)	176	0	
Translation differences of associated companies			716	716	
Net equity adjustment of associated companies		(5)		(5)	
Parent company dividend		(2 400)		(2 400)	
Consolidated profits 2007		7 223		7 223	159
Balance at 31 December 2007	20 000	54 357	1 825	76 182	1 334

Other information in accordance with legal requirements

Amounts in 1 000 CHF	31.12.2007	31.12.2006
1. Guarantees, other indemnities and assets pledged in favour of third parties	19	10
2. Pledges on assets to secure own liabilities	118 372	120 038
3. Leasing commitments not recorded in the balance sheet	6	13
This amount includes all future commitments arising from existing leasing contracts, including interest and expenses.		
4. Fire insurance value of tangible fixed assets	303 652	182 424

Report of the Group Auditors to the General Meeting on the Consolidated Financial Statements 2007

As Group auditors, 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 2007. The consolidated financial statements of the company as of 31 December 2006, were audited by another auditor whose report dated 13 April 2007, expressed an unqualified opinion on those statements.

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.

Ernst & Young Ltd

Stefano Caccia Claudio Cereghetti

Lugano, 11 April 2008

Financial statements Hupac Ltd

Income statement 2007 and 2006

Amounts in 1 000 CHF	2007	2006
Income from supplies and services	70 937	61 553
Cost of services	(18 555)	(17 890)
Gross profit	52 382	43 663
General expenses	(1 497)	(695)
Depreciation of tangible fixed assets	(33 463)	(31 267)
Amortisation of intangible fixed assets	(26)	(26)
Provisions and value adjustments	(8 600)	(3 880)
Dividend income	1 213	282
Gains on disposal of fixed assets	18	14
Gains on disposal of investments	0	18
Losses on disposal of fixed assets	(1)	(1)
Ordinary operating profit before financial items	10 026	8 108
Financial income	309	211
Financial expenses	(1 432)	(1 142)
Foreign exchange differences	105	205
Ordinary operating profit	9 008	7 382
Extraordinary income	23	320
Extraordinary expenses	(34)	(101)
Profit before taxes	8 997	7 601
Taxes	(2 048)	(1 741)
Profit for the year	6 949	5 860

Notes to the income statement

The *Income from supplies and services* item contains income from the hiring-out of assets as well as from the granting of licences for the use of Hupac Ltd brands. The income rose by just under CHF 9.4 million, particularly because a substantially higher number of wagons were hired out.

The *Costs of services* rose by CHF 0.665 million compared to the previous year and primarily include maintenance costs for the rolling stock. The *Gross profit* thus rose by some CHF 8.7 million compared to 2006.

General expenses were more than doubled from the previous year, particularly as a number of major consulting fees for future construction projects across the entire Group were incurred.

Depreciation of tangible fixed assets increased by 7% from the previous year as a result of the continuous delivery of wagons. The *Provisions and value adjustments* item increased by some CHF 4.7 million from the previous year and includes provisions for high-maintenance years as well as the main locomotive inspections.

Dividend income increased sharply in the year under review, particularly due to the payouts by Cemat and the DLC. The increase of around 25% in *Financial expenses* compared to the previous year is due to slightly higher interest rates on new financing deals.

Hupac Ltd shows a *Profit for the year* after tax of CHF 6.949 million for the reporting year, which equates to an increase of 18.6% from the previous year.

Balance sheet at 31 December 2007 and 2006

Amounts in 1 000 CHF	31.12.2007	31.12.2006
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7 491	18 530
Receivables from supplies and services	3 608	7 380
- third parties	1 587	1 670
- group companies	2 121	5 787
- shareholders	0	23
- Provisions for doubtful debts	(100)	(100)
Other receivables	4 084	428
- third parties	4 084	428
Prepayments and accrued income	2 933	3 520
Total current assets	18 116	29 858
FIXED ASSETS		
Financial fixed assets	38 205	33 802
- Investments	30 860	30 860
- Loans third parties	547	530
- Loans group	6 794	2 409
- Other financial fixed assets	4	3
Tangible fixed assets	100 474	87 672
Intangible fixed assets	60	33
Total fixed assets	138 739	121 507
Total assets	156 855	151 365

Amounts in 1 000 CHF	31.12.2007	31.12.2006
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Payables from supplies and services	5 722	9 207
- third parties	4 484	3 625
- group companies	0	0
- shareholders	1 238	5 582
Short-term loans	6 250	2 466
- third parties	6 000	2 216
- shareholders	250	250
Other short-term debt	35	1 204
- third parties	35	1 204
Accrued expenses and short-term provisions	5 261	4 746
Total short-term liabilities	17 268	17 623
Long-term liabilities		
Long-term debts	34 000	40 304
- third parties	34 000	40 054
- shareholders	0	250
Long-term provisions	44 570	36 970
Total long-term liabilities	78 570	77 274
Total liabilities	95 838	94 897
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
General reserve	4 762	4 622
Statutory reserves	29 100	25 800
Retained earnings	7 155	6 046
- Profit carried forward	206	186
- Profit for the year	6 949	5 860
Total shareholders' equity	61 017	56 468
Total liabilities and shareholders' equity	156 855	151 365

Notes to the balance sheet

Hupac's total assets increased by just under CHF 5.5 million compared to the previous year. The reduction of *Cash and cash equivalents* is due to the continuous investments in fixed assets, which increased by some CHF 17.2 million compared to the previous year, equivalent to 14.2%.

The liabilityes remained relatively constant in comparison to the previous year, as did the segmentation into long and short-term.

As at the end of 2007 Hupac Ltd had some CHF 61 million of *Shareholders' equity* corresponding to an equity ratio of 38.9% (previous year 37.3%).

Notes to the financial statements 2007

1. Business activity of Hupac Ltd

With effect from 1 January 2000, 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 consists essentially of asset management. Worth particular mention in this connection are the hiring out of assets and the granting of licenses 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	31.12.2007	31.12.2006
2.1 Guarantees and assets pledged in favour of third parties	11 779	10 337
2.2 Fire insurance value of tangible fixed assets	217 786	108 476

2.3 Significant investments in subsidiary companies

Company	Business activity	Registered capital		Share of capital as %	
			in 1 000	31.12.2007	31.12.2006
Hupac Intermodal Ltd, Chiasso	Traffic operations, terminal operations	CHF	250	100.00	100.00
Hupac SpA, Milan	Terminal operations, railway operations	EUR	2 040	95.55	95.55
Sub-interests of Hupac SpA, Milan:					
- Fidia SpA, Oleggio	Terminal operations, warehouse logistics	EUR	260	3.00	3.00
Hupac GmbH, Singen	Terminal operations, railway operations	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 operations, warehouse 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 operations	EUR	1 600	3.00	3.00
Hupac Intermodal BVBA, Antwerpen	Terminal engineering, terminal operations	EUR	1 600	97.00	97.00
Terminal Singen TSG GmbH, Singen	Terminal operations	EUR	260	50.00	50.00
Cemat SpA, Milan	Traffic operations, terminal operations	EUR	7 000	34.48	34.48
D & L Cargo NV, Boom	Railway operations	EUR	177	40.00	40.00
Cesar Information Services Scarl, Bruxelles	Data processing service for customers	EUR	100	25.10	25.10
RAlpin Ltd, Olten	Traffic operations, terminal operations	CHF	300	30.00	30.00

3. Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	General reserve	Statutory reserves	Retained earnings	Total
Balance at 1 January 2006	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
Dividends				(2 400)	(2 400)
Transfer to the general legal reserve		140		(140)	
Transfer to the statutory reserves			3 300	(3 300)	
Profit for the year				6 949	6 949
Balance at 31 December 2007	20 000	4 762	29 100	7 155	61 017

Proposal for the distribution of retained earnings

Amounts in CHF	2007
Profit carried forward	206 261
Profit for the year	6 948 582
Retained earnings at the disposal of the General Meeting	7 154 843
Proposal of the Board of Directors:	
- Dividends	1 600 000
- Transfer to the general reserve	60 000
- Transfer to the statutory reserves	5 200 000
- To be carried forward	294 843
	7 154 843

Report of the Statutory Auditors to the General Meeting on the Financial Statements 2007

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 December 2007. The financial statements of the company as of 31 December 2006, were audited by another auditor whose report dated 13 April 2007, expressed an unqualified opinion on those statements.

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.

Ernst & Young Ltd

Stefano Caccia Claudio Cereghetti

Lugano, 11 April 2008

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