Annual Report 2010

HUPAC

Profile of the Hupac Group

Profile of the Hupac Group

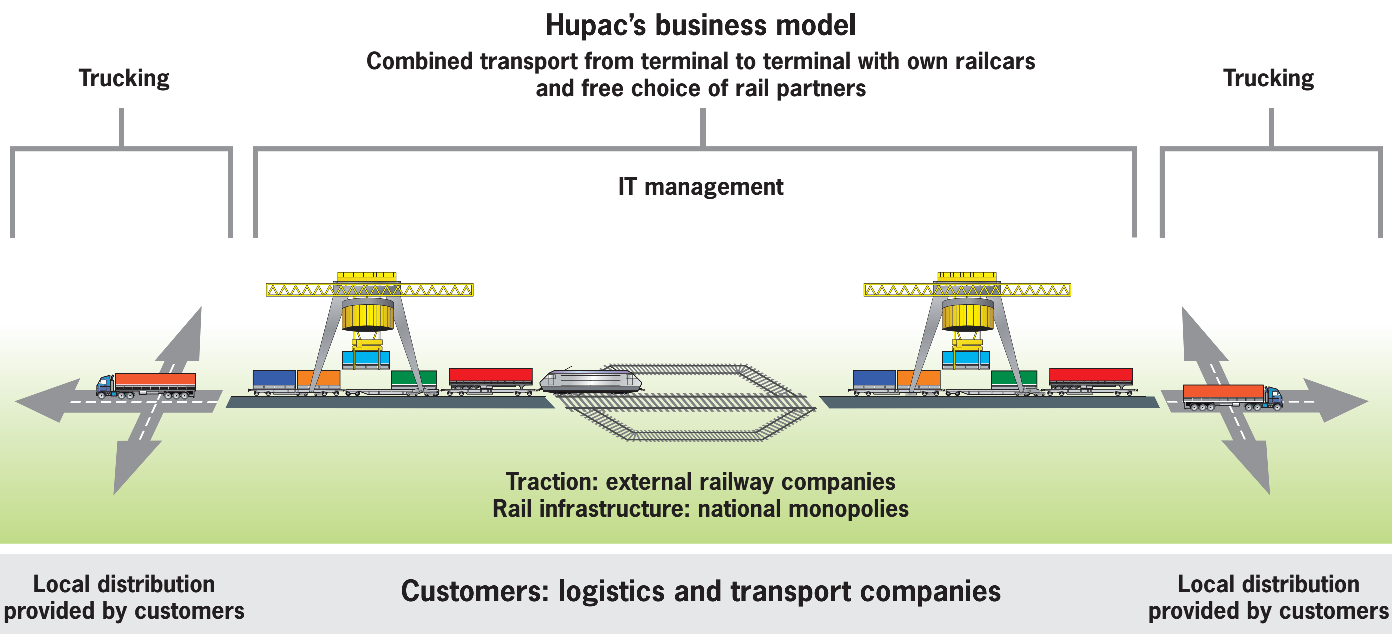
Hupac is the leading combined transport operator through Switzerland and one of the market leaders in Europe. The company works to ensure that an increasing volume of goods can be transported by rail and not by road, thus making an important contribution to modal shift and environment protection.

Hupac has around 5,600 rail platforms and combines the consignments of different transport companies into whole trains as a neutral, independent combined transport operator. These trains run back and forth between transhipment terminals on long and mostly international routes, with traction provided by external rail companies. The transport companies take care of local distribution. Hupac is not tied to any rail company and offers its services to all transport companies.

Hupac operates a network of more than 110 trains each day between Europe's main economic areas. In 2010, the traffic volume was around 690,000 road consignments. The Hupac Group employs 400 employees in ten companies based in Switzerland, Germany, Italy, the Netherlands, Belgium, Denmark and Poland.

Hupac was founded in 1967 in Chiasso, still the site of the headquarters. The company has 100 shareholders. The share capital amounts to CHF 20 million; 72% of this belongs to logistics and transport companies, while 28% is held by rail companies, thus guaranteeing closeness to the market and independence from the railway companies.

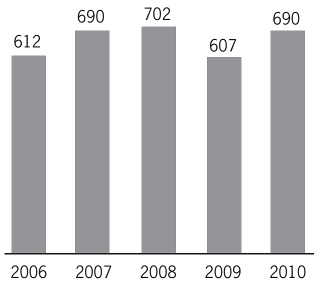
Value chain of combined transport



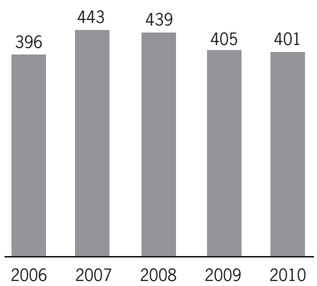
Year of incorporation	1967
Share capital	CHF 20 million
Shareholders	approx. 100
Capital structure	72% logistics and transport companies 28% rail companies
Headquarters	Chiasso
Operational branches	Basel, Busto Arsizio, Oleggio, Singen, Cologne, Duisburg, Rotterdam, Antwerp, Taulov, Warsaw
Business profile	Independent intermodal transport operator
Transport services	‣ Europe-wide network with a focus on Alpine transit ‣ Additional services on the East-West axis (Spain, Eastern Europe, Russia, Far East)
Traffic volume	690,251 road consignments ‣ Shuttle Net: 679,066 road consignments ‣ Rolling Highway: 11,185 road consignments
Employees	401
Rolling stock	5,629 rail platforms 13 main-line and/or shunting locomotives
Terminal management	Busto Arsizio-Gallarate, Desio, Sacconago, Novara RAlpin, Aarau, Basel, Chiasso, Lugano Vedeggio, Singen, Antwerp
Information technology	Goal, integrated software solution for intermodal transport Cesar, web-based customer information system Ediges, XML-based data exchange system E-train, satellite-supported train monitoring system
Certifications	ECM - Entity in Charge of Maintenance Quality management system ISO 9001:2008 Environmental management system ISO 14001:2004
Financial data	Annual turnover CHF 504.5 million (EUR 365.4 million) Profit for the year CHF 3.2 million (EUR 2.3 million) Cash flow CHF 41.8 million (EUR 30.3 million)

Dated 31.12.2010

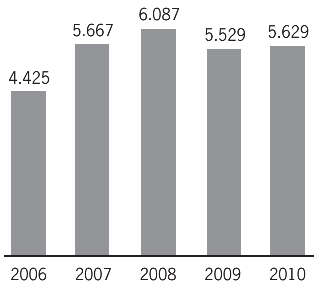
Traffic volume
Road consignments in 1000s



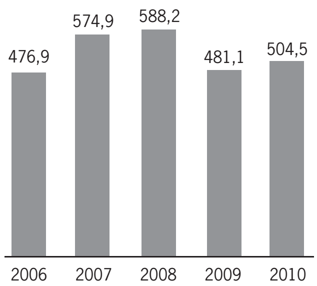
Employees



Rolling stock
Number of rail platforms



Turnover in million CHF



Annual Report 2010

The railway of tomorrow

Dear shareholders and friends of the company

With the decision to participate in the new SBB Cargo International company, in the past year Hupac has taken one of the most important steps in its history of more than 40 years. The aim was to preserve a functioning rail market in transit through Switzerland, so that competition can flourish and the railways can continue to grow. Now that the company has been founded, we want to work together to prove that lean structures and high operational productivity mean that the future of long-distance freight transport in Europe belongs to the railways.

There is no doubt that operator activity will remain the core business of Hupac. It also goes without saying that we work closely and faithfully with all of our rail partners in transit through Switzerland, namely SBB Cargo International, DB Schenker Rail, Trenitalia and Crossrail. As a junior partner of SBB Cargo International and Crossrail, Hupac must prove itself as a fair and dependable partner in the market – we cannot and will not compromise the confidence of our customers and partners.

We have also seen some important changes of direction in terms of railway infrastructure. We welcome the fact that there is now a clear political will for the prompt expansion of the access routes to the Gotthard base tunnel to the required 4-metre profile. However, we doubt that these expansions can be financed from the long-established operating contributions without causing huge shifts back onto the road.

We would like to highlight two aspects in this context. In the development and management of railway infrastructure, freight transport must be involved in all planning as an equal user. Flexibility, productivity and profitability are issues that are defined quite differently in market-driven freight transport than in passenger transport. Factors such as train lengths, train weights, gradients, passing loops and international connections, as well as the issue of priorities, capacity and costs in the relationship between freight and passenger transport must be at the top of the transport policy agenda if we are serious about modal shift.

Secondly, in the long term we must find a way out of the vicious circle of subsidies. The operating contributions compensate for the high operating costs of rail production on the outdated rail infrastructure through Switzerland and the train path prices far above those of neighbouring countries. The impending reform of the train path pricing system should summon the strength for a reorientation that eliminates the need for subsidies. We need a train path pricing system that rewards heavy goods trains rather than punishing them, that actively controls the productivity and capacity of the network through incentives and, in the long term, allows economical operation of freight transport without operating subsidies once an efficient flat railway from Basel to the terminals of Lombardy is completed.

Despite the economic crisis and currency fluctuations, Hupac continues to invest in the development of combined transport. I thank you on behalf of the Board of Directors for your trust and look forward to continuing our journey together.

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

Chiasso, April 2011

Safety that is still affordable

Dear shareholders, customers, partners and employees

In 2010 we worked our way out of the depths of the recession in record time. The economy recovered at an unexpected rate, in some cases too fast for the rail resources available. It was only in the second half of the year that, together with our partners, we could come to grips with the quality issues and the shortage of wagons and locomotives.

We also made a virtue out of necessity. The Europe-wide shortages in rolling stock maintenance prompted us to take charge of the light maintenance of our wagons as quickly and comprehensively as possible. In June 2010 we opened our new workshop in Busto Arsizio with the aim of effectively alleviating the existing maintenance shortages. A part of our wagon fleet now undergoes the necessary maintenance work directly at the terminal without expensive empty runs – an innovation in Europe with numerous advantages in terms of costs and wagon availability.

Since October 2010, Hupac has been a certified ECM and takes full responsibility for the maintenance of its fleet. We have acquired a vast amount of know-how in this area in recent years and we still have a long way to go to exploit all the opportunities and synergies in the newly liberalised maintenance market.

Even today, the question arises whether the additional expense in terms of safety that has arisen due to far stricter regulations as a consequence of the Viareggio accident is justified and expedient. If a technical inspection of a wheel set now demands many times more checks, time and administrative expense, this causes huge additional costs that burden the rail system and hinder its competition with the road. An axle fracture on a truck would not cause a review of all safety standards implemented in such a hasty and uncoordinated way throughout Europe, as we have seen in rail freight transport in recent years.

Safety must still be affordable. Statistically speaking, transport by rail is 40 to 100 times safer than on the road. We should agree on a reasonable ratio between expense and risk reduction and focus on evidence-based measures that contribute effectively to enhancing safety. We must not allow traffic to migrate to the road because the safety requirements of the railway have become unaffordable.

We will campaign for this. Hupac is in dialogue with all of its value chain partners and takes responsibility for the success of combined transport even at this level.

This year we are setting ourselves the challenge of delivering an even better service at competitive prices. A comprehensive review of our processes and cost structures has already begun and should produce results by the end of the year.

Even in today's increasingly demanding market environment, we remain true to our motto, "moving together". On behalf of the management, I thank you as our shareholders, customers, partners and employees for your positive cooperation.

Bernhard Kunz
Managing Director

Chiasso, April 2011

Combined transport: a system with a future

Combined road/rail transport was introduced in Europe almost 50 years ago and is now an important alternative for freight transport. The system integrates different transport carriers into a single transport chain, thus combining the advantages of each. Around 120 suppliers operate in this sector*. As a pioneer of combined transport and the market leader in Alpine transit, Hupac regards the continuous expansion of the system as an obligation.

The technique

In unaccompanied combined transport (UCT), the loading units are carried by road or by vessel to the transhipment terminals. There they are loaded onto trains to continue the journey by rail. Only the loading units – containers, semi-trailers or swap bodies – are carried, while the drivers remain at the terminals. At the destination terminal the consignments are picked up by truck and transported to their final destination.

The system

The European combined transport system is the result of a standardisation process lasting several decades. The different elements are continuously developed and coordinated:

- Hundreds of thousands of standardised load units (containers, tank containers, swap bodies, semi-trailers)
- 50,000 rail wagons in various technical versions (flat wagons, pocket wagons)
- 500 terminals and ports as well as countless sidings
- 2,000 cargo locomotives from various rail companies
- Europe-wide rail infrastructure that accommodates the requirements of combined transport.

The market

Combined transport is a growth market with a Europe-wide traffic volume of 154 million tonnes of freight and an average annual growth rate of 7.4%**. Compared to the road, it is competitive over long distances from 500 km, or even 300 km in Alpine transit. The existing shortages in road haulage, favourable transport policy conditions and the positive environmental balance are the key market drivers.

The customers

Carriers that use unaccompanied combined transport make a long-term system decision and substantial investments. These include specific load units suitable for rail loading with grappler pockets for lifting and a reinforced chassis. Other factors to consider include organisational and structural adjustments such as dedicated scheduling, information technology, branches or partners to handle the initial and final road leg of the transport, short-haul tractors and drivers. The development capacity of the combined transport system and the reliability of the transport policy conditions are key criteria for investment decisions.

Success factors

Combined transport competes with pure road transport and is exposed to heavy price pressure. High volumes, high productivity and optimal use of scarce rail capacity are key success factors for the marketability of the system. The quality and reliability of the transport service are also of great importance. They are crucial for customer satisfaction but also for production efficiency, because delayed trains cause high subsequent costs. This could be solved by an overhaul of the current priority regulation, which favours passenger trains over freight trains as a matter of principle. The provision of rail infrastructure suitable for freight transport also plays an important part: if long, heavy trains with a high profile can run directly into centrally located terminals on routes with low gradients and no border stops, this will create the best conditions for the success of combined transport.

Advantages for all

In 2009, the sector generated an annual turnover of EUR 4.6 billion and provided 44,000 jobs with operators, terminals and railways. The CO_2 savings compared to pure road transport amounted to 6.0 million tonnes. The reduction in external costs brought by the shift of volumes from the road to the railways can be estimated at EUR 2.1 billion*. Combined transport thus makes an important contribution to society and the environment.

* UIC, Report on Combined Transport, 2010
** Diomis, 2010

The Hupac Group


HUPAC
P16

Vision and guidelines of the Hupac Group

Vision: “Moving together”

Hupac is one of Europe’s leading, independent network operator in European combined transport. We endeavour to ensure that – in an expanding transport market – an increasing amount of freight is transported by rail instead of road. By doing so, we contribute to modal shift and environment protection.

As a pioneer of combined transport and the market leader in transalpine transport, we take responsibility for the continuous expansion of the system. We maintain dialogue with all partners in the value chain and focus on innovation, quality and productivity as the keys to success.

We aim to grow alongside our customers as a proficient and reliable partner. Our target is a sustainable increase of freight traffic equivalent to 8-10% per annum in order to reach a volume of 1 million road consignments by 2015; this with an operating profit of 2-3% (EBIT margin of turnover).

Guidelines: “Professional and reliable”

Shifting freight transport
We want to make intermodal transport the priority transport solution on long European routes. As an independent and neutral operator, we combine the traffic volumes of different carriers on our shuttle trains and support the development of modern logistics concepts. Having our own resources such as rail wagons and terminals gives us the necessary freedom to act in the interest of the market.

Customer-oriented approach
Our main objective is to have satisfied, loyal customers. We 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
Our employees are the company’s most important resource. They are offered attractive working conditions, regular training and professional updating programmes. We cultivate an open, cohesive corporate environment and encourage motivation, team spirit and individual responsibility. Good performance is rewarded.

Safety as a competitive advantage
Transport by rail is many times safer than on the road. We are committed to maintaining and improving safety in all areas of the company, specifically at the terminals, in fleet management and when checking the load units. Our processes are certified and externally audited.

Efficient processes
Hupac aims to offer competitive service products in line with customer requirements through cost-awareness and standardisation of business processes. Our quality management system and information technology play a crucial role in achieving such objectives.

Together with partners
Hupac is working on the steady expansion of the multimodal European network, either on its own or in collaboration with strong partners. The essential criterion for cooperation is the optimisation of the entire logistics chain by grouping together and exploiting the strengths of each market partner.

Open markets
In the railway sector we work together with our partners according to the principle of “integrated traction responsibility”. We support the liberalisation of the railways and focus on close, synergistic cooperation with a large number of rail partners.

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

Environmental responsibility
By shifting traffic from roads onto the railways we make a significant contribution to climate protection and energy efficiency. An environmentally-oriented approach is encouraged by Hupac and put into practice by every employee in their daily activities. Our environmental management system provides guidelines for eco-friendly and safe production methods and the moderate use of natural resources.

Hupac Ltd
Chiasso
Parent company

- 100% → **Hupac Intermodal Ltd**, Chiasso
  Sales & Customer Service
  Traffic Operations
  Terminal Operations
- 95,55% → **Hupac SpA**, Milano
  Terminal Operations
  Railway Operations
  4,45% various third parties
- 50% → **Terminal Singen TSG GmbH**, Singen
  Terminal Operations
  50% DB Intermodal Services GmbH
- 100% → **Hupac Intermodal NV**, Rotterdam
  Service Provider
- 100% → **Hupac GmbH**, Singen
  Sales & Customer Service
  Railway Operations
- 80% → **Termi Ltd**, Chiasso
  Terminal Engineering
  20% SBB Cargo AG
  - 95% → **Termi SpA**, Busto Arsizio
    Terminal Engineering
    5% Hupac Ltd
- 99,94% → **Hupac Intermodal BVBA**, Antwerp
  Terminal Engineering
  Terminal Operations
  0,06% Hupac Intermodal NV
- 97% → **Fidia SpA**, Oleggio
  Terminal Operations
  Warehouse Logistics
  3% Hupac SpA

Board of directors of Hupac Ltd

Name	Age	Position	Nationality	First nomination	Expiry of mandate
Dr. Hans-Jörg Bertschi	53	Chairman since 1993	Swiss	1987	2013
Dr. Thomas Baumgartner	56	Member	Italian	1990	2013
Thomas Hoyer	60	Member	German	1988	2013
Ing. Nicolas Perrin	51	Member	Swiss	2008	2013
Nils Planzer	39	Member	Swiss	2008	2013
Peter Hafner	54	Secretary	Swiss	1999	2013

Management board of the Hupac Group and management of the subsidiaries

Hupac Ltd

Bernhard Kunz	*Managing Director*
Peter Hafner	*Deputy Managing Director and Finance & Administration*
Peter Howald	*Sales & Operations*
Leonardo Fogu	*Fleet Management*
Piero Solcà	*Logistics & QMS/EMS*
Aldo Croci	*Information Technology*
Giorgio Pennacchi	*Engineering*
Dario Arcotti	*Deputy Engineering*

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

Hupac Intermodal NV
Mark Jansen — *Operations Director*

Hupac Intermodal BVBA
Dirk Fleerakkers — *Operations Director*

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

Hupac GmbH
Sascha Altenau — *Managing Director*

Fidia SpA
Francesco Crivelli — *Delegate of the Board of Directors*

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

Termi Ltd
Peter Hafner — *Managing Director*

Termi SpA
Peter Hafner — *Chairman*

Dated 31.12.2010

Corporate Governance

Structure of the Hupac Group

At the end of 2010 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.

At the beginning of the year, Dario Arcotti was made an authorised representative of Hupac Ltd and Hupac Intermodal Ltd and an authorised signatory of Termi SpA. At the parent company, Mr Arcotti heads the Engineering division as deputy divisional director.

Board of Directors

The Board of Directors of Hupac Ltd comprises five members. According to the company's bylaws, 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. In its current composition the Board of Directors represents more than two thirds of all shareholders' votes. 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 under review, Hupac Ltd had a share capital of CHF 20 million. The company is owned by roughly 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 2010 these were the combined transport operators Cemat and RAlpin, the terminal operator Combinant and the data processing service provider Cesar Information Services. In 2010, Hupac acquired a 25% shareholding in the Swiss rail transport company Crossrail. It also has smaller shareholding in the terminal operators KTL Kombi-Terminal Ludwigshafen and DIT Duisburg Intermodal Terminal.

In the year under review, Hupac participated in the preparations for the establishment of the traction company SBB Cargo International. Following approval by the Competition Commission, Hupac Ltd's shareholding of 25% in SBB Cargo International AG was completed at the beginning of 2011.

Organisational regulations

The Hupac Group's organisational 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.

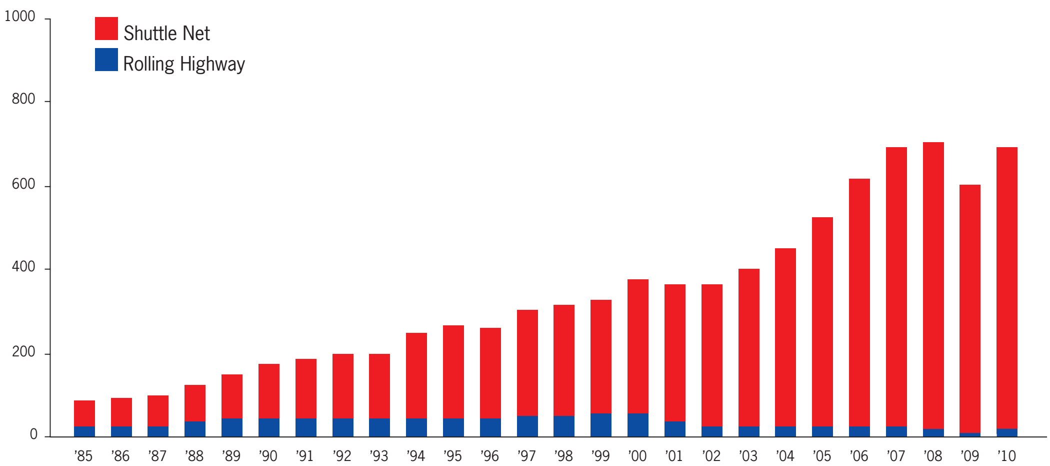
In the year under review, the increased risks to Hupac Ltd as a wagon owner and Hupac SpA as a rail transport company were covered by an increase in liability insurance.

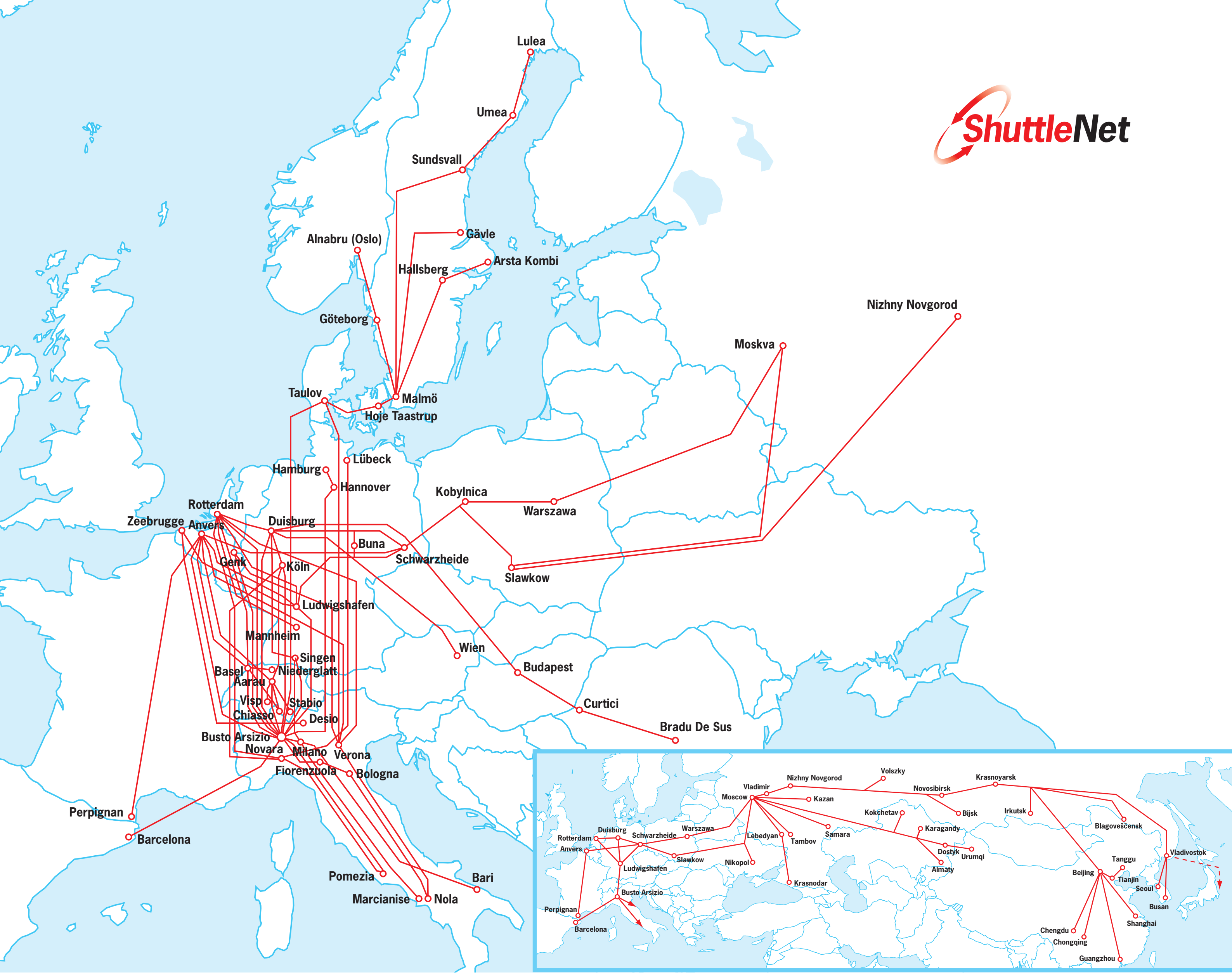
The year 2010 in review

January	▸ Opening of the HTA Hupac Terminal Antwerp transhipment site
March	▸ Introduction of a new Cologne Niehl ⇆ Novara link via the Lötschberg 4-metre corridor ▸ Extension of the Budapest ⇆ Curtici link to Bradu de Sus in the Bucharest area
April	▸ Opening of the Combinant transhipment terminal (BASF, Hupac, IFB) in Antwerp ▸ Busto Arsizio ⇆ Barcelona, Rotterdam ⇆ Verona and Antwerp ⇆ Verona via Brenner shuttle trains begin running ▸ Reopening of the Monte Olimpino II tunnel after almost two years of closure for maintenance
May	▸ New connection between Antwerp Combinant and Ludwigshafen
June	▸ Traffic begins on the Singen ⇆ Busto link with gateway connections to central and southern Italy as well as Spain ▸ First containers from Antwerp to Busan in South Korea via Slawkow, Moscow and Vladivostok
July	▸ SBB Cargo and Hupac announce the joint foundation of an independent, neutral traction company for transalpine transport at the beginning of 2011 ▸ Opening of the company's own rolling stock workshop at the Busto Arsizio-Gallarate terminal, operated by Cosmef
September	▸ Increases in frequency on the Rotterdam ⇆ Verona and Duisburg ⇆ Schwarzheide connections
October	▸ Certification of Hupac as an ECM - Entity in Charge of Maintenance
November	▸ Hupac joins with associations and combined transport operators to highlight the need for a 4-metre corridor via Gotthard and other infrastructural adjustments ▸ Construction begins to expand the operational building at the Busto Arsizio terminal ▸ First test runs from Ludwigshafen to China via Slawkow, Moscow, Novosibirsk and Mongolia
December	▸ Ordering of 145 T4.2 and T5 pocket wagons and 20 Rola wagons ▸ Completion of the wastewater separation system at the Busto Arsizio terminal to enhance environmental safety ▸ Outsourcing of the Basel ⇆ Lugano Rolling Highway connection to RAlpin

Traffic development 1985-2010

Road consignments in 1000s



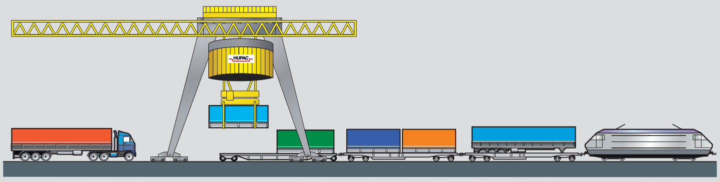


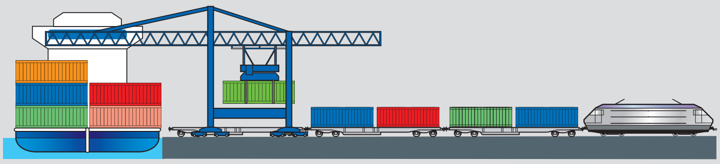
Dated 15.4.2011

Shuttle Net:
unaccompanied combined transport

With Shuttle Net, Hupac connects the main economic areas of Europe with daily shuttle trains:

- Transportation of containers, semi-trailers and swap bodies
- Transportation from terminal to terminal or from port to inland terminal
- Gateway concepts with intermediate transfer of consignments from one train to another to cover large distances economically.

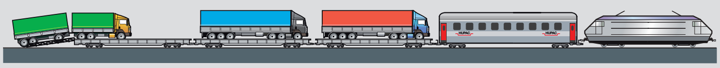




Rolling Highway

The Rolling Highway is an important additional service for transalpine transport:

- Transportation of whole trucks by rail
- Offered on the Freiburg ⇆ Novara and Basel ⇆ Lugano routes
- Simple vehicle transhipment by the driver
- Drivers travel in a separate railcar.



Since 1.1.2011, the Rolling Highway through Switzerland has been fully operated by the combined transport operator RAlpin Ltd.

Hupac's strategy for sustainable freight transport

CompoFamily: how Hupac optimises the use of its wagon fleet

Hupac's fleet consists of around 5,600 rail wagons: container wagons and pocket wagons in 20 different technical versions. These run on 50 connections, each of which has particular technical and market-related features that must be taken into account when compositions are configured. But that is not all: each wagon has to be taken to the workshop at precisely defined intervals in order to pass the various maintenance phases on schedule. This means that it must be taken out of circulation, transferred to the workshop and then re-integrated into the production cycle.

How can all of these demands be reconciled? How do we ensure that the right wagon is available in the right place at the right time? How can we use our wagon resources as productively as possible? And how can we save costs and ensure that combined transport will still be competitive tomorrow? To answer these questions, the CompoFamily innovation project began at the start of 2010. Supported by the Fleet Management, Scheduling and Logistics divisions of the Hupac headquarters in Chiasso as well as the Busto Arsizio-Gallarate terminal and the rail transport company of Hupac SpA in Italy, the project is designed to increase the efficiency of wagon circulation in a sustainable way. The declared aim is to increase the availability of wagons to the market, improve the productivity of the fleet and reduce shunting costs.

The approach is very simple: "back to the roots". We are focusing on the original shuttle concept with fixed compositions that are never shunted, and extending it with the "family loyalty" and "collective maintenance" components. In the first phase, standard compositions were defined that match the requirements of different links with similar features, or so-called "families". The compositions of any particular family can only circulate on the links belonging to that family, in other words they must remain "loyal" to the family. The first family comprised the Busto ⇆ Cologne, Busto ⇆ Genk, Busto ⇆ Antwerp and Busto ⇆ Bologna connections. This was followed by the family with the Busto ⇆ Singen connection, which is now set to be extended to the Singen ⇆ Milano Certosa connection, as well as the single families Desio ⇆ Zeebrugge and Novara ⇆ Travemünde.

In the second phase, the compositions were equipped with the right mix of wagons: for example, more container wagons for links with a high volume of containers, more pocket wagons for links with strong customer demand for semi-trailers. It is not just the type of wagon that is important, but also the maintenance phase: each CompoFamily train consists of wagons that pass through the same maintenance phase simultaneously. So it is no longer single wagons but whole compositions that are brought to the workshop – a huge leap forward in reducing complexity in planning, scheduling and shunting. By the end of 2010, 30 compositions were configured according to the criteria mentioned

NEAT – infrastructures for the intermodal corridor through Switzerland

In a few years' time, the Gotthard base tunnel will be completed. In combination with the Ceneri tunnel set to follow in 2019, it forms a flat railway through the Alps that brings completely new prospects for rail freight transport. If this epoch-making construction is to achieve the desired effect in terms of modal shift, however, there will need to be other changes of direction. As the main combined transport operator in Alpine transit, Hupac highlights the measures that are still required.

4-metre profile
The entire Gotthard axis must be expanded to accommodate the modern, four-metre-high semi-trailers. These vehicles are growing strongly and represent by far the greatest potential for modal shift today. Whilst the new base tunnels will have the required P400 profile, a height gain of 20 cm between the top of the rail and the upper tunnel area must be achieved on around 100 existing tunnels and bridges in the Gotthard corridor.

Expansion of the Luino and Chiasso axes
In anticipation of the Chiasso-Seregno-Bergamo southern connection, the current Bellinzona-Luino-Gallarate axis must be expanded, as is planned with the projects of Piattaforma Luino, Phase II: low investments with an immediately perceptible effect. The axis via Chiasso plays an important part for traffic east of Milan.

above and assigned to their families. A quarter of all Hupac trains are expected to be handled within the CompoFamily concept at the end of 2011, with a medium-term goal of 50%.

In the third phase, the CompoFamily trains must prove themselves in day-to-day business. No easy task, because all kinds of incidents like traffic congestion, terminal shortages, special trains, customer requirements, wagon damage etc. can put any planning to the test. Yet the results are encouraging. Since the project began in June 2010, the CompoFamily trains have already completed more than 2,000 journeys. 97% of all journeys were made within the right family, with 64% of all wagons still in their original compositions. The reduction in shunting costs is also significant. Although the CompoFamily trains only make up one third of the Busto traffic, shunting activity decreased by 25% in the relevant period.

The collective maintenance of all wagons in a composition also promises great advantages. The CompoFamily trains are taken out of circulation as a whole composition, transferred to the newly constructed workshop at the Busto Arsizio terminal and maintained there in largely standardised steps. The workshop in Busto Arsizio is the key element in the overall concept. Construction and fitting of the EUR 7.5 million facility was completed in early summer 2010. The complex includes a 2,500 m^2 workshop with two pits, each 82 metres long, where four wagons can be maintained at the same time, a wagon washing bay, a large outside area and four feeder tracks. The workshop is operated by the certified maintenance specialist Cosmef with around 15 employees, who perform light and medium maintenance according to the maintenance schedules developed by Hupac.

But CompoFamiliy also offers tangible customer benefits. The new system helps ensure that the right train is always in the right place and that our customers' different vehicle types can be received in the best possible way. With CompoFamily, greater efficiency and better service go hand in hand.

Pioneer on the Silk Road

In November 2010, the first two Hupac test containers arrived in Shanghai by rail. It took two whole years of preparation to develop the route stretching around 10,000 kilometres from Ludwigshafen via Slawkow, Moscow, Novosibirsk and through Mongolia all the way to China. Different track gauges, power systems, languages, alphabets and regulations had to be quite literally combined. The business model that Hupac used to overcome this challenge is also based on combination: Hupac is responsible for the European part, combined transport operator Russkaya Troyka handles the Russian part and rail forwarding agent Eurasia Good Transport takes charge of the Chinese stage.

Why is the transport industry looking for a land route to the Far East, and why is Hupac investing in this sector? The industry is interested in a continental alternative to diversify traffic flows and achieve greater stability. In addition, more and more industries are settling in the interior of China, which brings them far closer to Europe. What is more, ships tend to load light goods, whereas the railway could offer interesting conditions for heav-

700-metre-long trains
The entire North-South axis must be expanded for trains with a length of 700 metres. Long trains are productive trains and can compete more effectively with the road. That is why the planned construction projects of Piattaforma Luino, Phase II, must be implemented quickly.

Terminals
The capacity of the transhipment terminals is insufficient to handle the future volume of traffic. There are already shortages east of Milan.

Trains up to 2,000 tonnes
The NEAT flat railway will make it possible to use much heavier trains in future. This will mean better use of the scarce track capacity, enhanced freight transport productivity and improved marketability. The rail transport companies must take appropriate steps here.

Time frame
According to the law on freight transport shift, the modal shift target will have to be reached two years after the opening of the Gotthard base tunnel. Action must be taken immediately so that the required facilities are available in good time.

ier goods. Lastly, some goods are not approved for maritime transport but can be carried by rail.

So there are signs that the land route between Europe and the Far East may become an interesting growth market for combined transport in the medium term. Around 8 million TEU are currently shipped between Europe and China, with growth rates of 10 to 15% per year. If just a fraction of that were shifted onto the railways, the intermodal transport industry would have a huge volume to handle.

Hupac will monitor these developments closely in the coming years and invest moderately in the future market of Eurasia. In the past year, 3,000 load units have already been carried between Western Europe and various Russian destinations in partnership with Russkaya Troyka. The test run with 200 containers between Ludwigshafen via Vladivostok to Busan in South Korea that started in June 2010 was also a success and was a starting point for further activities in the Far East.

Quality and environmental management

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.

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.

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.

In September 2010, Hupac's quality and environmental management system was recertified by BVC (Bureau Veritas Certification). Prior to this, various processes at the Aarau, Basel, Chiasso and Busto Arsizio branches had been reviewed and adjusted. The certification is valid for three years and is confirmed by annual interim audits.

Communications with the stakeholders

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 2010 the Hupac Group's income from supplies and services rose by 4.9% to CHF 504.5 million. The "Other income" item consists of CHF 87 million in operating contributions, thereof CHF 28 million for onetime, conjuncture-related subsidies, as well as contributions for the usage of low-noise rolling stock and subsidies from the Italian government.

The cost of the services increased by 7.6% compared to the year before to reach CHF 481.4 million. Gross profit rose by 19.4% compared to the year 2009.

The Group's operating profit was improved to CHF 3.2 million, 16.3% higher than the year before.

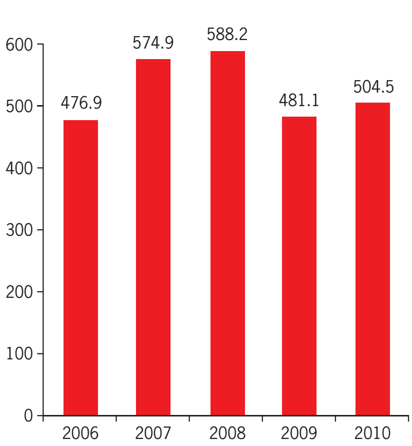
The Group's cash flow as of year end according to the simplified calculation method – annual profit plus depreciation and changes in provisions – was CHF 41.8 million, which represents a decrease of 10.4% compared to the year before.

Investments in tangible fixed assets reached a modest volume of CHF 22.5 million. Investments were primarily related to the purchase of rail wagons and the construction or expansion of terminal infrastructures in Belgium and Italy.

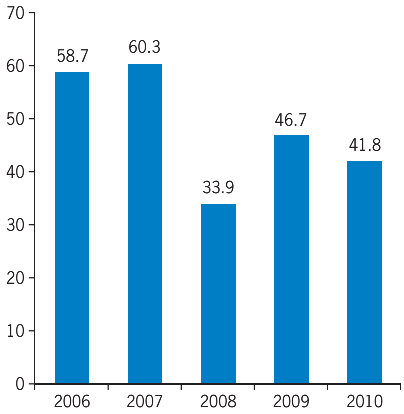
In view of the difficult situation on the currency front, the economic development of the Hupac Group is considered to be satisfactory.

Values in 1000 CHF	2010	2009	%
Income from supplies and services	504,489	481,147	4.9
Other income	93,896	64,229	46.2
Cost of the services	481,444	447,411	7.6
Gross profit	116,941	97,965	19.4
Group's operating profit	3,205	2,755	16.3
Group's cash flow	41,809	46,683	-10.4

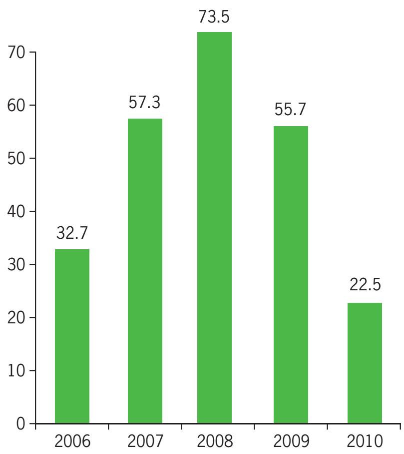
Annual turnover
in million CHF



Cash flow
in million CHF



Investments in tangible fixed assets
in million CHF



Traffic development

Hupac's traffic volume increased by 13.7% in 2010, almost reaching the level of consignments in the record year 2008. In total, 690,251 road consignments were carried on Hupac's European network. The new concept of flexible resource planning, developed and introduced by Hupac with its rail partners in the crisis year 2009, also proved itself in the past year. It is a capacity management system that takes account of fluctuations in demand from industry. However, the lack of usable rolling stock due to shortfalls in rolling stock maintenance proved problematic.

The temporary stimulus package by the Swiss Federal Office of Transport was extended unchanged for 2010. This meant that the threat of a shift back onto the road in transalpine traffic through Switzerland could be countered.

The opening of the HTA Hupac Terminal Antwerp at the start of the year and the Combinant terminal also located in Antwerp in March 2010 gave a noticeable boost to the Belgian traffic. This applied to the links on the North-South axis as well as the East-West axis.

The year 2010 was characterised by many weather-related disruptions. Heavy snowfalls in January, February and December, hurricanes "Xynthia" in March, "Norina" in July and "Carmen" in November, not to mention floods at Lake Maggiore in May were a major challenge for the whole transport industry. Even under these difficult conditions, the Shuttle Net remained stable. A number of strikes had a negative impact, in particular the prolonged action by SNCF staff in April and October.

Shuttle Net

The Shuttle Net business area saw an increase in volume of 13.7% to 679,066 road consignments. We recorded the strongest growth in transalpine traffic via Austria. With the introduction of new connections in the Benelux ⇆ Italy and Scandinavia ⇆ Italy segments, traffic more than doubled. A key success factor is the clearance profile of the Brenner axis, which allows transportation of modern, high-volume semi-trailers with a 4-metre corner height. In transalpine traffic through Switzerland, growth was hindered by infrastructural shortages and quality issues. Although this segment, which represents Hupac's core market with a share of 62%, saw an increase of 9.5%, it is still 7.6% below the level of 2008. Non-transalpine traffic continued to grow, including the Benelux ⇆ Austria/Hungary/Romania, Benelux ⇆ Poland/

Transport volumes

		Road consignments			Net weight in tonnes		
		2010	**2009**	**%**	**2010**	**2009**	**%**
Shuttle Net (UCT)	Transit via CH	389,692	358,193	8.8	7,353,000	6,604,000	11.8
	Import/export CH	5,401	5,580	- 3.2	92,000	98,000	- 6.1
	National CH	27,306	22,091	23.6	454,000	327,000	38.8
	Total transalpine via CH	422,399	385,864	9.5	7,932,000	7,029,000	12.8
	Transit via A	42,792	21,082	103.0	800,000	406,000	97.0
	Total transalpine	465,191	406,946	14.3	8,699,000	7,435,000	17.4
	Import/export CH	49,232	47,181	4.3	692,000	664,000	4.2
	Other traffic	164,643	143,159	15.0	2,820,000	2,439,000	14.3
	Total non-transalpine	213,875	190,340	12.4	3,512,000	3,103,000	12.1
	Total	679,066	597,286	13.7	12,211,000	10,538,000	15.9
Rolling Highway		11,185	9,998	11.9	197,000	172,000	14.5
Total transport volume		690,251	607,284	13.7	12,408,000	10,710,000	15.6

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: weight of the goods carried

Russia and Belgium ⇆ France/Spain transport axes. In this market segment we achieved the pre-crisis volume with an increase of 12.4%.

Scandinavia ⇆ Italy
The Taulov ⇆ Verona shuttle connection via Austria introduced in 2009 continues to enjoy strong demand, as it allows the transportation of 4-metre semi-trailers between Scandinavia and Italy. In the year under review, volumes on this link increased by 21.5%. However, various quality defects due to infrastructural problems impacted on the positive result.

Germany ⇆ Italy
Despite the 14.4% increase in volume, the levels of the record year 2008 have not yet been reached. We recorded the strongest growth in the Baden Württemberg ⇆ Northern Italy corridor. The introduction of a new Singen ⇆ Busto Arsizio connection and the resumption of Singen ⇆ Brescia traffic via the Monte Olimpino tunnel were crucial factors. The links Cologne ⇆ Busto and Ludwigshafen ⇆ Busto, where frequency had been reduced during the economic crisis, were almost restored to the departure frequency of 2008.

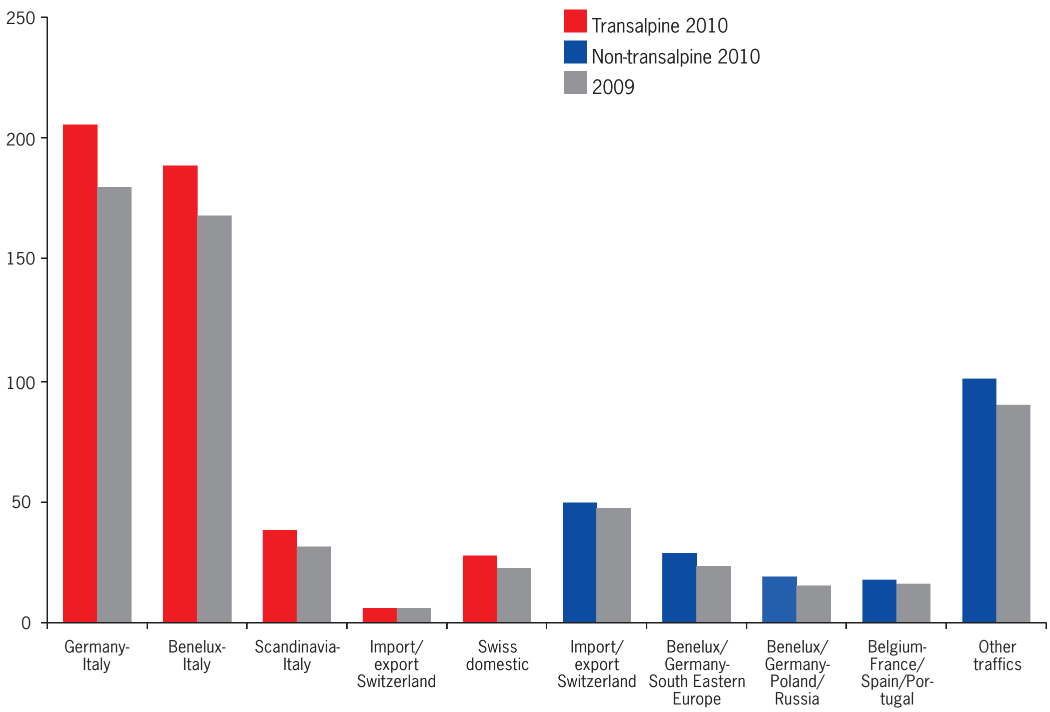
Netherlands ⇆ Italy
The Rotterdam/Ede ⇆ Brescia connection was discontinued during the 2010 financial year and replaced by a new Rotterdam ⇆ Verona connection via Brenner. This restructuring now allows us to offer the P400 profile from the Netherlands alongside the existing Rotterdam ⇆ Novara connection via Lötschberg. In general, this market segment was characterised by severe rail quality issues in the financial year 2010. Volume growth amounted to just 8.7%.

Belgium ⇆ Italy
A new Antwerp ⇆ Verona connection via Brenner was also introduced in this market segment, allowing further acquisitions in the future market of P400 semi-trailers. Together with the Genk ⇆ Verona connection, this has created a comprehensive service to Italy for 4-metre trailers, attracting great interest from the market. The other connections in this segment also recovered well. The only exception was Belgium ⇆ Southern Italy traffic. In total, this market segment achieved an increase in volume of 15.3%.

Swiss import/export transalpine traffic
We saw no recovery after the crisis in the market segment of transalpine import/export traffic. Volume decreased by 3.1% compared to 2009. Changes to goods and market structures had a negative impact.

Swiss domestic transalpine traffic
Once again, a considerable increase in volume of 23.6% was achieved in the Swiss domestic transalpine traffic segment. The introduction of an additional departure made this short link significantly more attractive. A crucial market factor was once again the outstanding quality required for the goods structure of this traffic (mainly food transport), which made it possible to acquire further traffic.

Development of the market segments in the Shuttle Net
Road consignments in 1000s

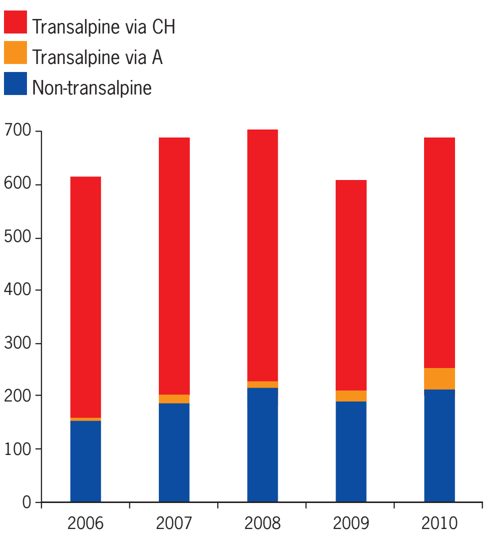


Swiss import/export non-transalpine traffic
With a rise of 4.3%, this market segment saw a disproportionately small increase in traffic compared to other segments. Belgium ⇆ Switzerland maritime transport developed positively, though it is still behind the record year 2008. The Germany ⇆ Switzerland transport links suffered from competition with transport from/to Basel Bad and the reduction in Swiss operating contributions at the same time as an increase in train path prices.

Benelux/Germany ⇆ South Eastern Europe
The complex operating system, already restructured in 2009, was refined again in the year under review. The Duisburg ⇆ Enns connection was discontinued. The direct trains from Duisburg to Vienna and Budapest achieved a very high punctuality rate, making it possible to acquire new traffic volume. Transport to Romania, comprising four weekly departures between Budapest and Curtici, was expanded with the additional destination Bradu de Sus. Overall, an increase in volume of 14.8% was achieved.

Benelux/Germany ⇆ Poland/Russia
In this traffic corridor we achieved volume growth of 25%. The crucial factor in this positive development was the high quality guaranteed by integrated traction responsibility. We also registered steady growth via the Slawkow hub, where additional services to Russia were incorporated into the network. Thanks to positive collaboration with the logistics partners involved, we were able to run the first traffic via the Transiberian route to Busan in South Korea.

Traffic development by business areas
Road consignments in 1000s



Benelux ⇆ Southern France/Spain
Despite strong demand for transport, we were unable to achieve a sustained increase in volume in this market segment. Growth amounted to just 1.5%. The long strike periods in spring and autumn had a negative impact. Other factors were the serious infrastructural problems caused by building sites and train path shortage in France.

Maritime transport
In maritime transport, which Hupac mainly handles on the Antwerp-Switzerland axis, the recovery only took effect in the last few months of the year. This traffic also suffered from the strikes in France. The introduction of an eighth weekly shuttle train contributed to the recovery of the segment, though we still saw a reduction of 5%. Towards the end of the year, extensive preparations were made for the integration of the Rotterdam ⇆ Basel/Niederglatt connection into the Shuttle Net. This was activated in mid-January 2011 with nine weekly departures in each direction.

Rolling Highway

In the year under review, 11,185 road consignments were carried on the Basel ⇆ Lugano Rolling Highway via Gotthard, an increase of 11.9% compared to the year before. Whilst relatively low volumes were recorded in the first half, demand increased strongly in the second half. Overall, volumes returned to their pre-crisis levels in 2010.

On 31.12.2010, Hupac discontinued its activity as operator of the Rolling Highway. The operator RAlpin, which already operates the Rola traffic on the Freiburg ⇆ Novara route via Lötschberg, has also been responsible for this route since the start of 2011. This places the entire Rolling Highway service for Switzerland in one company's hands, as was encouraged by the Swiss Federal Office of Transport in the tendering procedure for operation of the Rolling Highway until 2018.

However, Hupac will remain active in this area in future. Firstly, Hupac purchases the necessary low-floor wagons and hires them to RAlpin. Secondly, Hupac will continue to handle the sale, scheduling and invoicing of the Rolling Highway on behalf of RAlpin. The shareholders of RAlpin Ltd are BLS, Hupac, SBB and Trenitalia.

Operating resources

Rolling stock

At the end of 2010, Hupac's fleet consisted of 5,629 rail platforms, an increase of 1.8% compared to the previous year. The number of leased wagons as a proportion of the total rolling stock remained unchanged at 19.8%.

One of the greatest challenges of the past year was to provide a sufficient number of wagons as market demand gradually recovered. The rolling stock that had been decommissioned during the economic crisis had to go through the necessary maintenance phases before being put into operation. Due to the rapid increase in market demand, however, there were serious shortages at the workshops and spare part suppliers. This resulted in an extremely low rate of wagon availability in the Hupac fleet. On average, only 77.2% of the wagons were available during the year due to maintenance and repairs. This figure was far below the benchmark of 86% and led to severe losses of revenue and profit.

To counter this economically unsustainable situation, Hupac took a number of steps to increase the efficiency and secure the capacity of rolling stock maintenance. Alongside a targeted problem-solving strategy with its traditional maintenance partners, Hupac searched for new capacities and pressed ahead with the opening of its own workshop in Busto Arsizio, which was put into operation in July 2010. Covering almost 20,000 square metres, the facility is located in the vicinity of the terminal, which brings great advantages in terms of transport costs and wagon downtimes. The workshop is designed for medium-level repairs and preventive maintenance, and has two pits 82 metres long. It is operated by Cosmef with around 15 employees in close coordination with Hupac's fleet management division. The planned output volume of 30 wagons per day was only half-achieved by the end of the year. Investments in the workshop totalled EUR 7.5 million.

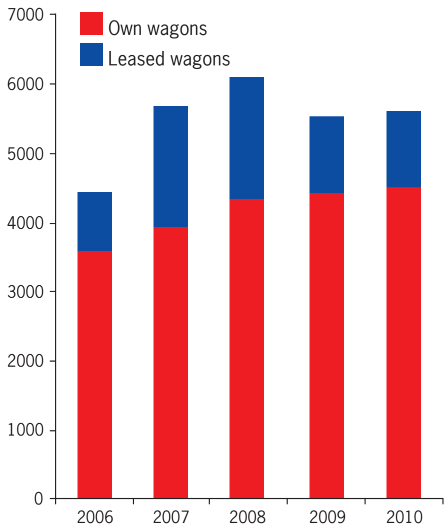
In the year under review, the acquisition of expertise in rolling stock maintenance continued. Since the Cotif agreement came into force in 2006 and SBB no longer performs wagon maintenance for third parties, Hupac has gradually gathered the required know-how to maintain the wagons throughout their life cycle. The positive outcome of the audit conducted in June 2010 by the Swiss Federal Office of Transport and the ECM certification achieved in October are important milestones for Hupac's new role as a wagon owner.

In 2010 Hupac continued to invest in its own rolling stock. In total, 84 wagon modules worth approx. CHF 15 million were delivered. This involved the T4.2 type for P386 coded semi-trailers and the T5-type pocket wagons for megatrailers and heavy containers. Another 145 pocket wagons and 20 Rola wagons worth a total of CHF 25 million were ordered from Swiss and foreign wagon manufacturers. The delivery of the orders will continue until 2012.

Progress was also achieved in the development of new rolling stock. Hupac is working with a Swiss wagon manufacturer to develop a versatile multi-pocket wagon that can carry two semi-trailers or several containers and swap bodies, even heavy and high volume ones. The Swiss Federal Office

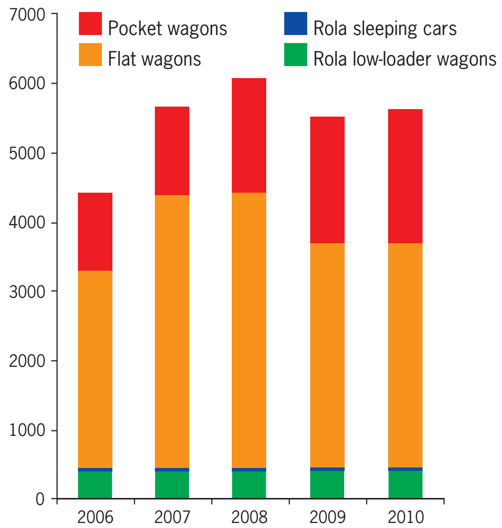
Rolling stock

Number of rail platforms



Rolling stock by type

Number of rail platforms



of Environment has agreed to share the costs of the development, construction and licensing of the prototype. The first test runs are planned for 2011.

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 only partly allow this business model, are an exception. In the year under review, the main freight carriers of the Hupac trains included SBB Cargo, DB Schenker Rail, Trenitalia Cargo, Crossrail, Nordcargo, Captrain, WLB Wiener Lokalbahnen, SNCF Fret, SNCB Logistics, PKP Cargo and MAV Cargo. In September, cooperation began with ERS Railways for the traction of the Duisburg ⇆ Schwarzheide shuttle train.

The rail transport company of Hupac SpA expanded its operations in 2010. As well as traction for the daily Busto Arsizio ⇆ Milano Smistamento train, the company provides all shunting operations at the Busto Arsizio-Gallarate terminal and between the terminal and the new workshop. The train preparation service was also expanded. Over 90% of the trains ready for departure are technically inspected by Hupac's controllers. Around 40 staff are employed in the areas of traction and shunting.

Cooperating with our railway partners posed particular challenges in 2010. The high volatility of demand made it difficult to manage capacity; it was not always possible to mobilise the required resources for the short-term increases in transport volume. In conjunction with the railways we were able to find solutions to guarantee both the sensible use of resources and the market requests in the interests of customers.

Terminals

Hupac's trains serve around 65 transhipment terminals in 15 European countries. Many other terminals can be reached via train connections offered by our partners.

Hupac maintains direct relations with around 50 terminals. Almost all of the terminals are connected to the Hupac Goal system through electronic data transfer. 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.

There were no major irregularities at Hupac's own terminals in the year under review. Operational services were provided with high quality and reliability. Despite an increase in volume, the average turnaround time at the Busto Arsizio terminal improved by 21% to 30 minutes. There was also a pleasing trend in crane availability, which reached 93% at the Busto Arsizio-Gallarate terminal and 99% at Singen and HTA Hupac Terminal Antwerp. Good operational services were also recorded at the Basel, Aarau and Chiasso terminals.

Construction work continued at the Busto Arsizio-Gallarate terminal to complete the facility. The entrance area was enlarged and the flow of traffic was improved by the separation of light and heavy traffic. In December, construction work began on the extension of the check-in building. Construction of the sixth track in the connection sidings is set to begin in 2011.

At HTA Hupac Terminal Antwerp, Hupac implemented the Alfaport driver identification system. The various processes at the terminal are now carried out through automatic identification of driver data via a badge. This makes the processes faster and more secure. Adaptation of the Goal software and integration of crane operations helped to optimise train loading and reduce unproductive crane movements. Video cameras fitted to the crane arms improve visibility during crane operations and make for faster processes and increased safety.

In the year under review, the Sacconago terminal was prepared for the start of operations. The facility is located in the municipal area of Busto Arsizio on the Seregno-Saronno-Novara railway operated by Ferrovie Nord. The Sacconago terminal has two tracks and is being equipped with mobile cranes. Once the construction work is complete and an operating license has been received, the terminal will be able to begin operations this year. Sacconago is an important element in the Lombardy region's freight transport plan in connection with Expo 2015. Interesting prospects are emerging for Hupac in relation with the Busto Arsizio-Gallarate hub terminal.

Information technology

Hupac manages its traffic with the help of Goal – Global Oriented Application for Logistics, an integrated software package designed by Hupac. It coordinates intermodal transport from booking to billing.

In the year under review, Hupac implemented the newly developed data exchange system, Ediges – Electronic Data Interchange Goal with External Partners – for many partners and customers. The aim of this application is the exchange of information between Goal and external systems belonging to customers, terminals and third-party suppliers via XML. For example, Ediges enables 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.

Quality, safety and productivity

Quality

Train punctuality
Hupac pursues a train punctuality goal of 90%. In the year under review there was a deterioration in train punctuality, defined as less than an hour late, compared to the previous year. This is due to the failure of rail resources to cope with rising market demand in some cases, as well as many disturbances such as snowfalls, accidents, strikes and building sites.

Poor service quality leads to high consequential costs for all partners in the logistics chain and diminishes customer trust. At numerous crisis meetings with its railway partners, Hupac strongly advocated the rapid restoration of an acceptable quality level.

However, punctuality does not just depend on the rail partners. Other factors relate to the areas of terminals, rolling stock and customer requirements. To ease the situation, Hupac took specific action on the factors within its own field of activity. The Hupac Group terminals followed strict guidelines on adherence to schedules. At the Busto terminal, the technical inspections performed in-house were extended to 90% of the trains. Using the downtimes at the terminal and shortening the operational stopover in the delivery siding increased operational flexibility and improved the punctuality of train departures.

Process innovations
In the year under review, the projects of the Customer Focus working group were continued. In April Hupac put a circulation schedule online, providing information about all trains actually running in the coming weeks. Updates such as train cancellations or extra trains are published in real time. The circulation schedule for public holidays is also on the web. Simplified, system-based processes mean that the public holiday schedule is now available in good time. The previously introduced electronic booking system was improved and extended to new customers. Various invoicing and quotation processes were revised.

A larger-scale innovation was tackled with the restructuring of scheduling. The constantly growing transport network and increasing complexity of rail production demand new forms of organisation. Hupac therefore started an inter-division innovation process lasting several months in order to improve short-term planning, speed up wagon maintenance and generally intervene more quickly and effectively in case of irregularities. Medium and long-term planning are also set to be improved. The first steps, including the establishment of 24-hour operations and know-how pooling with the terminal and fleet management divisions, have already been implemented.

Safety

Safety is one of Hupac's top priorities. The company campaigns for a safe and reliable transport system and constantly aims to improve safety in all areas of the company.

The greatest risks are found in the terminals and on the railway lines. They involve accidents that may have an impact on people as well as causing damage to load units, the transported goods, terminal and railway equipment and the environment.

In October 2010 Hupac successfully completed the audit for ECM (Entity in Charge of Maintenance) certification. An external authority licensed by the Swiss Federal Office of Transport has thus certified that Hupac is adequately organised to meet all requirements in terms of the safety and maintenance of the freight wagons. The ECM system incorporates the whole supply chain of wagon components, thus also ensuring safety upstream.

Hupac applies a range of precautions and safety measures to reduce risks and increase safety. All vehicles, load units and rail wagons are subject to systematic checks from departure to destination. The processes are agreed with the terminal and railway partners and periodically reviewed. There were no major accidents to report in the year under review at the terminals or on the railway lines.

In the past year, audits were again conducted to test operational safety in collaboration with rail companies and terminal managers. Many Hupac trains were comprehensively checked in terms of the condition of the load units and rolling stock as well as the transport documents. Hupac passed the audits successfully, which confirms the high quality standard of the upstream procedures.

During the routine checks, Hupac increasingly noted load displacements in the containers due to incorrect load securing. This represents a serious risk for handling and transport by rail and road. In the year under review, Hupac raised customers' awareness of the issue and performed many spot checks.

Hupac systematically prepares itself for emergencies. In the past year, the members of the task force at the Busto Arsizio-Gallarate terminal took part in training courses in cooperation with the local fire brigade.

The safety management system also ensures active theft protection. Whilst the terminals are adequately protected by perimeter fences and surveillance, thefts can occur when trains are stationary on the railways. In the year under review, a number of incidents were reported in Italy, Germany, Scandinavia and Poland. Close cooperation with the police and the security authorities led to a reduction in these occurrences.

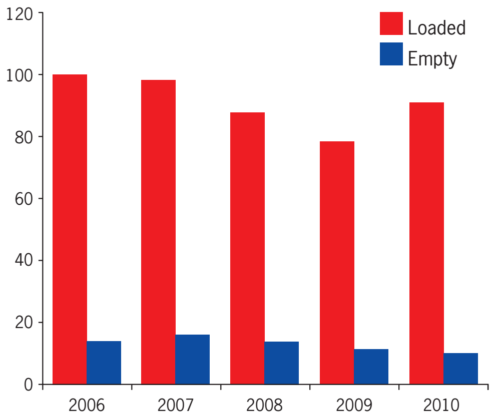
Productivity

Hupac strives to secure the competitiveness of combined transport by constantly increasing productivity. The running performance of the rolling stock, measured by the average mileage per loaded wagon, rose by 16.2% in the year under review. The average unloaded mileage was again reduced by 9.2%. This is particularly due to the intensive efforts to achieve satisfactory train utilisation. The improved fleet management, one aim of which was to reduce empty runs to the workshops, also contributed to this pleasing result.

There was a positive trend in labour productivity at the terminals. Improved workflows led to an increase of 6.9% in the number of load units processed per employee in Busto and 5.8% in Desio. The Aarau terminal regained and even exceeded the pre-crisis level with a productivity increase of 13.7%. The headquarters in Chiasso achieved an increase in productivity of 8.0%, measured by the number of road consignments per average number of employees, thus overcoming the low point of the crisis. However, since extensive new tasks have been transferred to rolling stock maintenance and many new jobs have been created, the figures are only partly comparable.

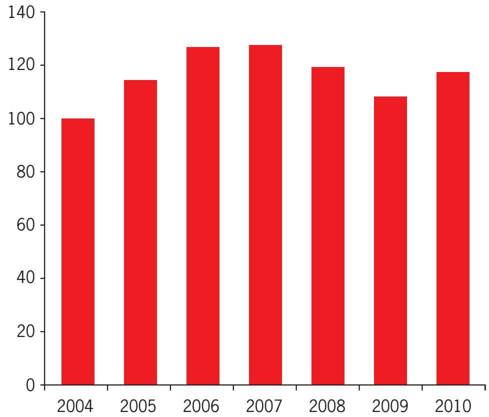
Running performance of wagons

Average kilometre per Hupac wagon in the Shuttle Net, indexed; loaded 2006 = 100



Productivity at the headquarters

Road consignments per average number of employees in Chiasso, indexed; 2004 = 100



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 therefore be used by road hauliers of all sizes.

The geographical provenance of Hupac customers is very mixed. 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 constantly committed to attracting new customers to combined transport, for instance by developing efficient logistics solutions within its network, assisting customers in the process of purchasing and coding suitable road vehicles, as well as offering advice in the initial stages.

Hupac makes customer proximity at all levels its corporate philosophy. This is exemplified by the special measures taken by customers during the economic crisis, as well as the continuous optimisation and simplification of interfaces and processes. The process reengineering of 2009 and 2010, dubbed "Customer Focus", improved many processes such as the circulation schedule, booking and invoicing.

Dialogue with the customers

Hupac regularly organises meetings and events with its customers, offering them the opportunity to highlight deficiencies and potential for improvement. Hupac values these suggestions as important advice for expanding its activities.

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.

Workshops with partners

The expansion of the transport network requires the systematic adjustment of working processes in operations, engineering and information technology. In the year under review, many workshops and training sessions were held with our partners, thus ensuring standard processes across Europe.

There is still much potential for improvement in our cooperation with the railways. The focus is on improving service quality as well as increasing efficiency and productivity. Hupac has introduced measures with various railways to interlock processes even more closely and use resources even more economically. In addition, various rail partners intend to ramp up their resources now that the economic crisis has been overcome.

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 performance

In the year under review, the shift of freight transport from the roads to the Hupac transport network saved more than 800,000 tonnes of CO_2 and nearly 10 billion megajoules of energy compared to pure road transport, according to the environmental calculator of www.ecotransit.org.

Hupac is also committed to environmentally friendly action in its own field of activity, supported by its ISO 14001 environmental management system. The focus is on transhipment and shunting operations at the terminals, fleet management and administrative areas.

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 2010, 85% (previous year: 81%) 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.

Whereas new wagons are already fitted with low-noise brakes, the older models are being converted and fitted with synthetic brake pads during the scheduled stopover at the workshop. Around 150 wagons were noise-proofed in the year 2010; the noise abatement programme should be completed by 2015. The cost of converting the brakes is borne by the Swiss government.

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

Consumption and emission reduction

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 performance. Preference is given to the best possible solutions in terms of noise reduction as well as the reduction of polluting emissions and energy consumption.

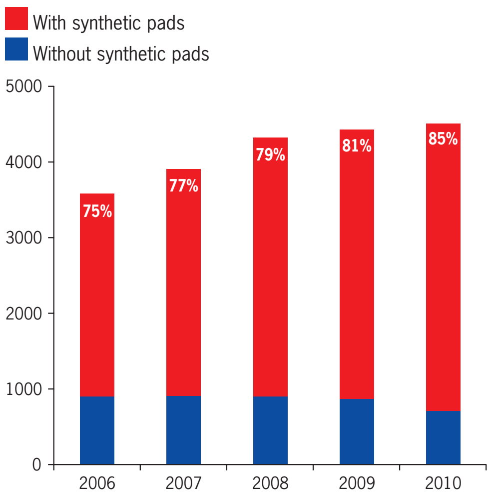
Efficient processes at the terminals reduce environmental impact. Hupac therefore measures relevant operations such as crane lifts and shunting and introduces measures to achieve a low environmental impact with high service quality through sensible use of resources.

Efficient fleet management also reduces the environmental impact of transport. Well utilised trains make particularly efficient use of energy. The average unloaded mileage per wagon was reduced by 9.2% in the year under review.

Environment protection is also a priority in administration. Various processes are being restructured in order to reduce paper consumption. The new office building in Chiasso will feature high-grade thermal insulation to allow even more economical use of energy.

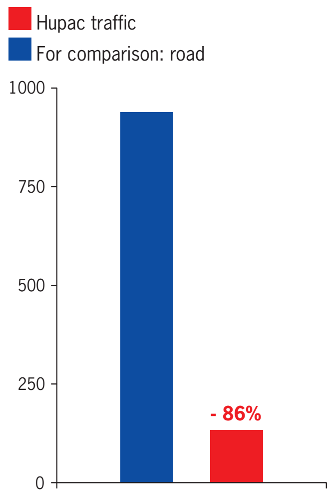
Wagons fitted for noise reduction

Number of own wagons



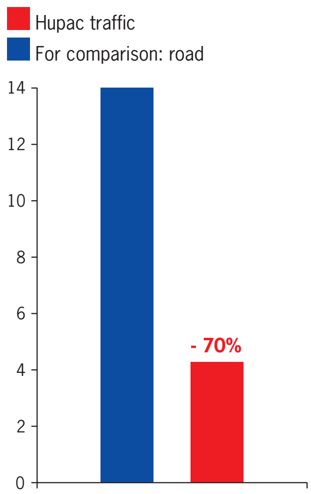
CO_2-emissions

Tonnes in 1000s



Energy consumption

in billion megajoules



www.ecotransit.org

The Busto Arsizio-Gallarate and Singen environmental projects

The environmental compatibility of the Busto Arsizio-Gallarate and Singen terminal facilities was enhanced further in the year under review. The biotopes fed by the rainwater collected in the terminals are regularly maintained. The last contractually agreed reforestations were carried out in the surroundings of the Busto Arsizio-Gallarate terminal.

In the year under review, important structural measures were implemented at the Busto Arsizio-Gallarate terminal to enhance passive safety. The entire yard of the Busto Arsizio half of the terminal has being sealed and fitted with a wastewater separation system to allow the immediate separation of clean and polluted water. In case of spilling of harmful fluid the soil and environment will be effectively protected. The Busto Arsizio workshop has also been equipped with a powerful water treatment system, thus ensuring that the wagon washing bay is environmentally friendly.

Transportation of hazardous materials

Hazardous goods are an important part of our economy and an indispensable element of many areas of everyday life. Basic commodities for industrial production, heating oil, fuel, medical gases, pesticides – all of these goods may only be transported if certain safety precautions are observed. Rail is particularly suitable for the transportation of hazardous materials. In combined transport, road hauliers, combined transport operators and railway companies apply standard safety regulations and procedures, achieving a high level of safety thanks to this close cooperation.

Hupac takes great care in its handling of this transport segment, which accounts for around 18% of the total traffic volume. The company's own centralised service, headed by a hazardous goods compliance advisor, appointed and trained according to the provisions of EC Directive 96/35, implements the appropriate regulations in all areas of the Group, advises customers and trains the staff.

In the year under review, the Italian rail safety authority issued new standards for the import and export of hazardous materials. All rail companies must complete a checklist for the inspection of load units containing hazardous materials. However, these new rules are not harmonised with other countries and therefore slow down international rail freight transport, especially as they are not uniformly applied.

Also in 2010 the staff attended training courses on the handling of hazardous goods. As always, our customers made a very valuable contribution. Exercises were held in collaboration with the fire brigade in the Busto Arsizio-Gallarate terminal.

Hupac's hazardous material management system stipulates that all accidents and incidents are precisely recorded and assessed. In the year under review there were no accidents involving hazardous materials that caused damage to people or property. This means that Hupac's operations with hazardous materials have been free of accidents for decades. Incidents are defined as minor irregularities that can usually be rectified by the transport companies' specialists, such as leaking containers with odour formation or drops of escaping liquid. In total, 38 incidents were registered at the terminals and 27 on the rail network in the year under review. There was another reduction in the number of irregularities per total volume of hazardous materials – a positive result of the close cooperation between all concerned.


P&O Ferrymasters

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

At the end of 2010, there were 401 members of staff (previous year: 403). 149 people were employed at Hupac Intermodal in Switzerland, Denmark and Poland, 218 at the subsidiaries Hupac SpA, Fidia SpA and Termi SpA in Italy and 34 at the remaining subsidiaries in Germany, Belgium and the Netherlands. The proportion of women increased from 13% to 17%; 83% of the employees were men. The average seniority increased to 9.1 years.

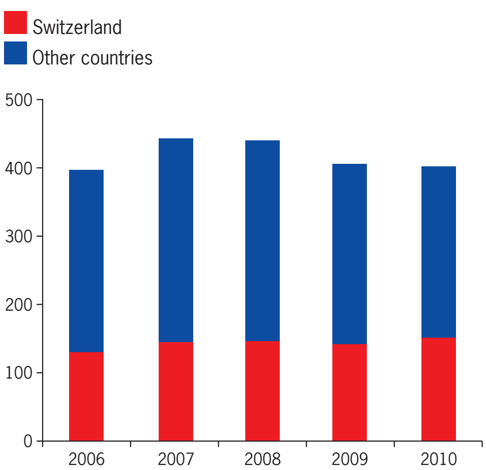
Short working hours were discontinued at the Busto Arsizio-Gallarate and Singen terminals in April and September, respectively. At the headquarters in Chiasso, a number of jobs were created through the expansion of the Fleet Management division.

Training

Numerous coaching and training courses were held in the year under review. Internal foreign language courses took place in Chiasso and Busto Arsizio, while courses on safety and hazardous materials were held in Chiasso, Aarau, Basel and Busto Arsizio. Other training courses covered IT applications and administrative processes, while a number of employees attended external couses for special training requirements. In 2010 Hupac continued the training of three apprentices who 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 national and international applicable regulations. Appropriate infrastructures and equipment as well as continuous training and instruction ensure a high level of occupational safety. In the year under review, 15 occupational injuries were recorded along with 184 lost working days in the year under review. The ratio of occupational injury days to handling volume thus remained stationary compared to the previous year.

Hupac makes no compromises in terms of safety. An important signal in this respect was a drug test in cooperation with the local health authority for all employees of the Busto Arsizio terminal in the year under review. In the current year, the drug test is set to be repeated and an alcohol test will be introduced.

Internal communications

In the year under review, Hupac intensified its internal communications in order to provide all staff with constant, first-hand information about the crisis, the company's situation and the measures taken. In the course of the year, the senior management organised several meetings with the staff. In addition, a twice-monthly newsletter was published for the employees.

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. Whilst the average score at the headquarters remained at 85 in 2010, at the Italian subsidiary it rose from 72 to 77.

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 2010 Hupac achieved a volume of 434,000 consignments or 8.1 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).

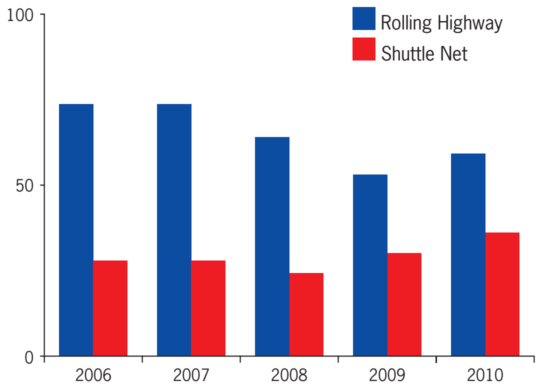
The completion of the Busto Arsizio-Gallarate terminal is taking place. The extension work proceeded as planned in the year under review. The HTA Hupac Terminal Antwerp completed at the end of 2009 has also received partial funding from the Swiss government.

The Hupac Group will have to repay a considerable part of these subsidies, amounting from 2010 to 2040 to around CHF 82.0 million. In the same period, estimated interest of around CHF 7.5 million will be payable to the Swiss government (see table).

In terms of the operating subsidies, the Swiss government applies a diminishing model. The subsidies per consignment-kilometre through Switzerland generally are reduced year by year, allowing the shift of increasing amounts of traffic with roughly the same funds. In the past year, the Confederation increased the subsidies, in order to oppose the effects of the economic crisis. Therefore both the the Shuttle Net and the Rolling Highway figure rose slightly again.

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	2010	2011-2026	2027-2030	2031-2035	2036-2040	2010-2040 Total
Loan repayment	3,305	3,671 - 3,880	2,627	1,542 - 1,548	65	81,995
Interest	261	126 - 655	11 - 80			7,530
Total	3,566	3,797 - 4,458	2,639 - 2,707	1,542 - 1,548	65	89,525

Relationship with public institutions and communities

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

In 2010 Hupac 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.

Also in 2010, Hupac was forced to make a reduction in its commitment to its social environment. Nevertheless, support was provided to a number of projects and associations, particularly in leisure and youth sports.

Financial statements

Consolidated financial statements

Consolidated income statement 2010 and 2009

Amounts in 1 000 CHF	2010	2009
Income from supplies and services	504 489	481 147
Other income	93 896	64 229
Cost of the services	(481 444)	(447 411)
Gross profit	116 941	97 965
Payroll expenses	(32 493)	(33 041)
General expenses	(11 085)	(10 285)
Depreciation and provisions	(48 819)	(43 928)
Gains from disposal of fixed assets	28	881
Losses from disposal of fixed assets	(1)	(20)
Operating profit	24 571	11 572
Financial income	372	335
Financial expenses	(3 227)	(3 656)
Result from associates	310	(1 249)
Foreign exchange differences	(11 193)	(2 546)
Profit before extraordinary items	10 833	4 456
Non-operating income	161	380
Extraordinary income	9 266	527
Extraordinary expenses	(15 266)	(345)
Profit before taxes	4 994	5 018
Taxes	(2 718)	(2 195)
Profit before minority interest	2 276	2 823
Minority interest	929	(68)
Group profit	3 205	2 755

Notes on the consolidated financial statements 2010

The Hupac Group's *Income from supplies and services* increased by 4.9% to CHF 504.5 million in 2010.

The *Other income* item consists of CHF 87 million in operating contributions, thereof CHF 28 million for onetime, conjuncture-related subsidies, as well as from contributions for the usage of low-noise rolling stock and subsidies from the Italian government. The steep rise from the previous year is particularly due to the fact that the extraordinary operating contributions to compensate for the weak economic situation were paid over 12 months in the year under review, compared to just six months in 2009.

The *Cost of the services* rose by 7.6% compared to the previous year, to reach CHF 481.4 million. The company's *Gross profit* increased by 19.4% compared to 2009.

There was a slight decrease of CHF 0.5 million in *Payroll expenses* compared to the previous year, whilst the *General expenses* item increased by exactly CHF 0.8 million compared to 2009.

The *Depreciation and provisions* in the year under review was almost CHF 4.9 million higher than in the previous year, representing an increase of 11.1%.

Whilst *Financial income* was roughly the same as in the previous year, *Financial expenses* were reduced by some CHF 0.4 million. This is principally due to the reduction in debt to the banks. The *Results from associates* posted a positive result of some CHF 0.3 million, a substantial improvement compared to 2009. The *Foreign exchange differences* item includes the Hupac Group's exchange losses from transactions of just under CHF 11.2 million. This represents an increase of some CHF 8.6 million from the previous year.

Consolidated balance sheet at 31 December 2010 and 2009

Amounts in 1 000 CHF	31.12.2010	31.12.2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	48 845	29 484
Receivables from supplies and services	56 499	59 792
- third parties	48 908	51 299
- shareholders	7 591	8 493
Other receivables	16 355	15 190
Stocks	3 153	2 759
Accrued income	26 591	23 987
Total current assets	151 443	131 212
FIXED ASSETS		
Financial fixed assets	29 703	27 890
- Investments	26 695	26 415
- Deposits and other financial assets	2 678	984
- Deferred tax assets	330	491
Tangible fixed assets	231 872	272 041
- Advances to suppliers	12 782	52 553
- Technical equipment	22 670	13 346
- Rolling stock	89 512	105 563
- Plants on third parties' lands	15 180	989
- Terminals, buildings and land	87 821	94 757
- Other tangible fixed assets	3 907	4 833
Intangible fixed assets	2 129	447
Total fixed assets	263 704	300 378
Total assets	415 147	431 590

Amounts in 1 000 CHF	31.12.2010	31.12.2009
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Short-term financial debts	18 500	9 579
Account payables from supplies and services	45 080	44 626
- third parties	34 169	35 562
- shareholders	10 911	9 064
Other short-term debts	3 150	3 198
Accrued expenses	54 231	43 370
Short-term provisions	99	1 465
Total short-term liabilities	121 060	102 238
Long-term liabilities		
Long-term debts	162 087	194 201
Long-term provisions	56 015	57 398
Deferred tax liabilities	2 858	2 013
Total long-term liabilities	220 960	253 612
Total liabilities	342 020	355 850
Minority interests	213	1 342
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
Reserves	58 596	54 142
Translation difference	(8 887)	(2 499)
Group profit	3 205	2 755
Total shareholders' equity	72 914	74 398
Total liabilities and shareholders' equity	415 147	431 590

The *Extraordinary income* is made up of resolutions for provisions, including on currency fluctuations. These measures compensated for the exchange losses at least in part.

The *Extraordinary expenses* item of just under CHF 15.3 million includes exchange losses on long-term loan positions amounting to just under CHF 14.9 million.

After the deduction of taxes and the settlement of minority interests, the Hupac Group reports a *Profit for the year* of some CHF 3.2 million for 2010, representing an increase of 16.3% from the previous year.

Consolidated cash-flow statement 2010 and 2009

Amounts in 1 000 CHF	**2010**	**2009**
Group profit	3 205	2 755
Depreciation of tangible assets	41 720	41 011
Depreciation of intangible assets	480	139
Variation of provisions	2 625	120
Other non monetary items	14 430	(489)
Net result from sale of tangible assets	(26)	(860)
Income from associated companies	(310)	1 249
Minority interests	(929)	68
Variation of inventories	(708)	(1 270)
Variation of short-term receivables	(3 139)	11 112
Variation of short-term liabilities	21 977	(7 743)
Cash flows from operating activities	79 325	46 092
Purchase of tangible assets	(22 495)	(74 652)
Proceeds from sale of tangible assets	704	21 793
Purchase of intangible assets	(2 184)	(201)
Purchase of investments	(2 828)	0
Cash flows from investing activities	(26 803)	(53 060)
Variation of long-term receivables	(1 688)	1 013
Variation of long-term loans	(29 582)	11 775
Dividends payment	(1 200)	(800)
Cash flows from financing activities	(32 470)	11 988
Variation	20 052	5 020
Cash at beginning of the year	29 484	24 378
Foreign exchange differences on cash	(691)	86
Cash at end of the year	48 845	29 484

Notes to the consolidated financial statements 2010

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 2010 also include a general risk provision of CHF 5.4 million.

Consolidated companies

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

Associated companies in which the parent company has more than 20% but less than 50% of the voting rights are consolidated using the equity method. Pro rata consolidation 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.

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.

The following companies were fully or pro rata consolidated:

Company		Share or company capital	Interests as % 31.12.2010	Interests as % 31.12.2009
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	1 601 000	99.94	99.94
Hupac Intermodal NV, Rotterdam	EUR	200 000	100.00	100.00
Sub-interests of Hupac Intermodal NV, Rotterdam:				
- Hupac Intermodal BVBA, Antwerp	EUR	1 601 000	0.06	0.06
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 % 31.12.2010	Interests as % 31.12.2009
Cemat SpA	Milan (Italy)	34.48	34.48
Cesar Information Services Scarl	Brussels (Belgium)	25.10	25.10
Combinant NV	Antwerp (Belgium)	35.00	35.00
Crossrail Ltd	Muttenz (Switzerland)	25.00	0.00
RAlpin Ltd	Olten (Switzerland)	33.11	30.00

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

In the consolidated financial statements the assets and liabilities of foreign subsidiaries are converted into Swiss francs using the year-end exchange rate. The 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.

Other income
In this position are disclosed the governmental grants.

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.

Table of currency conversion

	Balance sheet		Income statement	
	31.12.2010	31.12.2009	2010	2009
CHF/EUR	1.2507	1.4844	1.3805	1.5101

Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	Reserves	Translation differences	Total	Minority interests
Balance at 1 January 2009	20 000	54 545	(2 427)	72 118	1 277
Translation differences			(24)	(24)	(3)
Translation differences of associated companies			(48)	(48)	
Net equity adjustment		397		397	
Parent company dividend		(800)		(800)	
Consolidated profits 2009		2 755		2 755	68
Balance at 31 December 2009	20 000	56 897	(2 499)	74 398	1 342
Translation differences			(2 683)	(2 683)	(200)
Translation differences of associated companies			(3 705)	(3 705)	
Net equity adjustment		2 899		2 899	
Parent company dividend		(1 200)		(1 200)	
Consolidated profits 2010		3 205		3 205	(929)
Balance at 31 December 2010	20 000	61 801	(8 887)	72 914	213

Other information in accordance with legal requirements

Amounts in 1 000 CHF	31.12.2010	31.12.2009
1. Guarantees, other indemnities and assets pledged in favour of third parties	8 167	7 420
2. Pledges on assets to secure own liabilities	93 877	105 885
3. Leasing commitments not recorded in the balance sheet	5	12
This amount includes all future commitments arising from existing leasing contracts, including interest and expenses.		
4. Fire insurance value of tangible fixed assets	130 382	135 968
5. Debts towards personnel foundations	635	674

Changement in the presentation of the income statement
In order to increase the information quality as from 2010 governmental grants are disclosed separately as “Other income” and accordingly the costs of services follow now a gross presentation. Prior year figures have been restated.

Risk Assessment
The group-wide internal risk assessment process consists of reporting to the Board of Directors of Hupac Ltd on identified risks and management’s reaction to them. The procedures and actions to identify the risks, and where appropriate remediate, are performed by the management.

Report of the statutory auditor to the General Meeting on the consolidated financial statements 2010

As statutory auditor, we have audited the accompanying consolidated financial statements of Hupac Ltd, Chiasso, which comprise the balance sheet, income statement, cash flow statement and notes, pages 34 to 39, for the year ended 31 December 2010.

Board of Directors’ responsibility
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the requirements of Swiss law and the consolidation and valuation principles as set out in the notes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2010 comply with Swiss law and the consolidation and valuation principles as set out in the notes.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 CO) that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd

Stefano Caccia Claudio Cereghetti

Lugano, 15 April 2011

Financial statements of Hupac Ltd

Income statement 2010 and 2009

Amounts in 1 000 CHF	2010	2009
Income from supplies and services	75 618	61 593
Other income	3 149	497
Cost of services	(26 738)	(19 192)
Gross profit	52 029	42 898
General expenses	(1 626)	(1 271)
Depreciation of tangible fixed assets	(32 511)	(33 209)
Amortisation of intangible fixed assets	(376)	(54)
Provisions and value adjustments	(5 460)	0
Dividend income	22	23
Gains on disposal of fixed assets	27	612
Ordinary operating profit before financial items	12 105	8 999
Financial income	1 250	841
Financial expenses	(2 518)	(2 847)
Foreign exchange differences	(1 090)	(722)
Dissolution provisions exchange losses	1 090	0
Ordinary operating profit	10 837	6 271
Extraordinary income	2 140	99
Extraordinary expenses	(5 880)	0
Profit before taxes	7 097	6 370
Taxes	(1 617)	(1 470)
Profit for the year	5 480	4 900

Notes on the income statement

The *Income from supplies* and services item increased by 22.8% compared to the previous year, to reach CHF 75.6 million. This item primarily comprises income from hiring out assets.

The *Other income* item now includes state subsidies of around CHF 3.1 million for the noise abatement of the rolling stock. In the year under review, these sums increased substantially compared to the previous year.

The *Cost of services*, now shown as a gross figure, amounted to CHF 26.7 million for 2010, an increase of 39.3% compared to the previous year. The rolling stock maintenance costs account for the majority of this item. The company's *Gross profit* increased by 21.3% compared to 2009, reaching CHF 52 million.

The *General expenses* item increased by 27.9% in 2010 compared to the previous year, reaching CHF 1.6 million. This is due to higher consulting expenses and the inauguration ceremony for the terminal in Antwerp.

Depreciation of tangible fixed assets decreased by just under CHF 0.7 million in 2010 compared to the previous year.

With *Provisions and value adjustments* amounting to CHF 5.46 million, the rolling stock maintenance is raised to the level of an average year.

Whilst *Financial income*, particularly interest on loans to Group companies, increased by CHF 0.4 million from the previous year, *Financial expenses* decreased by 11.6% to around CHF 2.5 million. The exchange losses of CHF 1.09 million from transactions were offset by an equal amount of *Dissolution provisions exchange losses*, leading to an *Ordinary operating profit* of CHF 10.837 million.

Almost the full amount of the *Extraordinary income* item of CHF 2.14 million shows a dissolution of provisions for exchange losses, partially offsetting the almost CHF 5.7 million of exchange losses from loans included in the *Extraordinary expenses* item.

After *Taxes* of some CHF 1.6 million, Hupac Ltd reported a *Profit for the year* of CHF 5.48 million for the year under review, representing an increase of 11.8% compared to 2009.

Cash flow, which was calculated according to the simplified method – annual profit plus depreciation and change in provisions – for the year 2010 amounted to some CHF 40.6 million, equivalent to an increase of 6.4% compared to the previous year.

Balance sheet at 31 December 2010 and 2009

Amounts in 1 000 CHF	31.12.2010	31.12.2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	12 659	2 968
Receivables from supplies and services	13 089	14 469
- third parties	3 036	2 185
- group companies	10 257	12 390
- shareholders	12	12
- Provisions for doubtful debts	(216)	(118)
Other receivables	1 608	948
- third parties	1 608	948
Stocks	1 320	974
Prepayments and accrued income	1 757	729
Total current assets	30 433	20 088
FIXED ASSETS		
Financial fixed assets	76 240	68 129
- Investments	40 537	37 710
- Loans third parties	2 195	430
- Loans group	33 504	29 985
- Other financial fixed assets	4	4
Tangible fixed assets	86 791	105 982
Intangible fixed assets	1 826	181
Total fixed assets	164 857	174 292
Total assets	195 290	194 380

Amounts in 1 000 CHF	31.12.2010	31.12.2009
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Payables from supplies and services	4 394	3 768
- third parties	2 021	366
- group companies	414	307
- shareholders	1 959	3 095
Short-term loans	18 500	9 579
- third parties	18 500	9 579
- shareholders	0	0
Other short-term debt	519	60
- third parties	519	60
Accrued expenses and short-term provisions	15 460	10 478
Total short-term liabilities	38 873	23 885
Long-term liabilities		
Long-term debts	47 000	65 500
- third parties	47 000	65 500
- shareholders	0	0
Long-term provisions	37 212	37 070
Total long-term liabilities	84 212	102 570
Total liabilities	123 085	126 455
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
General reserve	4 842	4 822
Statutory reserves	41 600	38 000
Retained earnings	5 763	5 103
- Profit carried forward	283	203
- Profit for the year	5 480	4 900
Total shareholders' equity	72 205	67 925
Total liabilities and shareholders' equity	195 290	194 380

Notes on the balance sheet

The total assets of Hupac Ltd increased only slightly compared to the previous year, reaching just under CHF 195.3 million. Whilst *Current assets* increased by some CHF 10.3 million, *Fixed assets* decreased by around CHF 9.4 million. Most of the increase in the financial fixed assets is formed by the *Loans Group* item, which primarily comprises the financing of Hupac Intermodal BVBA for the construction of the new Antwerp terminal.

On the liability side, the *Total liabilities* were reduced by just under CHF 3.4 million compared to the previous year.

At the end of 2010, Hupac Ltd reported *Total shareholders' equity* of CHF 72.2 million, representing an equity ratio of 37% (previous year 34.9%).

Notes to the financial statements 2010

1. Business activity of Hupac Ltd

The business activity of Hupac Ltd consists essentially of asset management. Worth particular mention in this connection is the hiring out of assets of Hupac Ltd to Hupac Intermodal Ltd. and third parties. Likewise Hupac Ltd 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	31.12.2010	31.12.2009
2.1 Guarantees and assets pledged in favour of third parties	38 157	45 004
2.2 Fire insurance value of tangible fixed assets	45 771	51 086

2.3 Significant investments in subsidiary companies

Company	Business activity	Registered capital in 1 000		Share of capital as % 31.12.2010	31.12.2009
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, Antwerp	Terminal engineering, terminal operations	EUR	1 601	0.06	0.06
Hupac Intermodal BVBA, Antwerp	Terminal engineering, terminal operations	EUR	1 601	99.94	99.94
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
Cesar Information Services Scarl, Bruxelles	Data processing service for customers	EUR	100	25.10	25.10
Combinant NV, Antwerp	Terminal engineering, terminal operations	EUR	500	35.00	35.00
Crossrail Ltd, Muttenz	Railway operations	CHF	24 723	25.00	0.00
RAlpin Ltd, Olten	Traffic operations, terminal operations	CHF	4 530	33.11	30.00

2.4 Risk management

Hupac Ltd, as the ultimate parent company of the Hupac Group, is fully integrated into the group-wide internal risk assessment process. The group-wide internal risk assessment process consists of reporting to the Board of Directors of Hupac Ltd on identified risks and management's reaction to them. The procedures and actions to identify the risks, and where appropriate remediate, are performed by the management.

2.5 Changement in the presentation of the income statement

In order to increase the information quality as from 2010 governmental grants are disclosed separately as "Other income" and accordingly the costs of services follow now a gross presentation. Prior year figures have been restated.

3. Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	General reserve	Statutory reserves	Retained earnings	Total
Balance at 1 January 2009	20 000	4 822	34 300	4 703	63 825
Dividends				(800)	(800)
Transfer to the general legal reserve					
Transfer to the statutory reserves			3 700	(3 700)	
Profit for the year				4 900	4 900
Balance at 31 December 2009	20 000	4 822	38 000	5 103	67 925
Dividends				(1 200)	(1 200)
Transfer to the general legal reserve		20		(20)	
Transfer to the statutory reserves			3 600	(3 600)	
Profit for the year				5 480	5 480
Balance at 31 December 2010	20 000	4 842	41 600	5 763	72 205

Proposal for the distribution of retained earnings

Amounts in CHF	2010
Profit carried forward	282 779
Profit for the year	5 480 404
Retained earnings at the disposal of the General Meeting	5 763 183
Proposal of the Board of Directors:	
- Dividends	1 600 000
- Transfer to the general reserve	60 000
- Transfer to the statutory reserves	3 900 000
- To be carried forward	203 183
	5 763 183

Report of the statutory auditor to the General Meeting of the financial statements 2010

As statutory auditor, we have audited the accompanying financial statements of Hupac Ltd, which comprise the balance sheet, income statement and notes, pages 40 to 43, for the year ended 31 December 2010.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (Art. 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies 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, 15 April 2011

Printed on ecological paper with FSC Mixed Sources
(CQ-COC 000010) and Ecolabel (Rif. IT/011/04) certification

Hupac Ltd
Viale R. Manzoni 6
CH-6830 Chiasso
Tel. +41 91 6952800
Fax +41 91 6952801
info@hupac.ch
www.hupac.ch

HUPAC