Annual Report 2011

HUPAC

Profile of the Hupac Group

Profile of the Hupac Group

Profile

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.

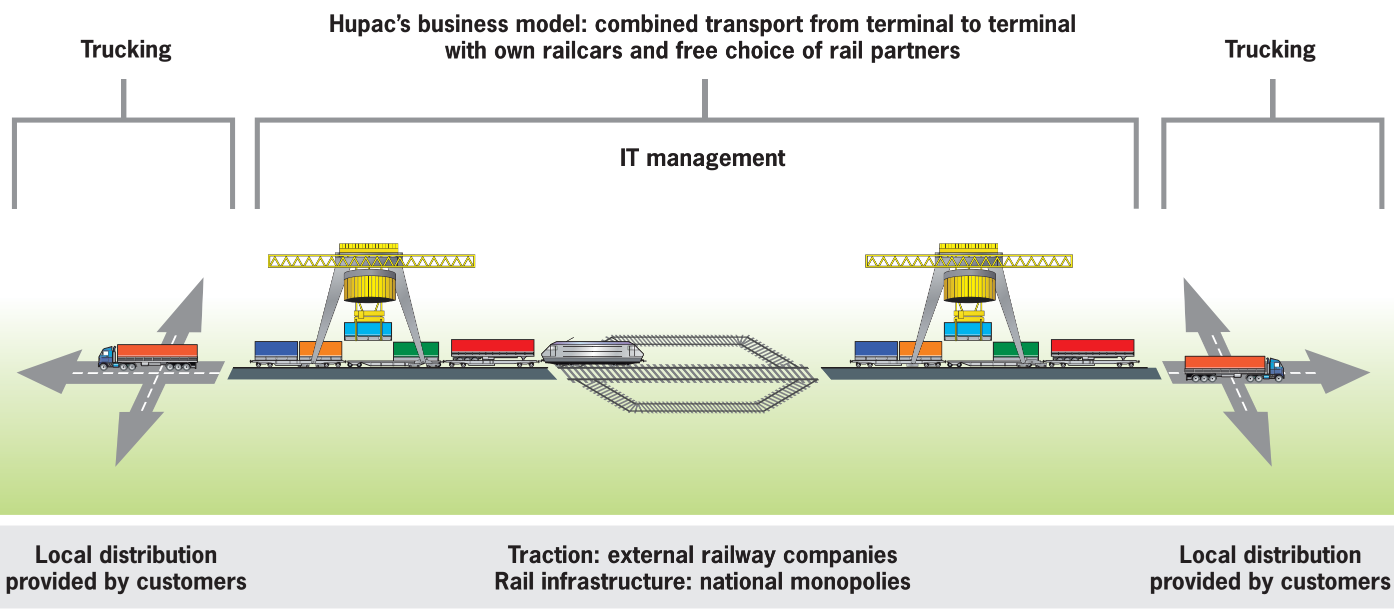
Hupac operates a network of 100 trains each day between Europe's main economic areas. In 2011, the traffic volume was around 724,000 road consignments. The Hupac Group employs 410 employees in eleven companies based in Switzerland, Germany, Italy, the Netherlands, Belgium, Denmark, Poland and Russia.

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 und independence from the railway companies.

Business model

Hupac has around 5,900 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 committed to railway liberalisation and offers its services to all transport companies

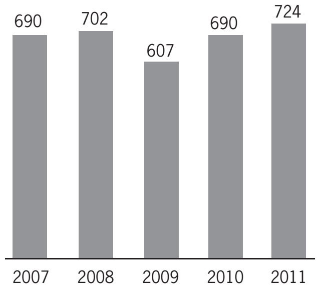
Value chain of combined transport



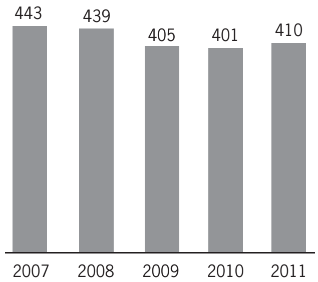
Facts & Figures

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, Moscow
Business profile	Independent intermodal transport operator
Transport offer	Shuttle Net: Europe-wide network with a focus on Alpine transit and additional services on the East-West axis (Spain, Eastern Europe, Russia, Far East)
Customers	Transport and logistics companies
Traffic volume	723,894 road consignments
Employees	410
Rolling stock	5,874 rail platforms 13 main-line and/or shunting locomotives
Terminal management	Busto Arsizio-Gallarate, Desio, 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	Quality management system ISO 9001:2008 Environmental management system ISO 14001:2004 ECM - Entity in Charge of Maintenance
Financial data	Annual turnover CHF 493.1 million (EUR 399.7 million) Profit for the year CHF 2.7 million (EUR 2.2 million) Cash flow CHF 47.5 million (EUR 38.5 million)
Dated 31.12.2011	

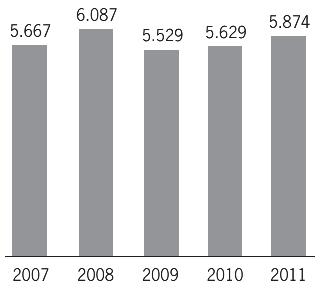
Traffic volume
Road consignments in 1000s



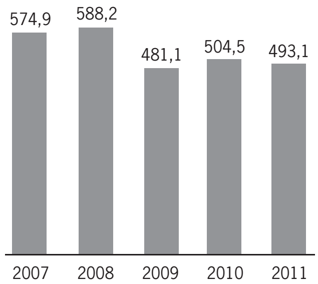
Employees



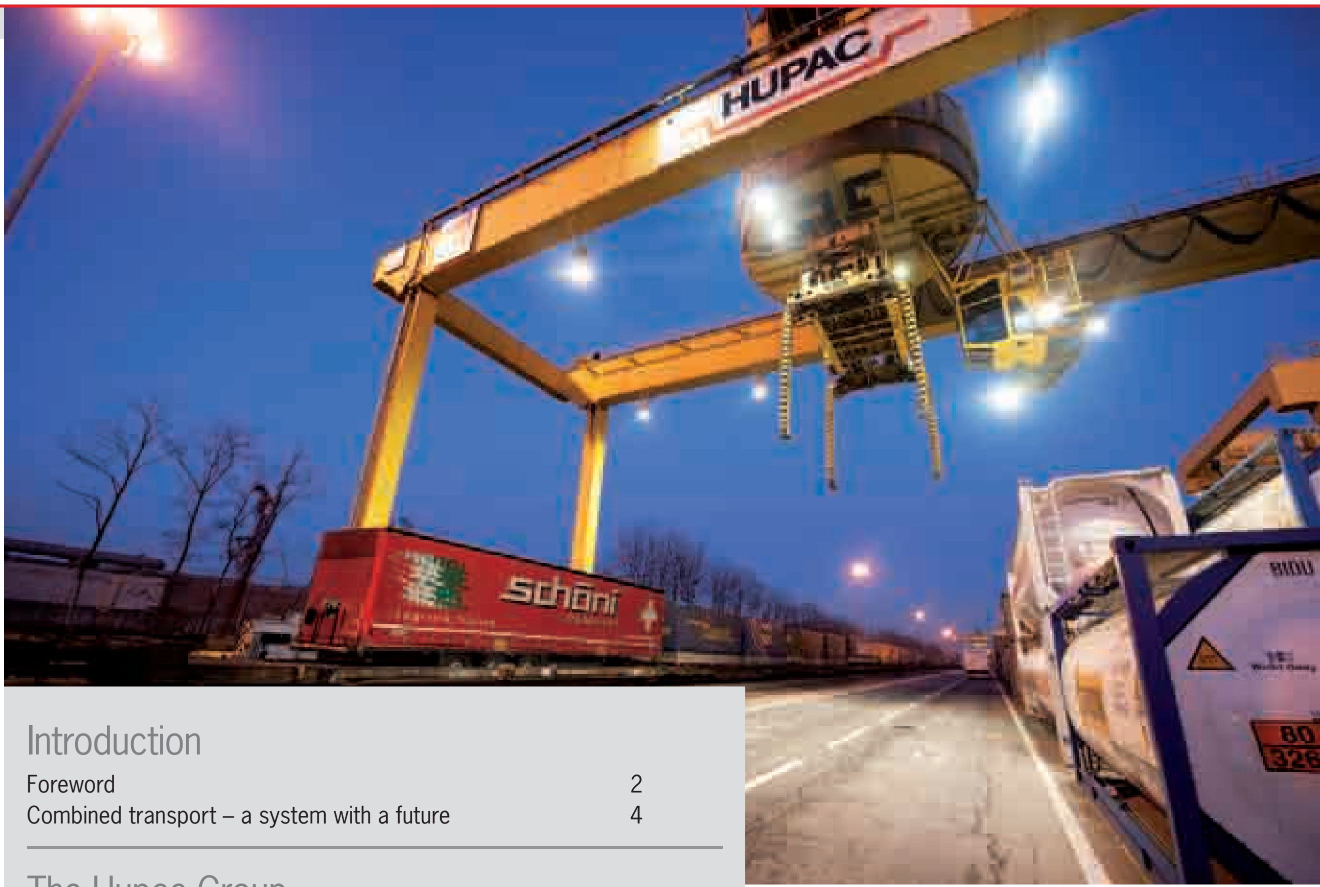
Rolling stock
Number of rail platforms



Turnover in million CHF



Annual Report 2011



Heading for 1 million road consignments

Dear shareholders and friends of the company

In May 2011, the Board of Directors approved Hupac's strategy for the period from 2011 to 2015. In terms of its main features, the strategy remains the same. It confirms the positioning of the company as a neutral network operator in European intermodal transport. Demand-driven expansion of the network, close cooperation with the rail partners in the liberalised market environment and independence through investment in our own resources such as rolling stock, terminals and IT solutions are still the key factors for Hupac's success.

Over the coming years, we continue to see opportunities for combined transport as an eco-friendly and energy-efficient transport system. Hupac is aiming for sustained volume growth of 8-10% per annum, in order to achieve a traffic volume of one million road consignments with an adequate operating result in 2015. This will save 1.2 million tonnes of CO_2 compared to pure road transport – a significant contribution to climate policy objectives.

But are strategies helpful in times of economic uncertainty? Yes, they are. Though we did not achieve our volume growth target for 2011 because of the weak economic climate in the second half of the year, a strategy understood and supported by all can point us in the right direction – especially in difficult times.

To implement the strategy, Hupac launched an investment programme totalling more than CHF 300 million for rolling stock, terminals, information technology and market development. Step by step, we are creating the conditions for future growth.

The first measures have already been put into action in 2011:

- In January, Hupac completed its shareholding in the combined transport and block train carrier SBB Cargo International – a unique model in Europe in which a private operator acquires a shareholding in a state freight railway with the challenge to achieve a positive result within a reasonable period of time.
- In July, the subsidiary Intermodal Express was founded in Moscow to develop the future market of Russia.
- In September, the green light was given for the construction of a wheel set reconditioning facility at the Busto Arsizio site, with a view to overcoming capacity shortages in rolling stock maintenance as quickly as possible.
- Lastly, Hupac was able to intensify its cooperation with Italian combined transport operator Cemat, focusing on the development of new business areas in the East as well as a joint strategy for forthcoming new terminals in Northern Italy, for example in Piacenza and Brescia.

As a system integrator between road and rail, however, combined transport is highly dependent on the economic and transport policy conditions. The more competitive road haulage becomes, the more demanding it seems to manage the railways in terms of infrastructure and operation. The back and forth on the issue of ETCS is damaging rail freight transport. At the same time, the extremely high deficits of several state-controlled freight railways highlight the urgent need for new strategies in terms of production processes and the market.

Despite the exchange rate crisis and economic downturn in the autumn, Hupac can look back on a successful financial year 2011. 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 2012

Investing in competitiveness

Dear shareholders, customers, partners and employees

At the end of 2011, the three-storey extension of our company headquarters in Chiasso was completed. The new building is directly linked to the historic Hupac head office. Its bright, friendly offices have plenty of space for new jobs. This is where Hupac has the opportunity and the intention to continue its growth.

The prospects are good. According to every forecast, growth in the worldwide exchange of goods is set to continue. Transport and logistics are regarded as growth industries. But will the railways be able to maintain and expand their role? Much depends on whether and how countries invest in their rail freight transport infrastructure.

Combined transport is successful and profitable if long trains are allowed to run on long routes with low gradients and reasonable transit times, transporting the common high-volume loading units. The specific parameters were set out back in 1991 in the “European Agreement on Important International Combined Transport Lines”: a train length of 750 metres, a 4-metre profile and a maximum gradient of 12‰.

But when the Gotthard and Ceneri base tunnels come into operation in 2016 and 2018 respectively, the combined transport trains on the North-South corridor will still have to run under less than ideal conditions. The access routes feature far lower parameters: 550-metre train lengths, a 3.80-metre profile and a gradient of 21‰ on the route via Chiasso, which requires the use of two locomotives for a 1,800-tonne train.

The NEAT was built to create an efficient freight transport corridor for modal shift. The will of the people expressed at the time should still be respected today. This requires a pragmatic, gradual adjustment of the access routes so that the advantages of the flat railway can be exploited as soon as the Gotthard base tunnel opens.

The top priority on the south side of the Alps should be the Luino line, because this branch serves the existing terminals in the Busto Arsizio/Novara area, handling 80% of combined transport via Gotthard. What is more, it is the only truly flat railway and has a gradient of just 12‰. At the same time, the intermodal corridor via Chiasso must also be addressed. This requires the construction of a freight transport route between Seregno and Bergamo as well as transhipment terminals to the east of Milan. Implementing this plan is likely to take a number of decades.

Making rail freight transport more productive and marketable would be to everyone’s benefit: the rail industry, European logistics, modal shift – not to mention the state coffers. Because competitive production conditions are the surest way to eliminate the subsidies in transalpine combined transport. In all the European countries with efficient freight transport corridors, combined transport runs without subsidies. The sooner we can rely on competitive infrastructure with internationally comparable train path pricing and dispense with operating contributions, the better.

Until then, we must increase our commitment to improving the performance of combined transport under the existing conditions. In the year under review, the availability of rolling stock was severely affected by a recall by SBB, which had a substantial impact on results both in operational and economic terms. The severe shortages in rolling stock maintenance eased slightly towards the end of the year.

You can read more about this on the following pages of our Annual Report. 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 2012

Combined transport: a system with a future

Combined road/rail transport was introduced in Europe 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. 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
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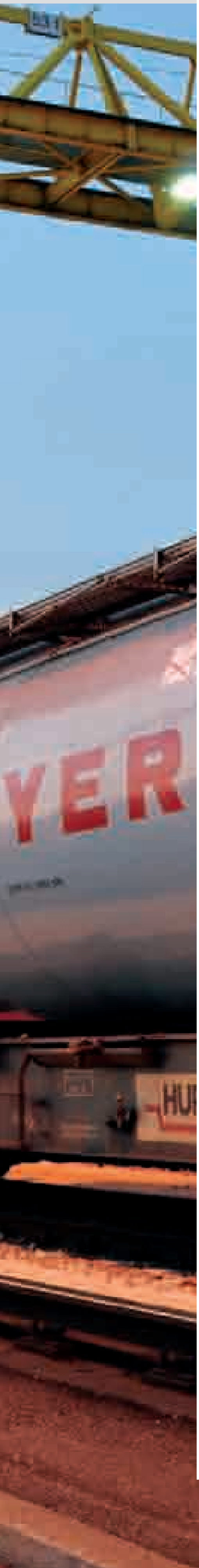
Vision and guidelines of the Hupac Group



Vision: “Moving together”

Hupac is one of Europe’s leading, independent network operators 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 seek 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.

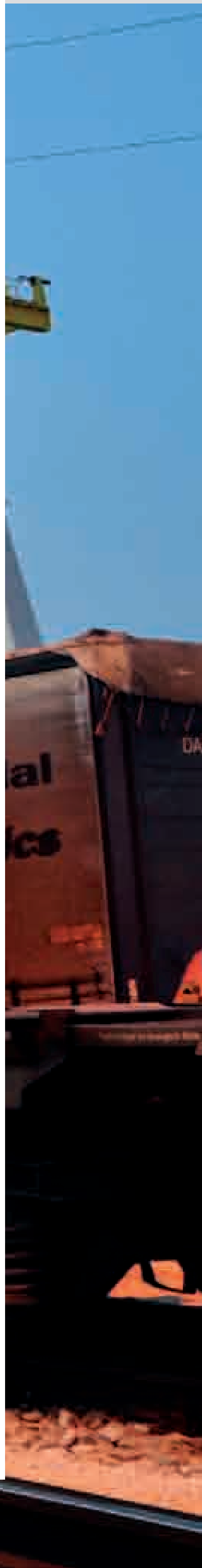
Efficient processes
Hupac aims to offer competitive service products in line with customer requirements through cost-awareness and standardisation of business processes. Our quality management system and information technology play a crucial role in achieving such objectives.

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 in line 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
- 97% → **Fidia SpA**, Oleggio — Terminal Operations; Warehouse Logistics — 3% Hupac SpA
- 99,94% → **Hupac Intermodal BVBA**, Antwerp — Terminal Engineering; Terminal Operations — 0,06% Hupac Intermodal NV
- 75% → **Intermodal Express LLC**, Moscow — Sales & Customer Service — 25% Andrey Munkin
- 100% → **Termi Ltd**, Chiasso — Terminal Engineering
  - 95% → **Termi SpA**, Busto Arsizio — Terminal Engineering — 5% Hupac Ltd

Board of directors of Hupac Ltd

Name	Age	Position	Nationality	First nomination	Expiry of mandate
Dr. Hans-Jörg Bertschi	54	Chairman since 1993	Swiss	1987	2013
Dr. Thomas Baumgartner	57	Member	Italian	1990	2013
Thomas Hoyer	61	Member	German	1988	2013
Ing. Nicolas Perrin	52	Member	Swiss	2008	2013
Nils Planzer	40	Member	Swiss	2008	2013
Peter Hafner	55	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 & Infrastructures*
Aldo Croci	*Information Technology*
Giorgio Pennacchi	*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*

Intermodal Express LLC
Andrey Munkin *Managing Director*

Terminal Singen TSG GmbH
Sascha Altenau *Managing Director*
Frank Rosenmüller *Managing Director*

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

Termi SA
Peter Hafner *Managing Director*

Termi SpA
Peter Hafner *Chairman*
Francesco Crivelli *Delegate of the Board of Directors*

Dated 31.12.2011

Corporate Governance

Structure of the Hupac Group

At the end of 2011 the Hupac Group consisted of a total of eleven companies based in Switzerland, Germany, Italy, the Netherlands, Belgium and Russia. Each company operates within its own well-defined remit in order to provide advanced solutions and contribute to the overall efficiency of the Group.

In July 2011, the Hupac Group's newest subsidiary was registered in Moscow under the name of Intermodal Express LLC. Hupac Ltd has a shareholding of 75% in the company, with the remaining 25% held by the managing director, Andrey Munkin. The purpose of the company is to provide commercial and operational support to traffic in Russia and make the cooperation with our local partner Russkaya Troyka even more efficient. The branch office was opened in Moscow in October.

Board of Directors

The Board of Directors of Hupac Ltd comprises five members. According to the company’s by-laws, the shareholders of Hupac are transport companies who actively contribute to the development of intermodal transport. Consequently the majority of the members of the Board of Hupac Ltd are entrepreneurs or managing directors of companies of this type. The German and Italian markets are represented on the Board as geographical markets of strategic importance. 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 2011 these were the combined transport operators Cemat and RAlpin, the terminal operator Combinant, the data processing service provider Cesar Information Service and the rail companies Crossrail and SBB Cargo Intenational. In the latter, Hupac Ltd’s shareholding of 25% was completed at the beginning of 2011.

Hupac maintains minor shareholdings in the terminal operating companies KTL Kombi-Terminal Ludwigshafen and DIT Duisburg Intermodal Terminal.

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.

The greatest operational 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.

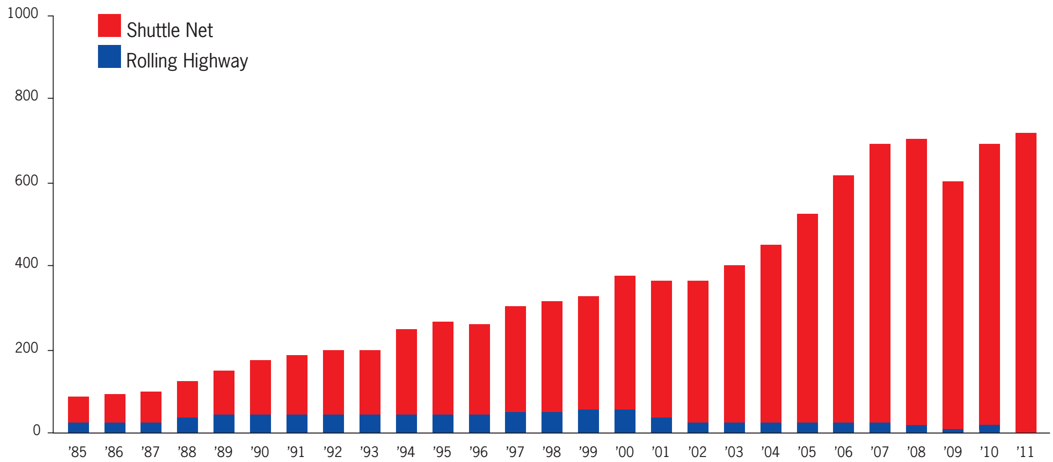
In the year under review, the increased risks to Hupac Ltd as a wagon owner were examined and covered by a number of suitable measures.

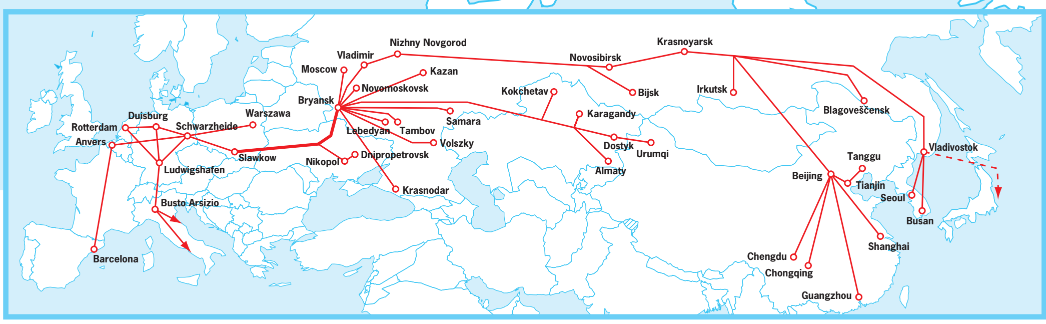
The year 2011 in review

January	‣ Completion of Hupac Ltd's shareholding of 25% in SBB Cargo International AG ‣ Transfer of operation of the Basel ⇆ Lugano Rolling Highway connection to the holding company RAlpin ‣ Integration of the Rotterdam ⇆ Basel/Niederglatt connection into the Shuttle Net with nine weekly departures
May	‣ Approval of the 2011-2015 strategy by the Board of Directors. The aim is sustained volume growth of 8-10% per year, in order to achieve a traffic volume of one million road consignments with an adequate operating result in 2015 ‣ Presentation of the newly developed multi-pocket wagon at the General Meeting in Lugano
July	‣ Foundation of the subsidiary Intermodal Express LLC in Moscow ‣ Start of construction work to create the sixth track in the connection sidings at the Busto Arsizio-Gallarate terminal
August	‣ Commissioning of a new mobile crane at the Aarau terminal
September	‣ Start of construction work on the wheel set reconditioning facility in Busto Arsizio
October	‣ Opening of the subsidiary Intermodal Express in Moscow ‣ Recertification of wagon maintenance management to ECM standards
November	‣ Completion of the extended company headquarters in Chiasso
December	‣ Cooperation with Intercontainer Scandinavia AB with a view to operating a "one-stop shop" intermodal network between Sweden and Italy ‣ Introduction of a new Antwerp ⇆ Barcelona Morrot link ‣ Completion and occupation of the new check-in building at the Busto Arsizio terminal

Traffic development 1985-2011

Road consignments in 1000s



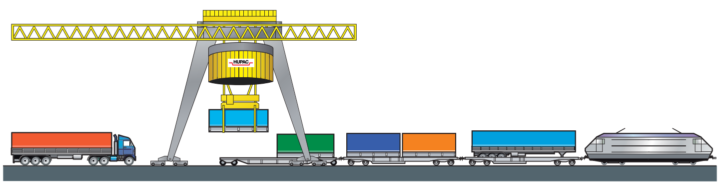


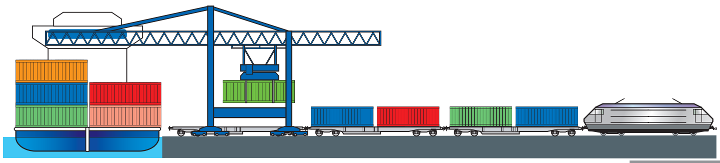
Dated April 2012

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
- Links 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.





Hupac's strategy for sustainable freight transport

Moving together: the 2011-2015 strategy

"Strategy is an economy of forces" – under this guiding principle, the Management Board and the Board of Directors developed the strategy for the period 2011-2015 and approved it in May 2011. The purpose of Hupac remains the production of block trains for unaccompanied combined transport. The company is aiming for sustained volume growth of 8-10% per annum, in order to achieve a volume of one million road consignments in 2015 with an operating profit of 2-3% of turnover.

Hupac for the shareholders
Hupac continues to position itself as an independent, neutral combined transport operator with its own assets. Its positive market prospects are characterised by a number of external factors, including the strong growth of freight traffic, the trend towards eco-friendly freight transport and the rail-oriented transport policy of Switzerland and the EU. These favourable factors may secure the long-term growth of the Hupac Group and ensure good results. Profits are primarily retained within the Group for investments.

The core business of Hupac is Alpine transit via Switzerland, Austria and France, with the latter routes under development. Other business areas include the links on the East-West axis from Spain via Benelux to Eastern Europe, Russia and the Far East.

Hupac for the customers
Hupac aims to make intermodal transport solutions the priority on long European routes. The existing network should be developed and expanded through the integration of new shuttle connections. Good networking opportunities, high frequencies and reliable quality are the key success factors on the market. To ensure the commercial sustainability of the service, the company is aiming for good train utilisation and high operational efficiency.

In the current strategy period, Hupac aims to strengthen its role as a consolidator in combined transport. Firstly, this requires a focus on the needs of small and medium-sized carriers. Secondly, attractive solutions involving slot concepts should be developed for customers with high volumes. Expertise in logistical development and planning is increasingly important.

The heart of Hupac's vision is customer satisfaction. Ensuring neutrality towards the customer is one of the main pillars of the business policy. Access to a Europe-wide network via a single interface as well as process and technological leadership in the front-end area should bring even stronger customer loyalty.

Hupac for the employees
For a service company such as Hupac in a highly complex environment, employees are the most important resource. In the coming years, they are set to be systematically developed. Hupac focuses on an open, motivating work environment, active communication and thorough training.

Hupac for the partners
Over the coming years, Hupac will prepare for the great transformation of the railway system when the Gotthard base tunnel opens in 2017. It is cooperating with the rail partners to develop new operational concepts so that the greatest possible benefit can be derived from the new infrastructure. Securing adequate rolling stock and terminals that are relevant to the market is a consistent objective.

The reduction of the subsidies for transalpine combined transport via Switzerland before and especially after the opening of the base tunnel demands concerted efforts by all partners in the transport chain to increase productivity and maintain competitiveness against road haulage. This places great demands on the cooperation with our partners, who are not only the railways but also the terminals as well as the rolling stock manufacturers and workshops.

Hupac for the society
Hupac supports Switzerland's modal shift policy by developing an attractive range of combined transport services. From the perspective of its operational experience, the company campaigns for freight-friendly regulation and adequate infrastructure. The issue of the NEAT southern connections is a particular focus. Hupac is working to make the various stakeholders aware of the need for a corridor-wide improvement of freight transport parameters to the European standard of a 750-metre train length, 2,000-tonne train weight and P400 profile height all the way to the existing terminals. These conditions will make it possible to operate combined transport without subsidies in future.

Implementing the strategy
The chosen growth strategy places stringent demands on the organisation, resource development and investment policy. In the year under review, Hupac began to implement a Balanced Scorecard (BSC) as a strategic management tool to aid the implementation of the strategy. The key objectives and figures have been identified under the headings of "Responsibility and Finance", "Services, Market and Customers", "Processes" and "Potentials". In the next step, management

and reporting processes in line with the strategy are being established within the company. The first BSC reporting is planned for the middle of 2012.

A series of so-called “Strategic Projects” ensures the step-by-step implementation of the strategy. Here is an overview of the projects initiated in the year under review and currently in the implementation phase.

- The “Operational Safety” project is designed to consolidate the existing safety management. The safety-related processes at the terminals and in traffic monitoring are to be systematically reviewed and adjusted if necessary.
- The “Marketing/CRM” project aims to enhance the relationship with customers. Alongside a systematic review of customer-oriented processes in administration and operations, customer support will be enhanced and expanded.
- The construction of a wheel set reconditioning facility in Busto Arsizio is creating urgently needed infrastructure for rolling stock maintenance. The aim is to achieve a lasting improvement in wagon availability. The volume of investment in the facility, which is set to enter normal operation in 2014, is around 8 million EUR.
- The aim of the “Compofamilies” project is to use a standard composition on the largest possible number of connections. This composition is based on the requirements of the market and the available wagon types. The project aims to optimise the availability of the required wagon types, improve operational flexibility and reduce shunting activity at the terminals.
- The “Introduction of New Products” project comprises a review of existing processes involving all the divisions concerned. It aims to improve internal coordination and accelerate the transition of new products from the project phase to normal operation.
- The internal suggestion scheme “Idea” is designed to provide input for significant enhancements to products and processes. The scheme stimulates the initiative and know-how of the employees, who are directly involved in the implementation of their ideas.

Process innovations

The restructuring of the Dispatching department continued in the year under review. Since September 2011, the ten-strong dispatching team has been working around the clock, seven days a week: from 5.00 a.m. on Mondays without interruption until 6.00 p.m. on Saturdays and on Sunday mornings from 8.30 a.m. to 1.00 p.m. An on-call service operates during the remaining hours of the weekend. This means that Hupac can intervene more quickly and effectively in the event of traffic disruption and guarantee its customers an uninterrupted information service.

In addition, a number of planning tools are being introduced. The “Hupac Traffic Viewer” early warning system automatically reports any train running more than 60 minutes late. This is possible thanks to the interlinking of information from the different rail companies and from the GPS units installed on almost 50 of Hupac’s trains. The train circulation schedule, which customers can access online, ensures three-way planning between operators, railways and terminals in the medium term. The tool is particularly useful for scheduling traffic on public holidays.

To deal with the rapidly increasingly complexity of traffic, Hupac has invested in modern decision support systems. Developed in collaboration with the SUPSI University of Applied Sciences and Arts, Lugano, the WHATIF software suite enhances the efficiency of rolling stock deployment. The “Composer” module calculates the required number of train compositions on a particular route with a particular schedule, taking into account the required wagon types. It is primarily used for long-term planning. The “Planner” module helps the dispatchers decide which available composition is best to use for each train connection. Once the test phase is complete, the two modules will be put into normal operation in mid-year.

Certifications

Quality and environment 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 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 for three years. Interim audits were conducted at the Chiasso and Rotterdam sites in September of the year under review, involving an examination of many different processes.

ECM – Entity in Charge of Maintenance

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. Following railway liberalisation, responsibility for the maintenance of wagons has passed from the railway companies to the wagon keepers. The designation of an ECM, i.e. an entity responsible for maintenance, has been compulsory for traffic in Germany since 1 January 2011.

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In October 2011, the maintenance management processes were successfully recertified as part of a surveillance audit.

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 mean 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

Despite the increase in volume, the Hupac Group's revenues from supplies and services decreased by 2.3% to CHF 493.1 million in the year under review as a result of exchange rate developments. The "Other revenues" item includes state financial support. In 2011, this decreased by 19.3% compared to the previous year, primarily due to the reduction of operating contributions.

The net cost of the services decreased by 3.2% compared to the year before to reach CHF 465.9 million. Gross profit fell by 11.9% compared to the year 2010.

The Group's operating profit decreased by 17.3% to approximately CHF 2.6 million in the year under review. The difficult monetary situation and the extremely negative impact of SBB's carriage recall in the middle of the year have led to this modest result.

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 47.5 million, which represents an increase of 13.6% compared to the year before.

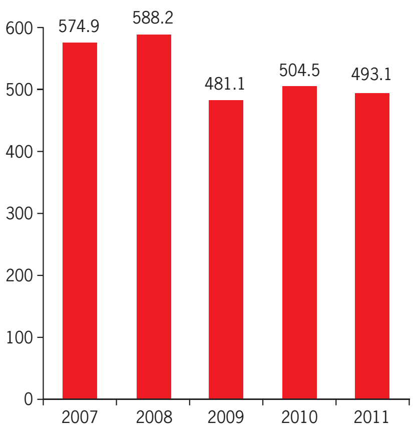
Investments in tangible fixed assets amounted to CHF 40 million in 2011. The investments were primarily related to the purchase of rail wagons, the completion of the Busto Arsizio-Gallarate terminal and the extension of the headquarters in Chiasso.

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

Values in 1000 CHF	**2011**	**2010**	**%**
Income from supplies and services	493,128	504,489	-2.3
Other income	75,735	93,896	-19.3
Cost of the services	465,861	481,444	-3.2
Gross profit	103,002	116,941	-11.9
Group's operating profit	2,651	3,205	-17.3
Group's cash flow	47,506	41,809	13.6

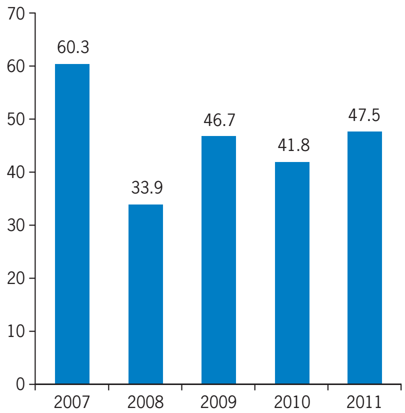
Annual turnover

in million CHF



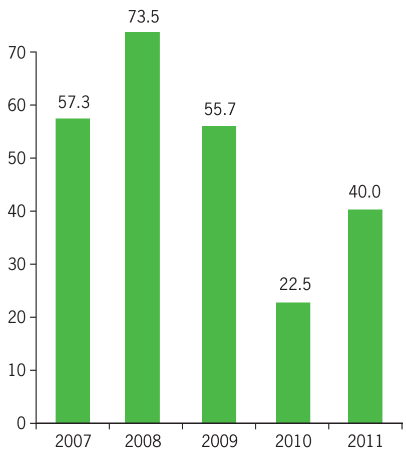
Cash flow

in million CHF



Investments in tangible fixed assets

in million CHF



Traffic development

In total, Hupac carried 723,894 road consignments on its European network in the year under review, thus exceeding the record volume of the year 2008. Whilst double-digit growth rates were achieved in the first six months, growth slowed in the second half of 2011 as a result of the economic downturn. In total, Hupac achieved an increase of 6.6%.

The continuation – albeit in a slightly modified form – of the temporary cyclical discount by the Federal Office of Transport had a positive impact. The granting of additional funds reduced the price pressure of the road and prevented the danger of a shift back onto the road.

The low availability of rolling stock continued to have a negative effect on traffic development in 2011. Intensive maintenance measures and a recall of a large number of wagons caused an acute shortage of rail platforms. As a result, capacity adjustments had to be made on some connections.

Line closures and diversions due to construction work also had a negative impact. However, unforeseeable events such as storms, strikes and accidents were far more significant. They interfered with operational management, in some cases for days on end, placing stringent demands on Hupac and its rail partners in terms of capacity planning and management.

Shuttle Net

Once again, the strongest growth was recorded in Alpine transit via Brenner. All the connections on this axis, specifically Belgium/Netherlands/Denmark ⇆ Italy, showed double-digit growth rates. The key success factor is the opportunity to offer the P400 clearance profile for the transport of semi-trailers, thus tapping into new market potential for commercial goods, groupage freight and temperature-controlled transport. In total, the volume of this segment grew by 24% to 53,053 road consignments.

Non-transalpine traffic also continued to show strong, double-digit growth. This includes Swiss import/export traffic as well as transport on the East-West axis between Spain, France, Belgium, Germany and Eastern Europe. The area grew by 14.4% and now accounts for one third of Hupac's total traffic. Transalpine traffic via Switzerland also saw its volume grow by 1.2% to 430,702 road consignments.

Transport volumes

	Road consignments			Net weight in tonnes		
	2011	**2010**	**%**	**2011**	**2010**	**%**
Transit via CH	394,081	389,692	1.1	7,418,000	7,353,000	0.9
Import/export CH	8,729	8,706	0.3	138,000	149,000	- 7.4
National CH	27,892	27,306	2.1	458,000	454,000	0.9
Total transalpine via CH	430,702	425,704	1.2	8,014,000	7,956,000	0.7
Transit via A	53,053	42,793	24.0	997,000	800,000	24.6
Transit via F	1,221	1,777	- 31.3	26,000	33,000	- 21.2
Total transalpine	484,976	470,274	3.1	9,037,000	8,789,000	2.8
Import/export CH	79,162	45,926	72.4	1,108,000	635,000	74.5
Other traffic	159,756	162,866	- 1.9	2,736,000	2,787,000	- 1.8
Total non-transalpine	238,918	208,792	14.4	3,844,000	3,422,000	12.3
Total	723,894	679,066	6.6	12,881,000	12,211,000	5.5

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

Scandinavia ⇆ Italy

The Scandinavia ⇆ Italy transport axis was affected by intensive building activity to maintain the rail infrastructure in Germany. The resulting operational restrictions and disturbances limited growth to a modest increase of 1%. The P400 profile for semi-trailers on the route via Brenner to Verona made it possible to attract new traffic to the railways from the road. However, this failed to compensate for the volumes lost to other operators via the Baltic Sea route.

With the schedule change in mid-December 2011, the Swedish cooperation partner discontinued the train connections within Sweden from and to Malmö. Thanks to forward planning, Hupac was able to transfer the volumes to the new cooperation partner Intercontainer Scandinavia with almost no disruption, thus ensuring the trouble-free continuation of transport for customers.

Germany ⇆ Italy

After strong growth at the beginning of the year, we recorded a flattening of traffic volumes in the second half. The flows of traffic became increasingly uneven as a result of a downturn in North-South traffic. We recorded the strongest growth in the Baden Württemberg ⇆ Northern Italy corridor. The Singen ⇆ Busto and Singen ⇆ Brescia connections introduced in 2010 continue to enjoy strong demand for transport.

Despite an increasingly competitive market environment with the introduction of company trains by other operators from the Rhine/Main and Rhine/Ruhr economic area, volumes were maintained at the previous year's level. Whilst a slight reduction in traffic was recorded in the Rhine/Ruhr via Gotthard segment, there was a very pleasing development in the Duisburg ⇆ Novara connection via Lötschberg, which allows the loading of P400 semi-trailers.

Netherlands ⇆ Italy

The Rotterdam ⇆ Verona connection via Brenner enjoyed strong demand, which made it possible to increase the departure frequency. Once again this year, we had to deal with severe quality issues on the route via Switzerland, caused in part by construction work and line closures. New competitors in combined transport further intensified the competitive situation. Volume growth in the Netherlands ⇆ Italy corridor amounted to just 0.2%.

Belgium ⇆ Italy

We achieved an increase in traffic of 4.8% in the Belgium ⇆ Italy transalpine corridors via Switzerland and Austria. Whilst the transport volumes via Switzerland were characterised by modest growth, there was a disproportionate increase in traffic on the Genk ⇆ Verona and Antwerp ⇆ Verona connections.

Swiss import/export transalpine traffic

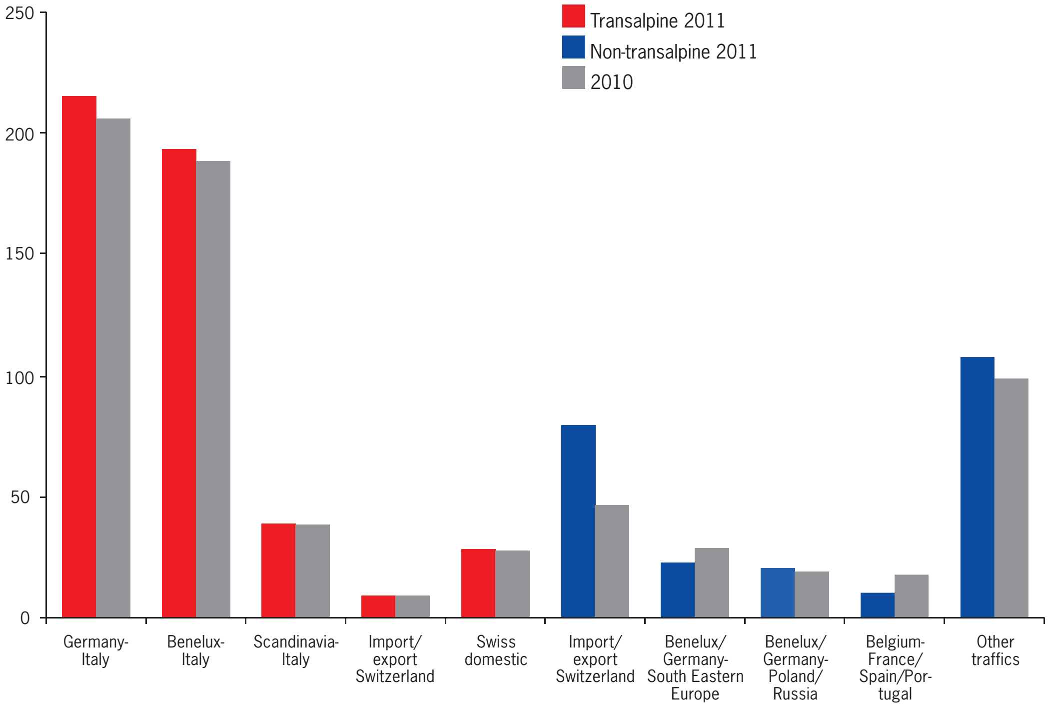
The export weakness caused by the strong Swiss franc put increasing pressure on traffic between Italy and Switzerland. Overall, we carried the same volume of traffic in this market segment as in the previous year.

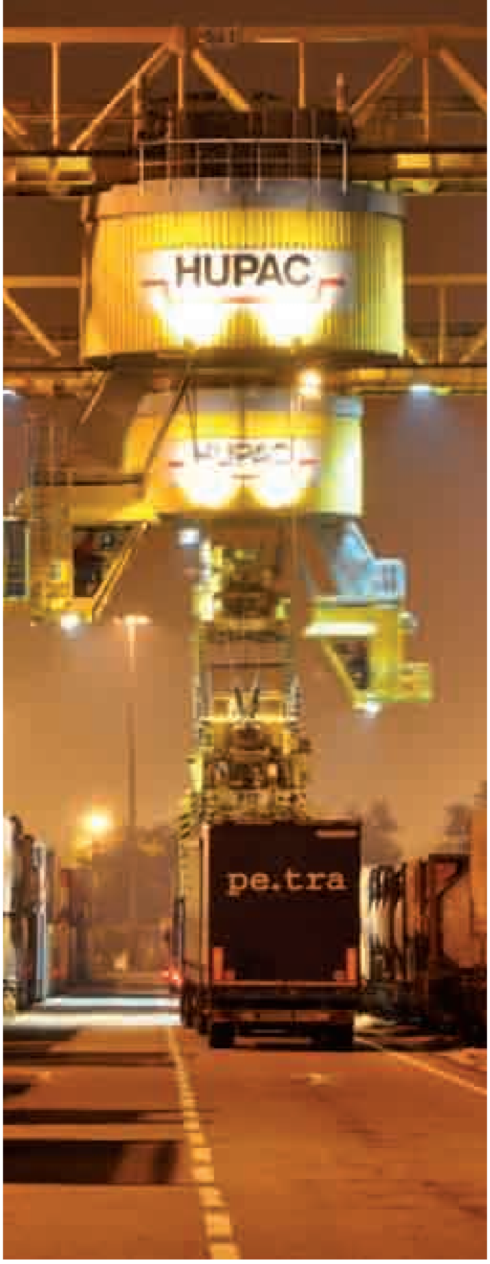
Swiss domestic transalpine traffic

The improvement in the departure frequency

Development of the market segments in the Shuttle Net

Road consignments in 1000s





made in 2010 helped us to achieve another increase of 2.1% in transport volumes. Our acquisition efforts were supported by the very high punctuality rate of trains in this segment.

Import/export non-transalpine traffic
In January 2011, Hupac integrated the former ICF traffic between Rotterdam and Switzerland into the Shuttle Net. The Rotterdam ⇆ Basel/Niederglatt connection with nine weekly departures contributed to the disproportionate growth of this segment.

The Antwerp ⇆ Switzerland traffic also continued to develop positively, showing strong growth particularly in the first half as a result of the Rhine closure following a shipping accident. Only the Switzerland ⇆ Germany connection suffered a slight reduction in traffic due to the EUR/CHF exchange rate issue.

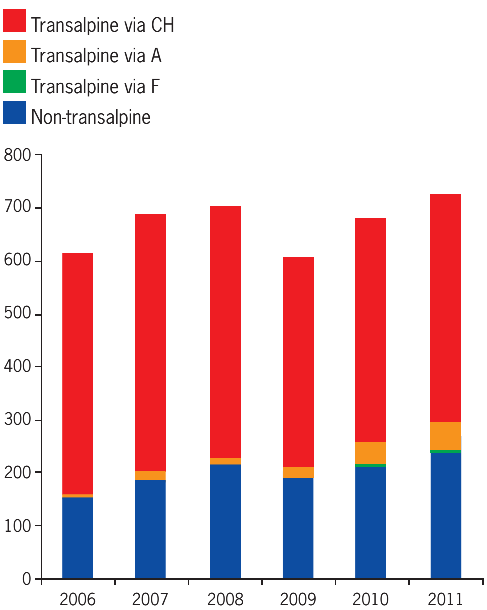
Benelux/Germany ⇆ South Eastern Europe
Shifts in production and a challenging market environment with low freight rates in road haulage and an aggressive pricing policy by other operators forced us to accept a substantial decline in volume. The newly acquired traffic to Romania was not enough to compensate for the reduction.

Benelux/Germany ⇆ Poland/Russia
Traffic on the East-West axis continues to grow, with an increase of 5.6%. The introduction of a weekly block train between Slawkow and Briansk in cooperation with our Russian partner, Russkaya Troyka, brought a sustained improvement in quality and the scope for planning from the second half of the year. Founded in July 2011, the Russian subsidiary Intermodal Express provides commercial and operational support to the traffic in Russia.

Benelux ⇆ Southern France/Spain
Strike periods and construction work were the main reasons for the significant quality issues in the year under review. The resulting loss of customers forced us to discontinue the train that ran three times a week. At the same time, we were obliged to reduce the departure frequency of the Antwerp ⇆ Perpignan connection from five to three departures.

Maritime transport
Hupac significantly improved its maritime transport services in 2011. The frequency was more than doubled in comparison to 2010 with the new Rotterdam ⇆ Basel shuttle train, including a transfer to Swiss domestic traffic. In addition, Hupac offers the option to reach the southern ports via the “Swiss Rapid Express” product.

Traffic development by business areas
Road consignments in 1000s



Operating resources

Rolling stock

At the end of 2011, Hupac's fleet consisted of 5,874 rail platforms, an increase of 4.4% compared to the previous year. The number of leased wagons as a proportion of the total rolling stock slightly grew to 20.9%.

Once again, low wagon availability was one of the greatest challenges in the year under review. A recall affecting around 1,400 wagons and aimed at rectifying certain maintenance work, brought wagon availability to a low point of 63% in the middle of the year. To ease this serious situation, performance enhancements were introduced at the existing workshops and new maintenance partners were appointed. Wagon availability constantly increased as a result, ultimately reaching a level of 77%. The construction of our own wheel set reconditioning facility in Busto Arsizio should improve the situation in the long term. The facility is scheduled to open in summer 2012.

In 2011 Hupac continued to invest in its own rolling stock. In total, 130 wagon modules worth approx. CHF 18 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 as well as 20 Rola wagons which were leased to the Rolling Highway operator RAlpin. The delivery of 135 wagons is expected for the current year.

Progress was also achieved in the development of new rolling stock. In May 2011 Hupac presented a versatile multi-pocket wagon that can carry one semi-trailer or several containers and swap bodies, even heavy and high volume ones, together with a Swiss wagon manufacturer.
In the second half of the year, the wagon was comprehensively tested for strength, dynamics, braking performance and noise emissions. TSI approval is set to be granted this year. Operational trials will then begin, to determine the life cycle costs.

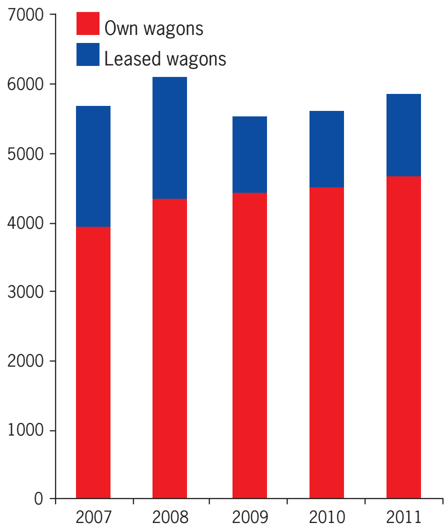
Rail traction

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 International, DB Schenker Rail, Trenitalia Cargo, Crossrail, Nordcargo, Captrain, WLB Wiener Lokalbahnen, SNCF Fret, SNCB Logistics, PKP Cargo and Rail Cargo Hungaria.

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

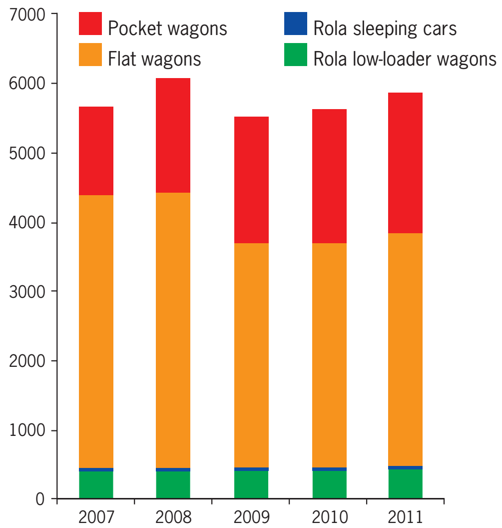
Rolling stock

Number of rail platforms



Rolling stock by type

Number of rail platforms



Terminals

Hupac's trains serve around 70 transhipment terminals in 15 European countries. Many other terminals can be reached via train connections offered by our partners. In December 2011, the Barcelona Morrot terminal was connected to Hupac's network.

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 7% to 28 minutes.

Construction work continued at the Busto Arsizio-Gallarate terminal to complete the facility. The extension of the check-in building was continued. In December, staff members were able to move into the new offices. Construction of the sixth track in the connection sidings began in July, with completion anticipated in spring 2012.

A new mobile crane was purchased for the Aarau terminal and put into operation in August.

Information technology

Transport is highly dependent on the coordination of different interfaces within the entire value chain. Information technology is therefore one of Hupac's most important assets.

The company has a centralised system that links all the branch offices and around 60 terminals all over Europe. At the heart of the system is Goal (Global Oriented Application for Logistics), a software application developed by Hupac for the coordination of combined transport from booking to billing. A number of terminals and operators have adopted the system. Many partners such as operators, ship owners etc. exchange their data with Hupac via XML using the Ediges (Electronic Data Interchange Goal with External Partners) system. Only a fraction of the data used to control and monitor the annual volume of more than 700,000 consignments needs to be processed manually.

Uninterrupted tracking of the loading units is an indispensable service for customers. They can access all status reports based on the Goal data via the Cesar web-based customer information system. The integration of the data system also creates added value for the customers, who tend to select e-booking and e-billing functions with direct data entry into the system, particularly for large transport volumes.

In the year under review, the IT specialists continued to support the installation of the rolling stock maintenance system. A detailed description has been created in the Goal system for each of the almost 6,000 wagons in use. This also includes a precise inventory of important wagon components such as wheel sets and brakes. Goal indicates when each wagon needs to be taken to the workshop for each maintenance phase. If a wagon exceeds the specified maintenance date, Goal indicates that it can no longer be used.

Quality, safety and productivity

Quality

In the year under review there was a noticeable improvement in train punctuality, defined as less than an hour late, compared to the previous year. This is due to the completion of most of the construction work and the adequacy of the available rail resources. In terms of routes, Chiasso leads the field with a score of 88% (previous year: 77%). Some of the connections via Brenner faced difficulties; the punctuality rate here fell from 80% to 78%. In contrast, non-transalpine traffic improved from 75% to 78%. Punctuality on the Luino axis was increased from 71% to 74%. Progress was also achieved on the Lötschberg axis, with a punctuality rate of 71% (previous year: 64%). This trend continued in the first few months of 2012.

Safety

One of Hupac's primary strategic goals is to ensure operational safety. Avoiding accidents at the terminals and on the railway lines, preventing or mitigating the consequences of operational disruption and protecting the integrity of the loading units in its care are the company's overriding safety objectives.

Hupac supports the zero-error strategy of the rail system and 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 May 2011, a Hupac train derailed near Müllheim in southern Germany, resulting in major property damage. The cause of the accident has not yet been conclusively determined. In June, a Hupac train was involved in a collision in Bleicherode in eastern Germany. In October, a derailment occurred near Cologne. Hupac actively supports the investigations and integrates any safety-related findings into its operating processes.

Implementation of the disaster recovery concept for the information technology systems was completed in the year under review. In a new IT room at the extended company headquarters, Hupac's entire IT system has been mirrored and is therefore doubly secured. Hupac has conducted a number of audits to verify the performance and safety standard of the internal IT connections.

Crane availability is a crucial factor in operational safety at the terminals. The corresponding figure was 99% at Singen and HTA Hupac Terminal Antwerp, with 98% at Busto Arsizio-Gallarate.

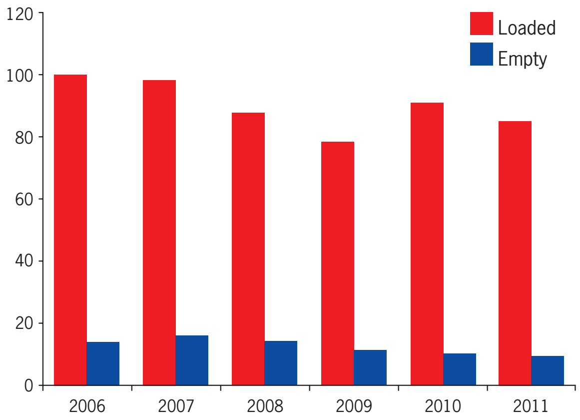
Productivity

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, fell by 6.4% in the year under review. The reason was the low wagon availability because of maintenance shortages. The average unloaded mileage was instead reduced by 9.3%. This is particularly due to the intensive efforts to achieve satisfactory train utilization. The improved fleet management, one aim of which was to reduce empty runs to the workshops, also contributed to this pleasing result.

As a result of the negative traffic development in the second half of the year, the number of load units processed per employee fell by 2.0% at the Busto Arsizio terminal and by 8.7% in Aarau. The headquarters also saw a decrease (-1.8%) in productivity, measured by the number of road consignments per average number of employees.

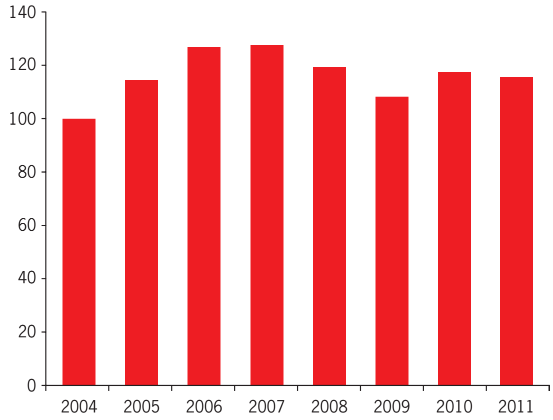
Running performance of wagons

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. They are mostly 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.

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 dubbed "Customer Focus" proceeded in the year under review.

Suppliers

Suppliers' profile and characteristics

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

Hupac's policy towards its suppliers

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

Selection of suppliers

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

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.

Development of shareholdings

SBB Cargo International Ltd, Olten
Since the start of 2011, Hupac has held a minority interest of 25% in the Swiss carrier for international block-train and combined transport on the North-South axis. The aim is to establish SBB Cargo International as a strong, lean freight railway by integrating logistical know-how from the private sector. This stimulates the market and creates additional incentives for modal shift.

SBB Cargo International suffered the consequences of the Europe-wide economic crisis and currency losses in the year under review. Cooperation with Hupac was successful and efforts to rationalise and standardise processes began. In future, the potential for optimisation will be discussed and implemented in working groups with a focus on the market, operations and finance. Even closer integration should bring a further improvement in the results this year.

Crossrail Ltd, Muttenz
Despite adverse market conditions, Hupac aims to guarantee continuity for the Crossrail private railway and therefore supports deregulation. At the end of the year under review, Hupac held a minority interest of 25% in Crossrail.

In the year under review, Crossrail had to face the consequences of the economic and currency crisis. The market environment, only recently liberalised and still predominantly under state control, is putting private freight railways in an increasingly difficult position. To broaden support for the company, the shareholder base has been expanded this year. As other operators joined the company in February, Hupac reduced its shareholding from 25% to 20%.

Cemat SpA, Milan
Hupac has worked closely with Cemat since the seventies and has been one of the Italian combined transport operator's shareholders for decades. At the end of the year under review, Hupac's capital share remained unchanged at 34.5%.

Hupac was able to intensify its cooperation with Cemat in the year under review. There was a positive development in jointly operated traffic. Projects for specific new international traffic are set to be developed synergistically. Hupac also works closely with Cemat to secure terminal capacity in northern Italy.

RAlpin Ltd, Olten
In conjunction with SBB, BLS and Trenitalia, Hupac is a founding partner of the company established in 2001 to operate combined transport through Switzerland. At the end of the year under review, its capital share remained unchanged at 33%.

As of 1.1.2011, Hupac transferred the operation of the Basel ⇆ Lugano route to RAlpin. This now places the entire Rolling Highway service through the Swiss Alps in one company's hands, as was demanded by the Swiss Federal Office of Transport in the tendering procedure for operation of the Rolling Highway until 2018.

Hupac handles many tasks on behalf of RAlpin, such as customer service, scheduling and invoicing for the Rolling Highway. It also operates the Lugano and Novara terminals via its subsidiary, Fidia. In the year under review, Hupac leased 405 low-floor wagons and 29 separate sleeping cars to RAlpin.

Combinant NV, Antwerp
At the start of 2009, Hupac acquired a shareholding of 35% in the Belgian terminal operator Combinant in cooperation with BASF and IFB. The aim was to secure terminal capacity in the strategically important Antwerp port area.

Put into operation in 2010, the terminal developed according to plan. However, the volume of consignments fell short of expectations due to the economic crisis. In the year under review, Hupac handled 30 trains per week via the Combinant terminal.

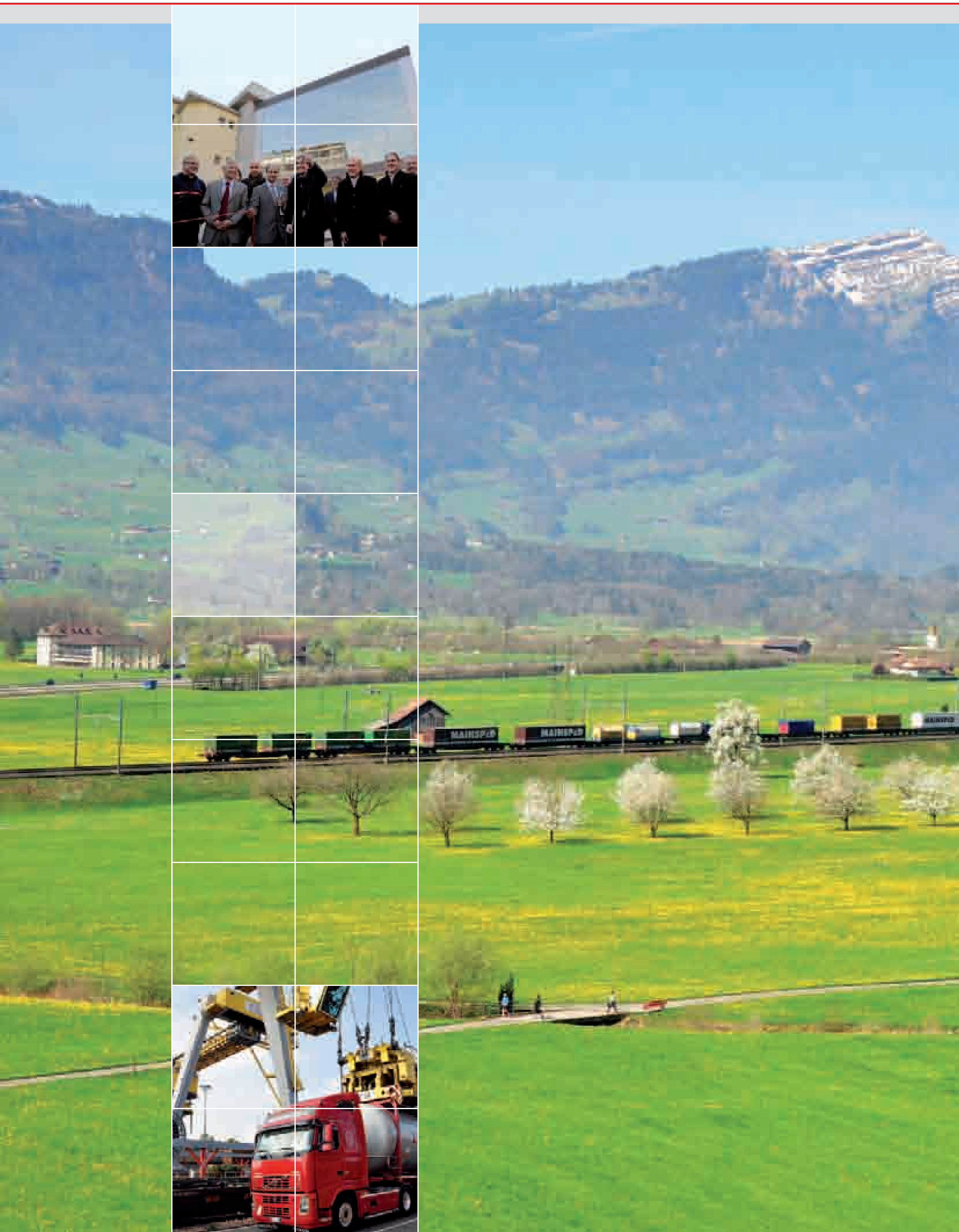
KTL Kombi-Terminal Ludwigshafen AG, Ludwigshafen
Hupac has held a share of 15% in the operator of the Ludwigshafen combined transport terminal since 2005. In Hupac's network, the KTL acts as a central hub for the grouping of consignments between Germany, Italy, Belgium and Poland. More than 80 Hupac trains run via the hub each week.

DIT Duisburg Intermodal Terminal AG, Duisburg
The trimodal Duisburg Intermodal Terminal, in which Hupac has held a share of 10% since 2003, serves as an inland hub for the major North Sea ports of Rotterdam and Antwerp. In the year under review, Hupac ran just under 50 trains per week via this terminal.

CIS Cesar International Services Scarl, Brussels
Hupac is a founding partner of Cesar International Services, established in 2004, with a capital share of 25%. Various other combined transport operators also hold shares in the Brussels-based service company, which manages and develops the Cesar customer information system.

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 850,000 tonnes of CO_2 and nearly 11 billion megajoules of energy compared to pure road transport, according to the environmental calculator of www.ecotransit.org.

Hupac is also committed to eco-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. 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 2011, 88% (previous year: 85%) 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 145 wagons were noise-refurbished in the year 2011; the noise abatement programme should be completed by 2015. The cost of converting the brakes is borne by the Swiss Government.

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.

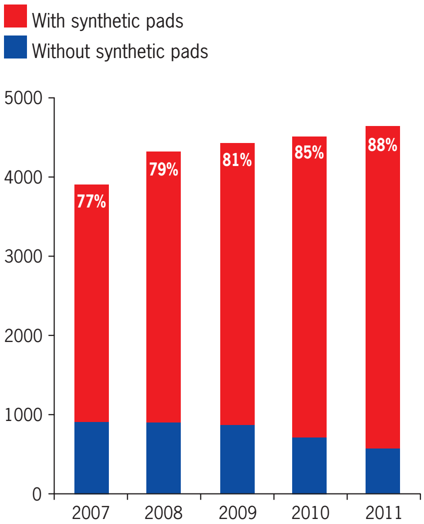
Efficient fleet management also reduces the environmental impact of transport. Well utilised trains make particularly efficient use of energy. The average unloaded mileage per wagon was reduced by 9.3% in the year under review.

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.

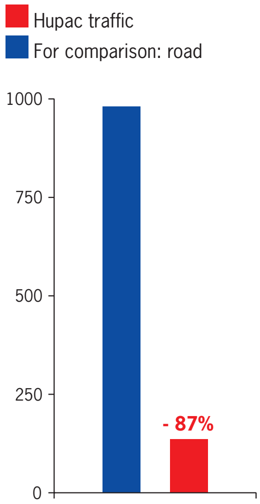
Wagons fitted for noise reduction

Number of own wagons



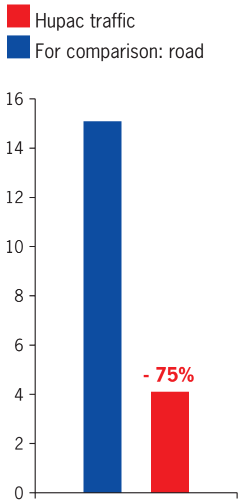
CO_2-emissions

Tonnes in 1000s



Energy consumption

in billion megajoules



www.ecotransit.org

Transportation of hazardous materials

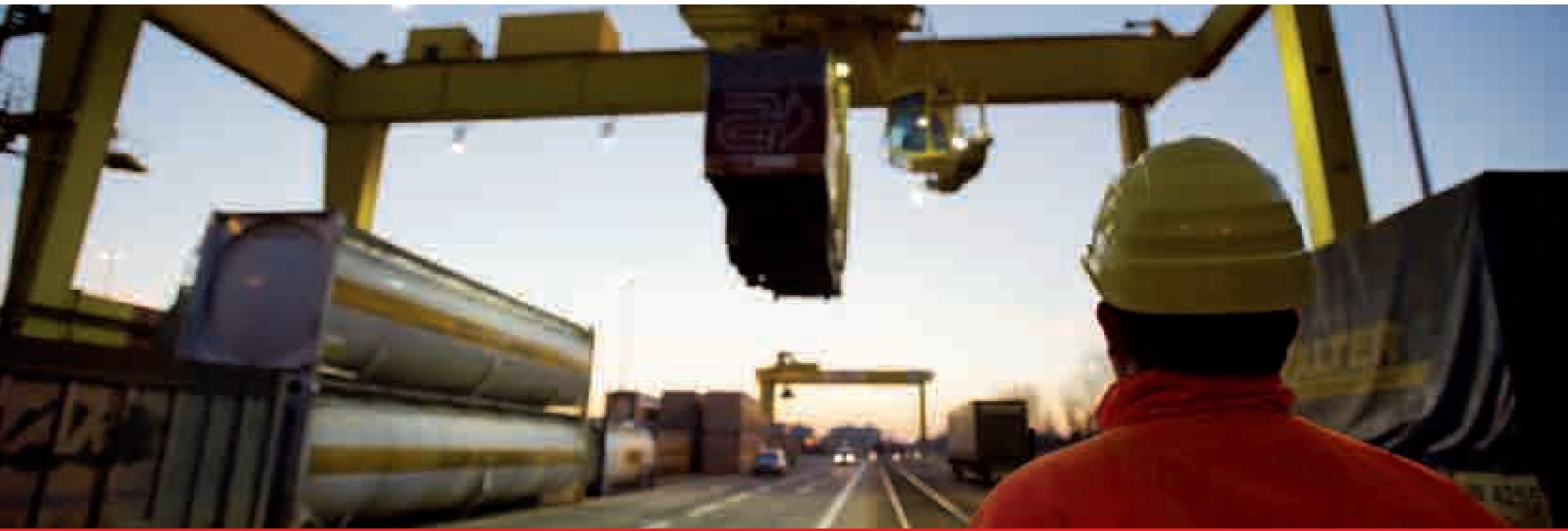
Hazardous goods are an important part of our economy and an indispensable element of many areas of everyday life. Basic commodities for industrial production, heating oil, fuel, medical gases, and pesticides – all of these goods may only be transported if certain safety precautions are observed. Rail 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 15% 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 training courses involved approximately 160 employees at the terminals in Busto Arsizio, Basel and Aarau. The focus of the training was on document management, load unit inspection and emergency management in cooperation with the authorities and emergency services. As always, our customers made a very valuable contribution.

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 the year under review, more irregularities were recorded at the terminals than in the previous year (57 compared to 38), though fewer were registered on the rail network (24 compared to 27). This must be regarded as a positive result, particularly given the intensified rail inspections: stricter controls at the terminal meant lower risks on the network. Incorrect seals on containers were a common cause for complaint.



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 2011, there were 410 members of staff (previous year: 401). 160 people were employed at Hupac Intermodal in Switzerland, Denmark and Poland, 212 at the subsidiaries Hupac SpA, Fidia SpA and Termi SpA in Italy and 38 at the remaining subsidiaries in the Netherlands, Germany, Belgium and Russia. The proportion of women fell from 17% to 14%. The average seniority increased to 9.3 years.

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. A broad-based training initiative for approximately 60 employees covered rolling stock management, including maintenance and spare parts management according to ECM specifications. Other training courses covered IT applications and administrative processes, while a number of employees attended external courses for special training requirements. In 2011 Hupac continued the training of three apprentices in Chiasso who will obtain the diploma for commercial employees. About 15 employees took part in job rotation programmes.

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, 16 occupational injuries were recorded along with 303 lost working days in the year under review. The number of occupational injuries and lost working days per employee thus decreased in comparison to the previous year.

Internal communications

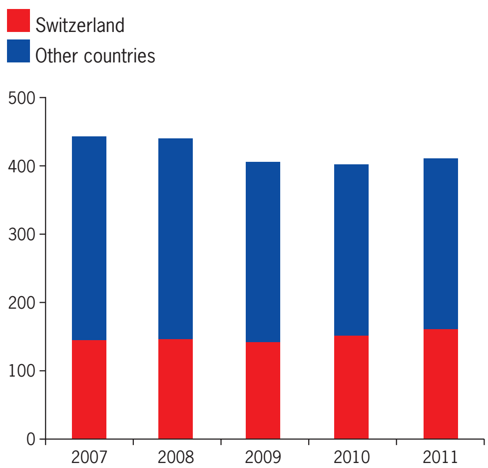
In the year under review, Hupac intensified its internal communications in order to provide all staff with constant, first-hand information about the market, the company's situation and the measures taken. In the course of the year, the senior management organised several meetings with the staff in all subsidies.

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 2011, at the Italian subsidiary it fell from 77 to 74.

Workforce of the Hupac Group

Number of employees



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 2011 Hupac achieved a volume of 431,000 consignments or 8.0 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)
- HTA Hupac Terminal Antwerp

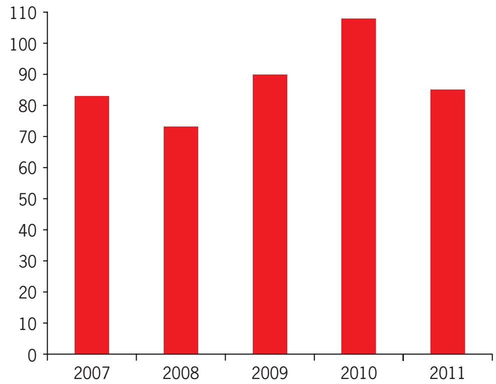
The completion of the Busto Arsizio-Gallarate terminal is taking place. The extension work proceeded as planned in the year under review. The sixth track in the connection sidings represents the last outstanding investment; administrative completion is planned by the end of this year at the latest.

The Hupac Group will have to repay a considerable part of these subsidies, amounting from 2011 to 2040 to around CHF 78.4 million. In the same period, estimated interest of around CHF 6.9 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 are generally reduced year by year, allowing the shift of increasing amounts of traffic with slightly reduced funds. In the past year, the Confederation left the subsidies at a slightly higher level, in order to counter the effects of the economic crisis.

Subsidies for Shuttle Net

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



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

Values in 1000 CHF

Years	2011	2012-2026	2027-2030	2031-2035	2036-2040	2011-2040 Total
Loan repayment	3,741	3,657 - 3,995	2,613	1,539 - 1,548	65	78,411
Interest	371	117 - 620	11 - 74			6,929
Total	4,112	3,775 - 4,563	2,624 - 2,687	1,539 - 1,548	65	85,340

Relationship with public institutions and communities

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

In 2011 Hupac strengthened its relationship policies with international institutions by receiving guests and delegations from Switzerland and several European countries 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 and workshops 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 2011, 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 income statement 2011 and 2010

Amounts in 1 000 CHF	2011	2010
Income from supplies and services	493 128	504 489
Other income	75 735	93 896
Cost of the services	(465 861)	(481 444)
Gross profit	103 002	116 941
Payroll expenses	(32 141)	(32 493)
General expenses	(10 484)	(11 085)
Depreciation and provisions	(47 055)	(48 819)
Gains from disposal of fixed assets	807	28
Losses from disposal of fixed assets	(106)	(1)
Operating profit	14 023	24 571
Financial income	414	372
Financial expenses	(3 143)	(3 227)
Result from associates	(2 404)	310
Foreign exchange differences	(4 425)	(11 193)
Profit before extraordinary items	4 465	10 833
Non-operating income	147	161
Extraordinary income	2 359	9 266
Extraordinary expenses	(2 138)	(15 266)
Profit before taxes	4 833	4 994
Taxes	(2 174)	(2 718)
Profit before minority interest	2 659	2 276
Minority interest	(8)	929
Group profit	2 651	3 205

Notes on the consolidated financial statements 2011

The Hupac Group's *Income from supplies and services* decreased by 2.3% to CHF 493.1 million in 2011. This is primarily due to currency effects.

The *Other income* item mainly consists of approximately CHF 67.8 million in operating contributions as well as contributions for the use of low-noise rolling stock. These state financial aids have decreased by 19.3% compared to the previous year.

The C*ost of the services* fell by 3.2% compared to the previous year, to reach just under CHF 465.9 million. The company's *Gross profit* decreased by 11.9% compared to 2010.

Payroll expenses fell by some 1% from the previous year due to the reduction in staff, reaching approximately CHF 32.1 million. In the year under review, savings of 5.4% were made in *General expenses* compared to the previous year.

The *Depreciation and provisions* in the year under review was almost CHF 47.1 million, representing a decrease of 3.6% from the previous year.

Financial income rose by 11.3% compared to 2010, while *Financial expenses* were reduced by 2.6% from the previous year, to reach CHF 3.1 million. The *Results from associates* item was disappointing in the year under review at approximately CHF -2.4 million. This result was partly due to the shareholdings in Combinant NV, Antwerp

Consolidated balance sheet at 31 December 2011 and 2010

Amounts in 1 000 CHF	31.12.2011	31.12.2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	25 860	48 845
Receivables from supplies and services	61 005	56 499
- third parties	54 205	48 908
- shareholders	6 800	7 591
Other receivables	15 671	16 355
Stocks	3 618	3 153
Accrued income	27 774	26 591
Total current assets	133 928	151 443
FIXED ASSETS		
Financial fixed assets	36 581	29 703
- Investments	35 654	26 695
- Deposits and other financial assets	561	2 678
- Deferred tax assets	366	330
Tangible fixed assets	226 063	231 872
- Advances to suppliers	8 352	12 782
- Technical equipment	21 004	22 670
- Rolling stock	87 040	89 512
- Plants on third parties' lands	14 019	15 180
- Terminals, buildings and land	89 336	87 821
- Other tangible fixed assets	6 312	3 907
Intangible fixed assets	9 912	2 129
Total fixed assets	272 556	263 704
Total assets	406 484	415 147

Amounts in 1 000 CHF	31.12.2011	31.12.2010
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Short-term financial debts	10 258	18 500
Account payables from supplies and services	45 084	45 080
- third parties	42 938	34 169
- shareholders	2 146	10 911
Other short-term debts	3 511	3 150
Accrued expenses	52 312	54 231
Short-term provisions	128	99
Total short-term liabilities	111 293	121 060
Long-term liabilities		
Long-term debts	163 135	162 087
Long-term provisions	56 777	56 015
Deferred tax liabilities	2 675	2 858
Total long-term liabilities	222 587	220 960
Total liabilities	333 880	342 020
Minority interests	203	213
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
Reserves	61 528	58 596
Treasury shares	(1 560)	0
Translation difference	(10 218)	(8 887)
Group profit	2 651	3 205
Total shareholders' equity	72 401	72 914
Total liabilities and shareholders' equity	406 484	415 147

and in the two railway operating companies. The *Foreign exchange differences* item represents the Hupac Group's exchange losses from transactions of approximately CHF 4.4 million. Although this figure is still very high, it is a drastic improvement from the previous year.

The *Extraordinary income* item mainly includes the dissolution of a provision for operating risks amounting to CHF 2.2 million, whilst the *Extraordinary expenses* primarily include exchange losses on long-term loan positions.

After the deduction of *Taxes* and the settlement of minority interests, the Hupac Group reports a *Group profit* of just under CHF 2.7 million for 2011, representing a decrease of 17.3% from the previous year.

Hupac Intermodal Ltd, by far the most important company in the Hupac Group in terms of turnover, ends the financial year 2011 with a loss of approximately CHF 0.6 million (previous year: loss of just under CHF 0.8 million).

Consolidated cash-flow statement 2011 and 2010

Amounts in 1 000 CHF	**2011**	**2010**
Group profit	2 651	3 205
Depreciation of tangible assets	41 230	41 720
Depreciation of intangible assets	2 429	480
Variation of provisions	966	2 625
Other non monetary items	2 706	14 430
Net result from sale of tangible assets	(701)	(26)
Income from associated companies	2 403	(310)
Minority interests	8	(929)
Variation of inventories	(522)	(708)
Variation of short-term receivables	(5 499)	(3 139)
Variation of short-term liabilities	(9 566)	21 977
Cash flows from operating activities	36 105	79 325
Purchase of tangible assets	(39 979)	(22 495)
Proceeds from sale of tangible assets	1 726	704
Purchase of intangible assets	(10 091)	(2 184)
Proceeds from sale of intangible assets	(87)	0
Purchase of investments	(10 816)	(2 828)
Cash flows from investing activities	(59 247)	(26 803)
Variation of long-term receivables	2 060	(1 688)
Variation of long-term loans	1 356	(29 582)
Treasury shares	(1 560)	0
Dividends payment	(1 600)	(1 200)
Cash flows from financing activities	256	(32 470)
Variation	(22 886)	20 052
Cash at beginning of the year	48 845	29 484
Foreign exchange differences on cash	(99)	(691)
Cash at end of the year	25 860	48 845

Notes to the consolidated financial statements 2011

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 2011 also include a general risk provision of CHF 3.2 million.

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

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

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

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 % 31.12.2011	31.12.2010
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	2 000 000	100.00	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
Intermodal Express LLC, Moscow	RUB	3 000 000	75.00	0.00

The following companies were consolidated using the equity method:

Company	Registered in	Interests as % 31.12.2011	31.12.2010
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	25.00
RAlpin Ltd	Olten (Switzerland)	33.11	33.11
SBB Cargo International Ltd	Olten (Switzerland)	25.00	0.00

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.

Table of currency conversion

	Balance sheet		Income statement	
	31.12.2011	31.12.2010	2011	2010
CHF/EUR	1.2158	1.2507	1.2336	1.3805

Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	Reserves and Group results	Treasury shares	Translation differences	Total	Minority interests
Balance at 1 January 2010	20 000	56 897	0	(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	0	(8 887)	72 914	213
Translation differences				(809)	(809)	(5)
Translation differences of associated companies				(522)	(522)	
Net equity adjustment		1 327			1 327	(13)
Purchase of treasury shares			(1 560)		(1 560)	
Parent company dividend		(1 600)			(1 600)	
Consolidated profits 2011		2 651			2 651	8
Balance at 31 December 2011	20 000	64 179	(1 560)	(10 218)	72 401	203

Other information in accordance with legal requirements

Amounts in 1 000 CHF	31.12.2011	31.12.2010
1. Guarantees, other indemnities and assets pledged in favour of third parties	7 673	8 167
2. Pledges on assets to secure own liabilities	91 591	93 877
3. Leasing commitments not recorded in the balance sheet This amount includes all future commitments arising from existing leasing contracts, including interest and expenses.	0	5
4. Fire insurance value of tangible fixed assets	128 752	130 382
5. Debts towards personnel foundations	602	635

Treasury shares

Registered shares	31.12.2011	31.12.2010
Balance as of 01.01.2011	0	0
- Purchase 2011	400	0
- Sale 2011	0	0
Balance as of 31.12.2011	400	0

Treasury shares have been disclosed at its purchase price of CHF 1 560 000.

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.

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 2011

As statutory auditor, we have audited the 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 2011.

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 2011 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, 16 April 2012

Financial statements of Hupac Ltd

Income statement 2011 and 2010

Amounts in 1 000 CHF	2011	2010
Income from supplies and services	72 613	75 618
Other income	3 441	3 149
Cost of services	(28 679)	(26 738)
Gross profit	47 375	52 029
General expenses	(1 215)	(1 626)
Depreciation of tangible fixed assets	(32 433)	(32 511)
Amortisation of intangible fixed assets	(2 271)	(376)
Provisions and value adjustments	(50)	(5 460)
Dividend income	18	22
Gains on disposal of fixed assets	72	27
Losses on disposal of fixed assets	(99)	0
Ordinary operating profit before financial items	11 397	12 105
Financial income	966	1 250
Financial expenses	(2 473)	(2 518)
Foreign exchange differences	(2 206)	(1 090)
Dissolution provisions exchange losses	0	1 090
Ordinary operating profit	7 684	10 837
Extraordinary income	0	2 140
Extraordinary expenses	(610)	(5 880)
Profit before taxes	7 074	7 097
Taxes	(1 620)	(1 617)
Profit for the year	5 454	5 480

Notes on the income statement

The *Income from supplies and services* item decreased by just under 4% compared to the previous year, to reach some CHF 72.6 million. This item primarily comprises income from hiring out assets. The rental rates were slightly reduced due to the shortage of rolling stock.

The *Other income* item includes state subsidies of around CHF 3.4 million for the noise abatement of the rolling stock. In the year under review, these sums increased by some 9% compared to the previous year.

The *Cost of services* amounted to just under CHF 28.7 million for 2011, an increase of some 7% compared to the previous year. The rolling stock maintenance costs are becoming increasingly important and account for the majority of the *Cost of services* item. The company's *Gross profit* decreased by just under 9% compared to 2010, reaching approximately CHF 47.4 million.

The *General expenses* item was reduced by some 25% to approximately CHF 1.2 million.

Depreciation of tangible fixed assets remained almost the same as in the previous year, amounting to just under CHF 32.5 million.

The *Amortisation of intangible fixed assets* item primarily comprises goodwill amortisations on shareholdings. After consideration of other smaller items Hupac Ltd reports an *Ordinary operating profit before financial items* of just under CHF 11.4 million, representing a slight decrease of almost 6% compared to the previous year.

Financial income decreased by 22.7% from the previous year, reaching almost CHF 1 million. This item primarily comprises interest for loans to Group companies. *Financial expenses* decreased by 1.8% compared to the previous year, amounting to just under CHF 2.5 million. In the year under review, *Foreign exchange differences* amounted to some CHF 2.2 million. This leads to an *Ordinary operating profit* of just under CHF 7.7 million, representing a decrease of 29% compared to the previous year.

After consideration of extraordinary items and deduction of *Taxes* of some CHF 1.6 million, Hupac Ltd reports a *Profit for the year* of just under CHF 5.5 million for 2011, representing a slight decrease of 0.5% compared to the previous year.

Balance sheet at 31 December 2011 and 2010

Amounts in 1 000 CHF	31.12.2011	31.12.2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2 630	12 659
Receivables from supplies and services	4 706	13 089
- third parties	3 427	3 036
- group companies	1 513	10 257
- shareholders	32	12
- Provisions for doubtful debts	(266)	(216)
Other receivables	2 722	1 608
- third parties	2 722	1 608
Stocks	1 471	1 320
Treasury shares	1 560	0
Prepayments and accrued income	4 228	1 757
Total current assets	17 317	30 433
FIXED ASSETS		
Financial fixed assets	85 381	76 240
- Investments	59 399	40 537
- Loans third parties	265	2 195
- Loans group	25 714	33 504
- Other financial fixed assets	3	4
Tangible fixed assets	87 454	86 791
Intangible fixed assets	9 386	1 826
Total fixed assets	182 221	164 857
Total assets	199 538	195 290

Amounts in 1 000 CHF	31.12.2011	31.12.2010
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term liabilities		
Payables from supplies and services	7 312	4 394
- third parties	4 703	2 021
- group companies	669	414
- shareholders	1 940	1 959
Short-term loans	10 258	18 500
- third parties	10 258	18 500
Other short-term debt	503	519
- third parties	503	519
Accrued expenses and short-term provisions	14 847	15 460
Total short-term liabilities	32 920	38 873
Long-term liabilities		
Long-term debts	52 223	47 000
- third parties	52 223	47 000
Long-term provisions	38 336	37 212
Total long-term liabilities	90 559	84 212
Total liabilities	123 479	123 085
SHAREHOLDERS' EQUITY		
Share capital	20 000	20 000
General reserve	2 883	4 842
Reserve for treasury shares	1 560	0
Capital contribution reserve	459	0
Statutory reserves	45 500	41 600
Retained earnings	5 657	5 763
- Profit carried forward	203	283
- Profit for the year	5 454	5 480
Total shareholders' equity	76 059	72 205
Total liabilities and shareholders' equity	199 538	195 290

Cash flow, which was calculated according to the simplified method – annual profit plus depreciation and change in provisions – for the year 2011 amounted to CHF 40.2 million, equivalent to a reduction of 1% compared to the previous year.

Notes on the balance sheet

The total assets of Hupac Ltd increased to some CHF 199.5 million in 2011, with the greatest increase registered in financial fixed assets.

On the liability side, the *Total liabilities* remained the same as in the previous year at approximately CHF 123 million, whilst debt to third parties decreased slightly in 2011 compared to the previous year.

At the end of 2011, Hupac Ltd reported *Total shareholders' equity* of just under CHF 76.1 million, corresponding to an equity ratio of 38.1% (previous year 37%).

Notes to the financial statements 2011

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	**31.12.2011**	**31.12.2010**
2.1 Guarantees and assets pledged in favour of third parties	39 550	38 157
2.2 Fire insurance value of tangible fixed assets	39 491	45 771

2.3 Significant investments in subsidiary companies

Company	**Business activity**	**Registered capital in 1 000**		**Share of capital as % 31.12.2011**	**31.12.2010**
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	2 000	100.00	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
Intermodal Express LLC, Moscow	Traffic management	RUB	3 000	75.00	0.00
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 operating	CHF	24 723	25.00	25.00
RAlpin Ltd, Olten	Traffic operations, terminal operations	CHF	4 530	33.11	33.11
SBB Cargo International Ltd, Olten	Railway operating	CHF	25 000	25.00	0.00

2.4 Treasury shares

Registered shares	**Quantity no.**	**Amount in CHF 1 000**
Holdings on 01.01.2011	0	0
- Purchase 2011	400	1 560
- Sale 2011	0	0
Holdings on 31.12.2011	400	1 560

2.5 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.

2.6 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.

3. Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	General reserve	Reserve for treasury shares	Capital contribution reserve	Statutory reserves	Retained earnings	Total
Balance at 1 January 2010	20 000	4 822	0	0	38 000	5 103	67 925
Dividends						(1 200)	(1 200)
Transfer to the general 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	0	0	41 600	5 763	72 205
Dividends						(1 600)	(1 600)
Transfer to the general reserve		60				(60)	
Transfer to reserve for treasury shares		(1 560)	1 560				
Transfer to capital contribution reserves		(459)		459			
Transfer to the statutory reserves					3 900	(3 900)	
Profit for the year						5 454	5 454
Balance at 31 December 2011	20 000	2 883	1 560	459	45 500	5 657	76 059

Proposal for appropriation of general reserve and retained earnings

The Board of Directors proposes to the annual General Meeting the following appropriation:

	General reserve	Capital contribution reserve	Statutory reserves	Retained earnings
Balance carried forward	4 901 600	0	45 500 000	203 183
Transfer to the reserve for treasury shares	(1 560 000)			
Transfer to the reserve for capital contribution	(458 880)	458 880		
Profit for the year				5 454 060
Total at disposal of the annual General Meeting	2 882 720	458 880	45 500 000	5 657 243
Distribution of an ordinary dividend of CHF 80 per share entitled to [1)]				(1 600 000)
Allocation to the general reserve	60 000			(60 000)
Allocation to the statutory reserve			3 800 000	(3 800 000)
Balance to be carried forward	2 942 720	458 880	49 300 000	197 243

[1)] The distribution represents the maximum amount payable based on the 20 000 shares issued.

Report of the statutory auditor to the General Meeting on the financial statements 2011

As statutory auditor, we have audited the financial statements of Hupac Ltd, which comprise the balance sheet, income statement and notes (pages 40 to 43), for the year ended 31 December 2011.

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 2011 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 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 the general reserve and the 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, 16 April 2012

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