ANNUAL REPORT 2017

HUPAC 50 years

ANNUAL REPORT 2017

Introduction

7 Hupac at a glance
11 Foreword
15 Corporate governance

Management report

20 Economic development
23 Risk assessment
25 Traffic development
30 Production and operational resources
32 Information technology and digital transformation
34 Terminal management
37 Development of operative shareholdings
38 Environmental performance
40 Employees
43 Modal shift policy

Financial statements

46 Consolidated financial statements
54 Financial statements of Hupac Ltd

Hapag-Lloyd
HUPAC

INTRODUCTION


HUPAC

HUPAC AT A GLANCE

Market leader in international combined transport

Hupac is Europe's leading intermodal network operator. For the last fifty years, we have pioneered innovative and reliable rail transport services, thus making a key contribution to modal shift and environment protection.

Hupac's network comprises connections between the main European economic areas and to destinations as distant as Russia and the Far East. Every day, some 110 Hupac trains with their own rail wagons are on the move, transporting containers, swap bodies and semitrailers. We strive to offer flexibility, service and reliability.

The Hupac Group comprises 18 companies with locations in Switzerland, Italy, Germany, the Netherlands, Belgium, Poland, Russia and China, and it has about 470 employees.

Hupac has around 5,900 rail platforms and bundles the shipments of transport companies into whole trains as a neutral, independent combined transport operator. Traction is provided by external railway companies. Hupac operates efficient terminals at key locations and invests in digital transformation.

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

Comprehensive portfolio of services

Hupac offers an extensive range of intermodal transport services that cater to diverse market requirements.

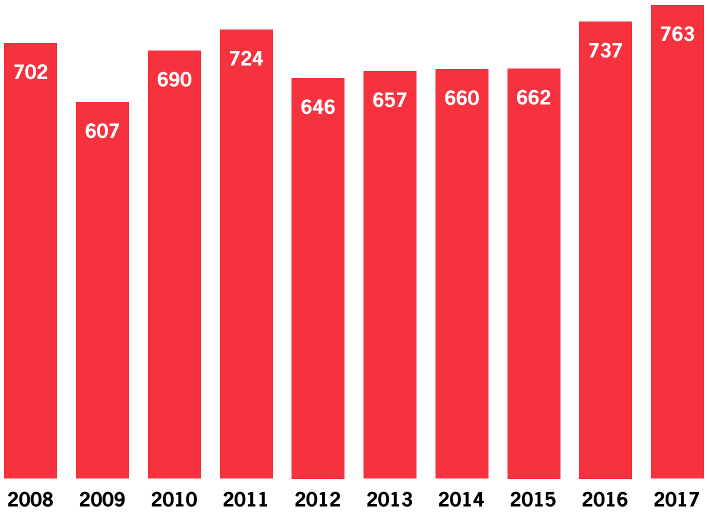
- The Shuttle Net unit operates a close-knit intermodal transport network in Europe. Hupac offers several departures each day on key routes. Customers benefit from flexibility and reliability.
- The Intermodal Express Russia area organizes intermodal transport to Russia and CIS countries, using its own rolling stock.
- The Landbridge China area provides links between China and Hupac's European network.
- The Company Shuttle unit serves major customers who charter their own trains, thereby making sure of capacity at attractive prices.
- The Maritime Logistics unit focuses on maritime hinterland transportation, offering a full range of services including customs clearance, empty container handling and first/last mile transport.

FACTS & FIGURES

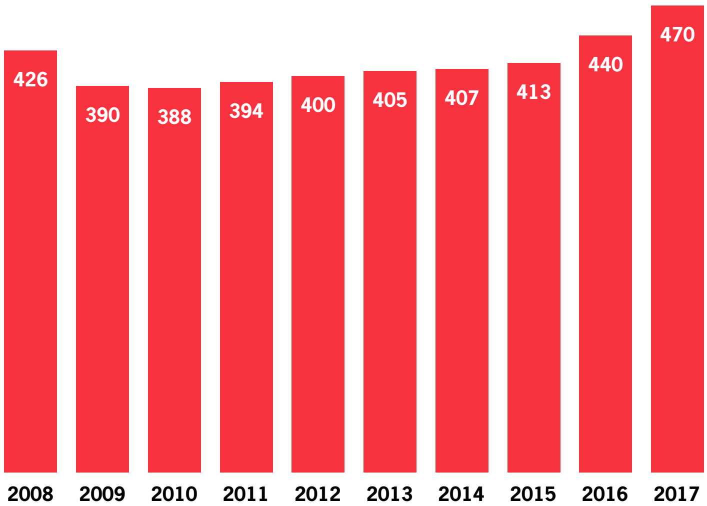
Year of incorporation	1967
Share capital	CHF 20 million
Shareholders	around 100
Capital structure	72% transport and logistics companies 28% railway companies
Headquarters	Chiasso
Operational branches/ Representative offices	Basel, Busto Arsizio, Piacenza, Singen, Cologne, Rotterdam, Antwerp, Warsaw, Moscow, Shanghai
Business profile	Intermodal network operator
Traffic volume	763,101 road shipments
Employees	470 natural persons 455 persons in full time equivalent
Rolling stock	5,941 rail platforms 10 main-line and/or shunting locomotives
Terminal management	Busto Arsizio, Piacenza, Aarau, Basel Wolf, Chiasso, Singen, Antwerp
Information technology	Goal, integrated software solution for intermodal transport Wolf, web-oriented framework for all corporate processes Cesar, web-based tracking and tracing system Ediges, XML-based data exchange system
Certifications	Quality management system ISO 9001:2015 Environmental management system ISO 14001:2015 ECM Entity in Charge of Maintenance according to regulation (EU) No. 445/2011
Financial data	Annual turnover CHF 485.6 million (EUR 436.9 million) Profit for the year CHF 11.1 million (EUR 10.0 million) EBITDA CHF 48.0 million (EUR 43.2 million) Operating cash flow CHF 48.8 million (EUR 43.9 million)

Dated 31.12.2017

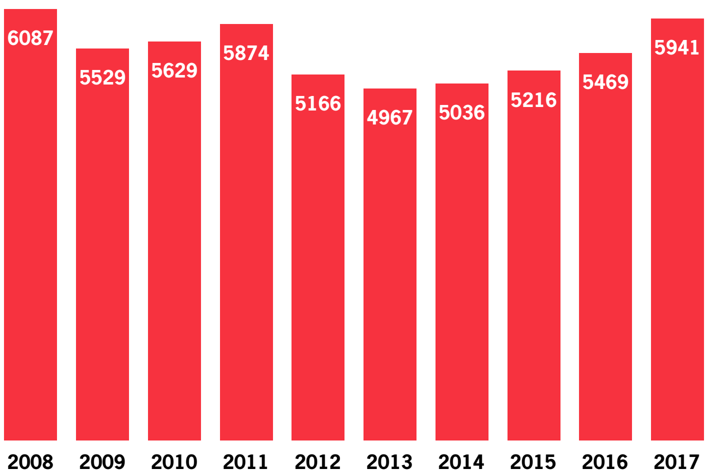
Traffic volume
Road shipments in 1000s



Employees
Number of natural persons



Rolling stock
Number of rail platforms




HUPAC
HUPAC

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

Ladies and gentlemen, dear friends of our company

What a year! In 2017 Hupac celebrated its 50th anniversary in the Swiss Museum of Transport, Lucerne, a successful event under the motto "Shaping the future of intermodal transport". Together with our guests and speakers from all over Europe, we have turned the spotlight on Hupac's success story as well as the new challenges arising in the Logistics 4.0 environment.

In operational terms, 2017 was one of the hardest years in Hupac's history. Our traffic was subject to unprecedented pressure resulting from the six-month closure of the Luino line for construction work to implement the 4-meter corridor and, above all, the 7-week total closure at Rastatt due to a construction site accident. Both of these events are striking examples of how the rail infrastructure still operates primarily according to national rules of play, still unprepared to provide adequate support for international traffic flows. Some conclusions must be drawn as regards transport policy:

- Implementation of an international construction site management with backup routings
- Set up of a corridor-based crisis management and definition of fair-share principles on detour routes
- Priority to fast resumption of freight traffic with slow-speed single track operation in case of unplanned interruptions on major freight traffic axes
- Upgrading of the Rhine left-bank line between Wörth (D) and Strasbourg (F) with end-to-end electrified dual track, as an alternative and backup axis
- Strengthening of operational interoperability by improving international cooperation among the national control centres.

In its anniversary year, Hupac was able to take several steps that will significantly influence its future development. By adopting a digital strategy, the company is concentrating its activities and preparing for the leap forward to Logistics 4.0. A bimodal organisational structure incorporating "two-speed IT" combines traditional and agile approaches: the aim is to accelerate Hupac's digital transformation without giving up robust and reliable processes in the day-to-day business. A number of projects are already being introduced from this year onwards: examples include the interactive customer platform, algorithm-based capacity management for trains, automated terminal processes with OCR technology, sensors for rail wagons and real-time information on estimated time of arrival for trains. Within a few years, these will be included among Hupac's standard processes.

Another factor of equal importance for the future of the Hupac Group is the gradual, ongoing development of the business model and its adaptation to the growing requirements of global logistics. As well as the traditional terminal-to-terminal business in continental transport, Hupac now offers additional services for globalised container transport, provided through specialised organisational units. The first steps in maritime hinterland transport have already been taken with the introduction of a Rotterdam-Kornwestheim shuttle; further steps will soon follow in order to position Hupac successfully in this market segment.

And finally, Hupac has moved ahead with the changeover to the next generation – one of the major challenges that has to be met in the history of every successful company. In summer 2018, Michail Stahlhut will take over the management of Hupac Intermodal and two years later, he will assume the management of the entire Hupac Group. Michail Stahlhut is a successful manager with a proven track record in European rail freight transport, and we are pleased to have him on board to continue Hupac's development. With the aim of making maximum use of the potential offered by Alptransit with the 4-meter corridor, we need even closer interlinking of the processes between railways and intermodal operators. The Board of Directors is convinced that the recruitment of Michail Stahlhut sets Hupac on the right course for the management succession at an early stage, and is delighted that the extensive experience and knowledge garnered by Beni Kunz over many years will still be available to the company after the planned transition phase.

On behalf of the Board of Directors, I would like to thank you for your trust, and I look forward to continuing our shared journey into the future.

Chiasso, April 2018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Bernhard Kunz
Managing Director

Dear shareholders, customers, partners and employees

Hupac's 50th anniversary was marked by emotions. We all retain fond memories of the celebration we shared with you last year in the beautiful setting of summery Lucerne. But the factors that impacted our day-to-day operations afterwards were extremely frustrating. Capacity bottlenecks resulting from the construction work on the Luino line posed some major challenges for us. This was followed by what amounted to a critical meltdown: the traffic disruption in Rastatt marked the all-time low in Hupac's 50-year history. It was thanks to the expertise and professionalism of our customers, partners and employees that we were able to maintain traffic at least partially, in spite of all the problems. I would like to take this opportunity to thank all of you for your tremendous efforts.

However, a great deal of work still remains to be done in the aftermath of the Rastatt issue. Everyone involved can – and must – learn from this breakdown. Here at Hupac, we are strengthening our contingency management by adopting a series of measures aimed at ensuring optimum compensation for unplanned infrastructure bottlenecks:

- Back-up compositions at key junctions help to make up for delays and guarantee departures.
- Together with rail partners, we are drafting a concept for dealing with stranded trains and catching up postponed departures. To achieve this, we are focusing on free capacities at weekends.
- We are pushing ahead with the implementation of end-to-end traction on the Rotterdam-Milan corridor so that we can react flexibly in case of disruptions. We have invested in eight Vectron locomotives for this purpose. Our partners BLS, SBB and DB are following the same path.
- In the digital area, we are introducing a modern booking platform and a real-time capacity management system that will allow more efficient and precise control of traffic volumes in the future.
- In the medium term, we shall expand the route via France so as to diversify the risk in north-south traffic.

At first sight, it seems astonishing that we were able to post a slight increase in transalpine traffic last year despite the adverse conditions. On the one hand, this is due to the economic upturn which generated stronger demand for transport services. On the other, combined transport is now become firmly integrated into the logistics mix. Capacity on the roads is also limited, due in particular to the shortage of truck drivers – a problem that is also familiar to us in the rail system as a shortage of locomotive drivers. Bottlenecks on the rail infrastructure cause enormous consequential losses and unnecessary additional costs for railways, terminals, intermodal operators and – above all – for you, dear customers. This is one more reason why we should join forces as an industry to ensure the reliability of rail freight transport.

An often neglected issue is that of bottlenecks at terminals. The instability of transport operations places enormous pressure on terminal management. Delayed trains waste valuable capacity that is then unavailable to accept new traffic. The most serious bottlenecks are present in the economic areas of Rotterdam, Cologne/Duisburg and Mannheim. Thanks to the recently issued building permits in Milano Smistamento and Piacenza, we can count on additional capacities from 2020 onwards – another important step for the competitiveness of combined transport, which in the near future can make use of the production parameters via Gotthard of 740 metre train length, 4 metre corner height profile, one locomotive for 2000 t trains and shorter transit times.

With the reopening of the Luino line after completion of the major construction work, the situation in transit traffic has calmed down again since the end of 2017. We continue to expand our offering of transport services this year. We consolidate the network in the north-south corridor, with particular emphasis on expansion in the 4-meter segment. In the east-west corridor, we reach Turkey as well as Russia and Central Asia with our own rolling stock, through our Russian subsidiary Intermodal Express. The Company Shuttle unit for large volumes is developing successfully and furthermore, new opportunities are opening up as we launch into maritime transport and transport to and from China.

All the signs are positive: we view the current financial year with confidence. On behalf of the management, I would like to thank you for your excellent collaboration and the trust you place in us.

Chiasso, April 2018


HUPAC

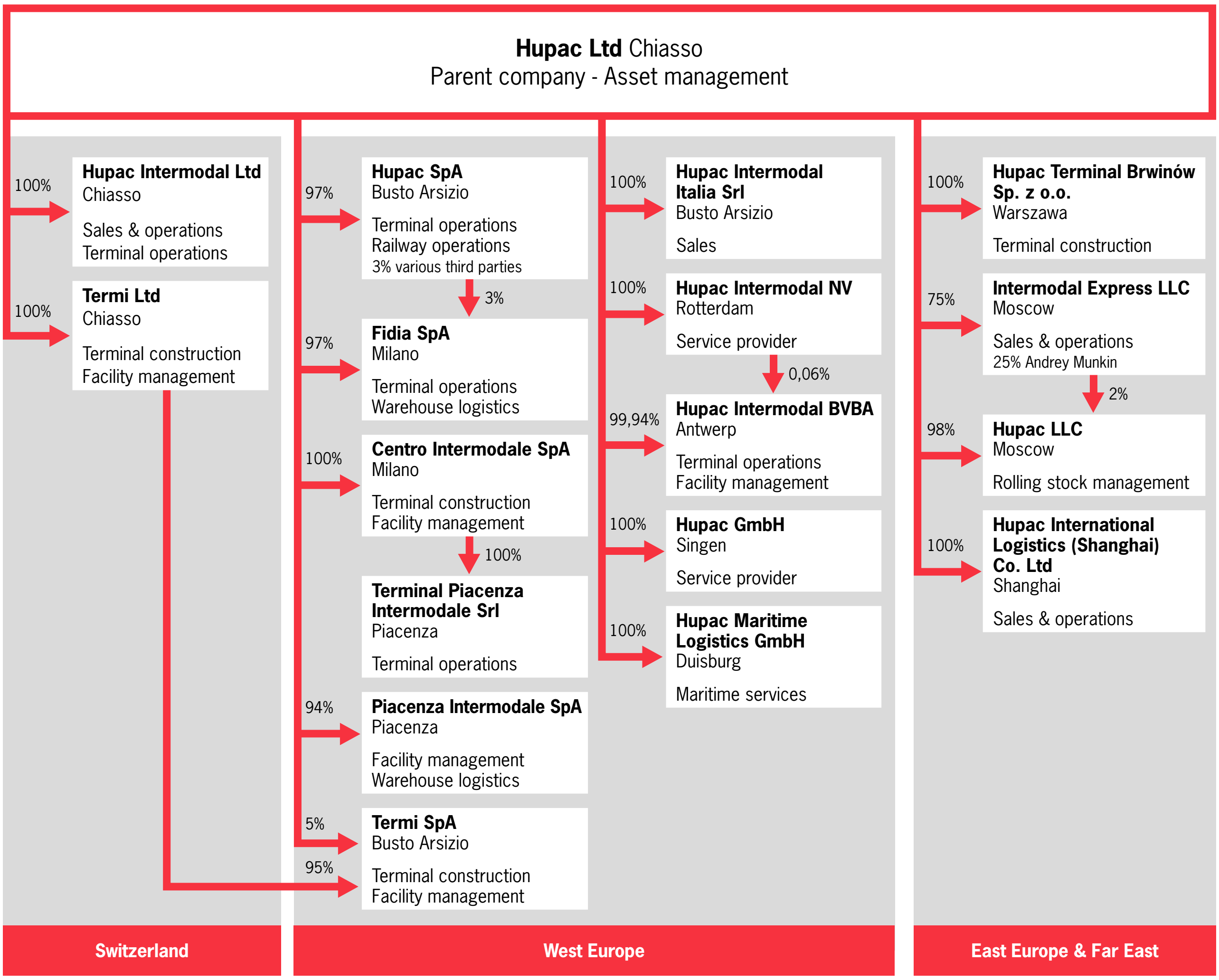
CORPORATE GOVERNANCE

Structure of the Hupac Group

At the end of 2017, the Hupac Group consisted of 18 companies based in Switzerland, Italy, Germany, the Netherlands, Belgium, Poland, Russia and China. Each company operates within its own well-defined remit in order to provide advanced solutions and contribute to the overall efficiency of the Group.

Peter Hafner, the Hupac Group's Director of Finance, retired in June 2017. The new appointee to this position is Angelo Pirro, who was previously Peter Hafner's deputy.

Hupac Ltd acquired 94% of the shares in Piacenza Intermodale SpA in December 2017. The company owns warehouses and buildings in the commercial sector and holds concessions for the area where the Piacenza terminal operates.



Dated 31.12.2017

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.

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, the Committee of Chair of the Board and Managing Director as well as the Management Board. The document applies not only to the parent company but, for important issues, also to all companies of the Hupac Group.

Capital structure

In the year under review, Hupac Ltd had share capital of CHF 20 million. The company is owned by about 100 shareholders. Transport and logistics companies from Switzerland, Germany, Italy, France, Belgium, Austria and the Netherlands hold 72% of the share capital, with the remaining 28% held by railway companies. This ensures closeness to the market, while independence from the railways remains guaranteed.

Board of Directors of Hupac Ltd

Name	Age	Position	Nationality	First nomination	Expiry of mandate
Dr. Hans-Jörg Bertschi	60	Chairman since 1993	Switzerland	1987	2019
Dr. Thomas Baumgartner	63	Member	Italy	1990	2019
Thomas Hoyer	67	Member	Germany	1988	2019
Ing. Nicolas Perrin	58	Member	Switzerland	2008	2019
Nils Planzer	46	Member	Switzerland	2008	2019
Angelo Pirro	40	Secretary	Switzerland	2017	2019

Dated 31.12.2017

Shareholdings

Terminal Singen TSG GmbH with its registered office in Singen should be mentioned as a joint venture company. The shareholders in this company are Hupac Ltd and DB Intermodal Services GmbH. Terminal Alptransit (Teralp) Srl is a joint venture company of Mercitalia Logistics SpA and of Hupac AG. The company's main purpose is the planning and construction of terminal projects in Italy.

Hupac maintains substantial minority shareholdings in various companies within the field of combined transport. These include the combined operators Mercitalia Intermodal (formerly Cemat) and RAlpin, the Combinant terminal company, the data processing provider Cesar Information Services, the rail transport company SBB Cargo International as well as the Gateway Basel Nord terminal planning company.

Hupac maintains minor shareholdings in the terminal operating companies KTL Kombi-Terminal Ludwigshafen, DIT Duisburg Intermodal Terminal Eurogateway (Novara) and RSC Rail Service Center (Rotterdam), the operators Kombiverkehr GmbH & Co. KG and PCC Intermodal, the branch association UIRR and the terminal owner CIM Centro Interportuale Merci (Novara).

Certifications

The ISO 9001 and 14001 quality and environmental management system was certified in December 2016 as per the 2015 guidelines.

Hupac was certified in 2013 as an ECM (Entity in Charge of Maintenance) according to regulation (EU) No. 445/2011. The certificate is valid for five years and covers all aspects of wagon management.

Management Board of the Hupac Group and management of the subsidiaries

Hupac Ltd	Bernhard Kunz Angelo Pirro	*Managing Director* *Deputy*

Switzerland

Hupac Intermodal Ltd	Bernhard Kunz Alessandro Valenti	*Managing Director* *Deputy*
Termi Ltd	Angelo Pirro	*Managing Director*

West Europe

Hupac SpA	Piero Solcà	*Delegate of the Board of Directors*
Fidia SpA	Bernhard Kunz	*Chairman*
Centro Intermodale SpA	Piero Solcà	*Chairman*
Terminal Piacenza Intermodale Srl	Piero Solcà	*Chairman*
Piacenza Intermodale SpA	Piero Solcà	*Chairman*
Termi SpA	Angelo Pirro	*Chairman*
Hupac Intermodal Italia Srl	Maurizio Bertaso	*Sales Manager*
Hupac Intermodal NV	Mark Jansen	*Operations Director*
Hupac Intermodal BVBA	Dirk Fleerakkers	*Operations Director*
Hupac GmbH	Sascha Altenau	*Managing Director*
Hupac Maritime Logistics GmbH	Sven Lehmann	*Managing Director*

East Europe & Far East

Hupac Terminal Brwinów Sp. z o.o.	Diana Batko	*Managing Director*
Intermodal Express LLC	Andrey Munkin	*Managing Director*
Hupac LLC	Andrey Munkin	*Managing Director*
Hupac International Logistics (Shanghai) Co. Ltd	Carl Zhong	*General Manager*

Dated 31.12.2017

MANAGEMENT REPORT

ECONOMIC DEVELOPMENT

In financial year 2017, the Hupac Group's income from supplies and services rose by 3.3% year-on-year to CHF 485.6 million despite substantial losses of turnover due to rail section closures. The "Other income" item, which includes government financial support, decreased by 2.9% as compared to 2016 despite the increase in volume.

The cost of the services rose by 3.1% year-on-year. In the reporting year, this resulted in gross profit of CHF 105.1 million; the figure was unchanged from the previous year.

Nevertheless, the Group's operating profit for the year under review grew by a pleasing 3.5% to CHF 11.1 million.

Group EBITDA in financial year 2017 was CHF 48.0 million, equivalent to a year-on-year increase of 10.4%.

At CHF 56.5 million, investments in tangible assets more than doubled, providing long-term support for our growth targets.

Overall economic conditions proved favourable throughout the world, as was especially noticeable in the first half of the year; however, negative effects due to rail section closures curtailed results significantly in the second half, leading to substantial losses for our main business on the north-south axis in particular. Thanks to the strengthening of the euro towards the end of the year and with the help of extraordinary tax revenue, a satisfactory result could nevertheless be achieved for the year as a whole, with a slight improvement as compared to the prior year.

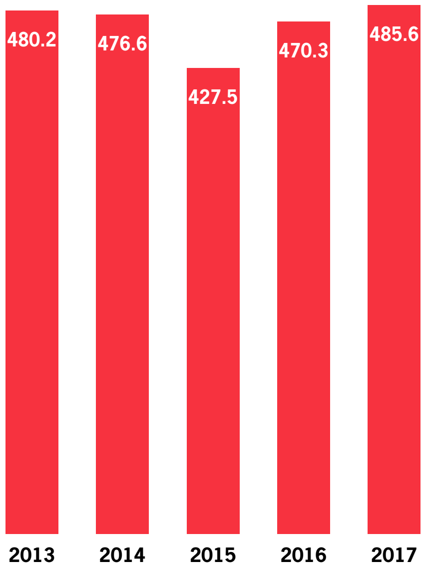
In the context of situation reporting, the Hupac Group's future prospects may still be assessed as good. Investments in new business areas in particular are contributing significantly to growth. In the long term, the Alptransit effect will also open up additional potential.

The rail sector still harbours potential for improvement as regards innovation and the effective deployment of new technologies. In the area of innovation and of the effective use of new technologies, there is still room for improvement in the railway sector. Given the considerable delays in this sector as compared to road transport, this presents certain risks for the growth of intermodal transport.

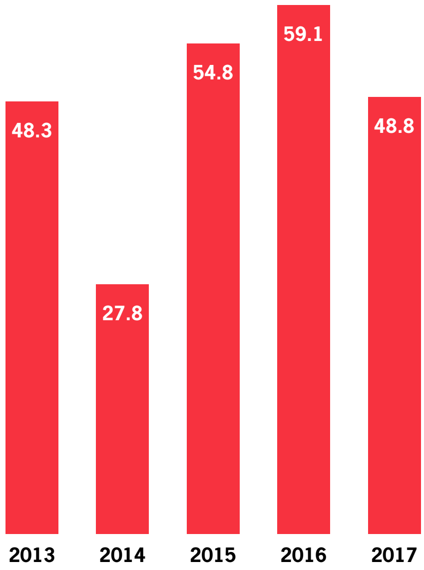
The future reduction in operating subsidies also poses a considerable challenge in this context because at the present time, potential productivity gains can only be implemented to a lesser extent than was anticipated. Investments in new growth areas, skills and in our employees will nevertheless help the Hupac Group to remain on its growth trajectory and to continue consolidating its market position in the future.

Values in 1000 CHF	2017	2016	%
Income from supplies and services	485,570	470,281	3.3%
Other income	66,817	68,838	-2.9%
Cost of the services	447,262	433,816	3.1%
Gross profit	105,125	105,303	-0.2%
Group's operating profit	11,127	10,752	3.5%
EBITDA	48,041	43,535	10.4%

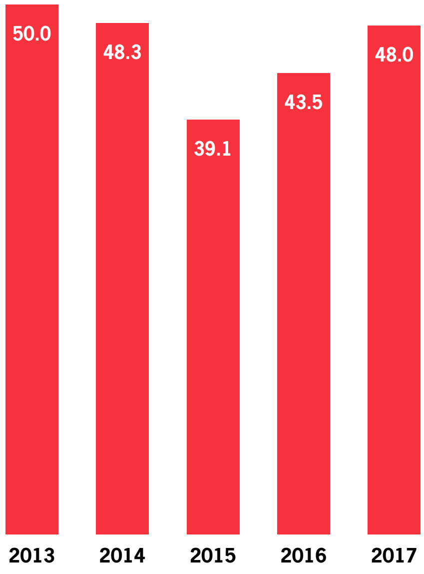
Annual turnover
in million CHF



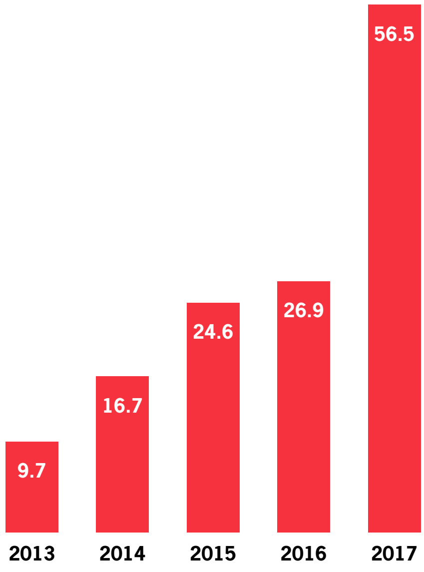
Operating cash flow
in million CHF



EBITDA
in million CHF



Investments in tangible fixed assets
in million CHF



RISK ASSESSMENT

Within the framework of risk management, Hupac assesses risks starting with the prior recognition of all dangers, then it identifies and defines consequent risks, with the aim of safeguarding the Group against significant economic losses.

The core of the system is a list of dangers, with indication and evaluation of consequent risks drawn up by department heads and managers responsible for the subsidiaries. The Management Board is responsible for updating the list. Current information about the state of the situation is regularly submitted to the Board of Directors.

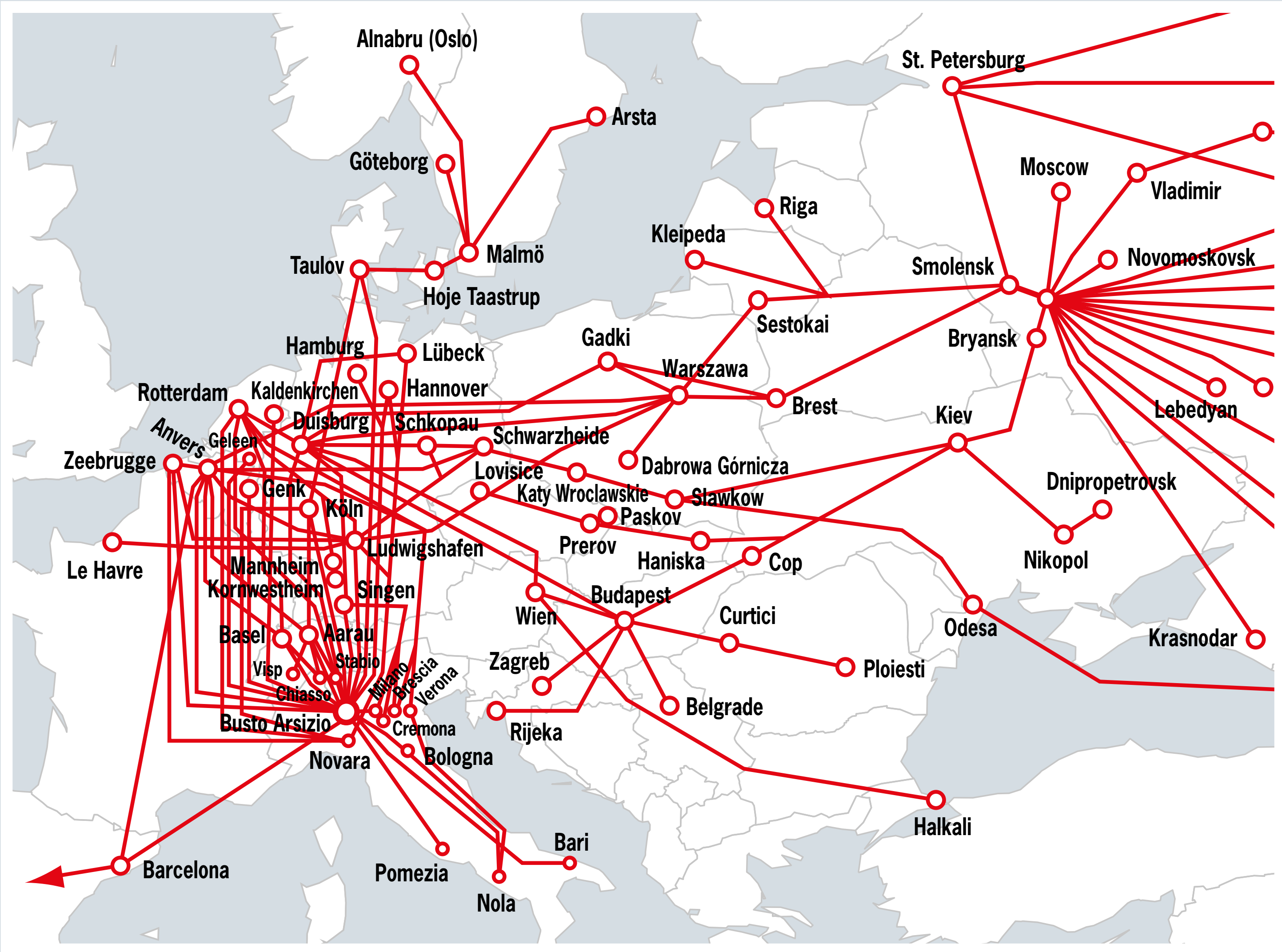
The specific objective in this regard is to control, limit and prevent risks in case of significant changes; this is achieved by applying regulations, by analysing similarities with reference systems, by identifying scenarios and implementing safety and security measures.

The Hupac Group makes the necessary resources available for this purpose. We also consider it important that risk identification should comprise the employees who are directly involved, so that they can report hazard potentials and future risks to their supervisor.

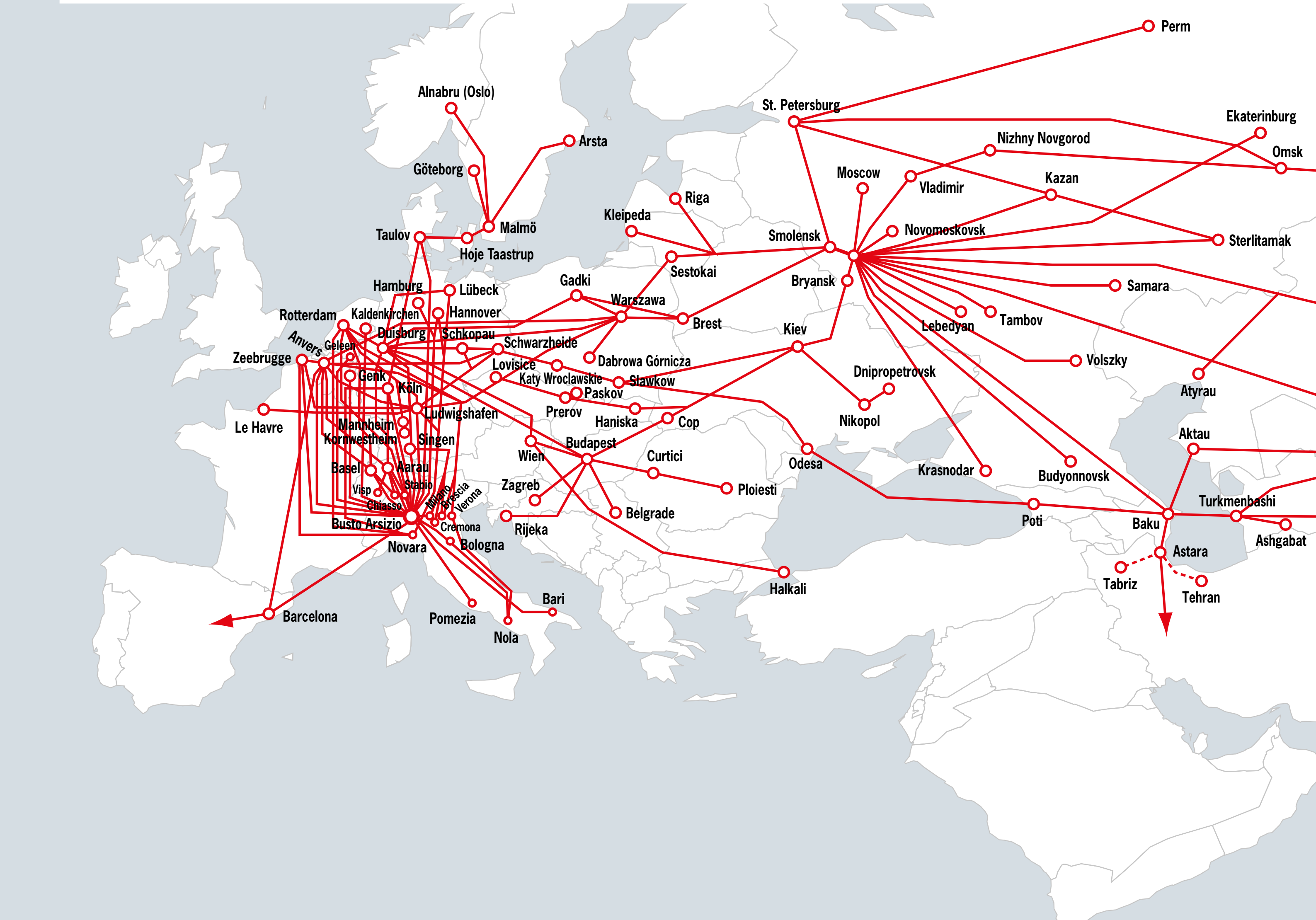
The Hupac Group's risk structure has not undergone substantial changes compared to previous years. The greatest operational risks are present on terminals and railway lines. These involve accidents that may have an impact on people as well as causing damage to load units, transported goods, terminal and railway equipment and the environment.

In the area of administration and finance, the currency risks represent the greatest challenges. At least two internal audits are conducted each year in order to assess the Internal Control System (ICS).

For the purpose of evaluating and assessing risks, the Hupac Group takes the Commission Implementing Regulation (EU) No. 402/2013 as its basis.



Alnabru (Oslo)
Arsta
Göteborg
Malmö
Taulov
Hoje Taastrup
Hamburg
Lübeck
Hannover
Rotterdam
Kaldenkirchen
Duisburg
Schkopau
Schwarzheide
Anvers
Geleen
Zeebrugge
Genk
Köln
Lovisice
Katy Wroclawskie
Slawkow
Paskov
Dabrowa Górnicza
Gadki
Warszawa
Brest
Sestokai
Riga
Kleipeda
St. Petersburg
Moscow
Vladimir
Smolensk
Novomoskovsk
Bryansk
Lebedyan
Kiev
Dnipropetrovsk
Nikopol
Odesa
Krasnodar
Le Havre
Ludwigshafen
Mannheim
Kornwestheim
Singen
Prerov
Haniska
Cop
Wien
Budapest
Curtici
Ploiesti
Basel
Aarau
Visp
Stabio
Chiasso
Milano
Brescia
Verona
Zagreb
Busto Arsizio
Cremona
Novara
Bologna
Rijeka
Belgrade
Halkali
Bari
Barcelona
Pomezia
Nola



Perm
Alnabru (Oslo)
St. Petersburg
Ekaterinburg
Arsta
Nizhny Novgorod
Omsk
Göteborg
Moscow
Vladimir
Kazan
Riga
Malmö
Kleipeda
Smolensk
Novomoskovsk
Sterlitamak
Taulov
Hoje Taastrup
Sestokai
Bryansk
Samara
Hamburg
Lübeck
Gadki
Hannover
Warszawa
Brest
Tambov
Rotterdam
Kaldenkirchen
Lebedyan
Duisburg
Schkopau
Kiev
Anvers
Geleen
Schwarzheide
Volszky
Zeebrugge
Dabrowa Górnicza
Dnipropetrovsk
Lovisice
Genk
Katy Wroclawskie
Slawkow
Atyrau
Köln
Paskov
Le Havre
Ludwigshafen
Prerov
Nikopol
Haniska
Cop
Aktau
Mannheim
Kornwestheim
Singen
Budapest
Wien
Odesa
Curtici
Krasnodar
Budyonnovsk
Basel
Aarau
Turkmenbashi
Stabio
Zagreb
Ploiesti
Visp
Milano
Brescia
Verona
Chiasso
Belgrade
Poti
Baku
Ashgabat
Busto Arsizio
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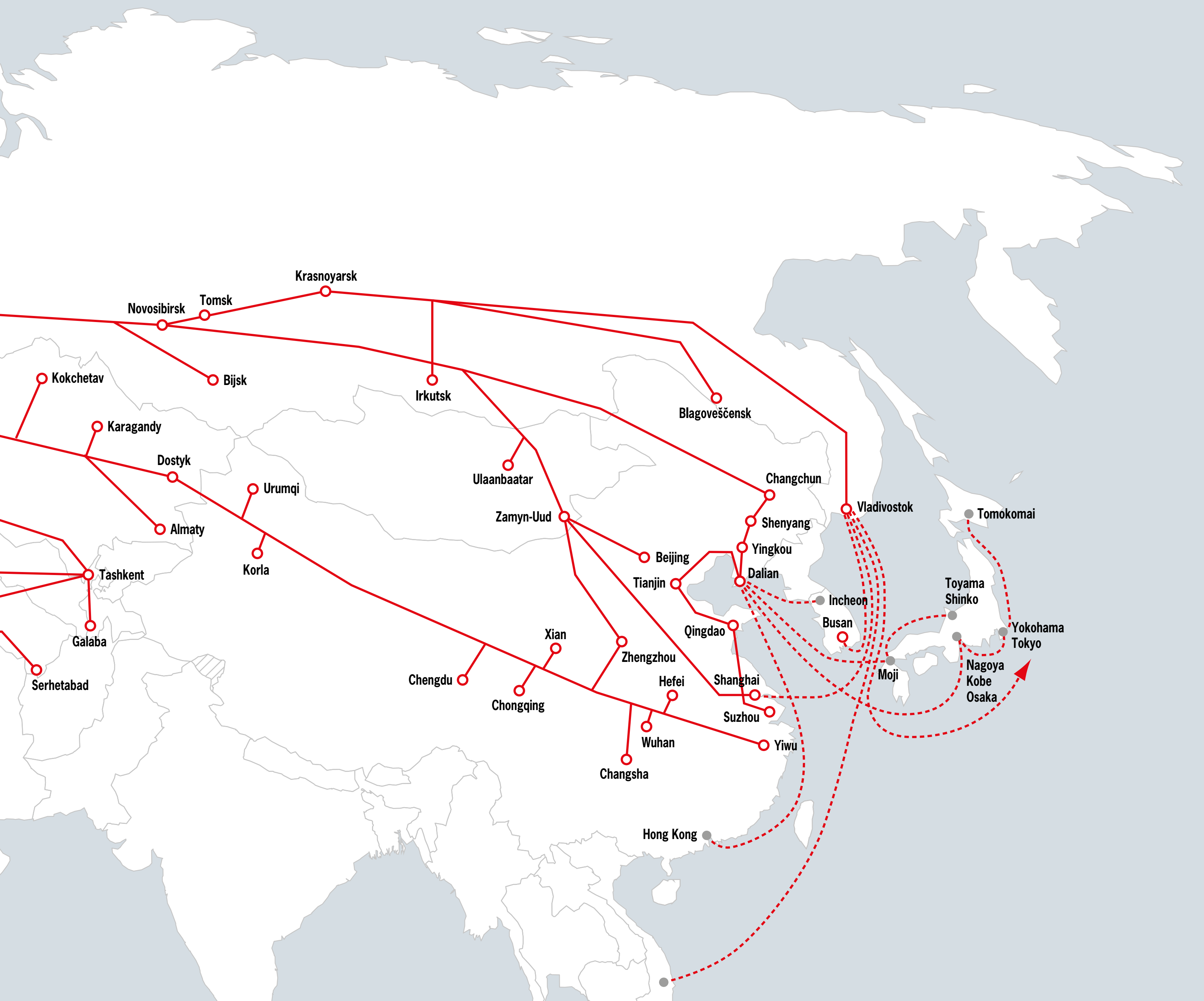
Rijeka
Novara
Bologna
Astara
Tabriz
Halkali
Tehran
Bari
Barcelona
Pomezia
Nola

TRAFFIC DEVELOPMENT

Transport volumes

	Road shipments			Net weight in tonnes		
	2017	2016	%	2017	2016	%
Transalpine via CH	468,329	450,862	3.9	8,969,000	8,614,000	4.1
Transalpine via A	36,878	37,690	- 2.2	684,000	678,000	0.9
Transalpine via F	3,686	3,263	13.0	80,000	73,000	9.6
Non-transalpine	254,208	245,496	3.5	4,303,000	4,130,000	4.2
Total	763,101	737,311	3.5	14,036,000	13,495,000	4.0

Road shipment: 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



In 2017, Hupac conveyed about 763,000 road shipments by rail. This represents year-on-year growth of 3.5% or of 26,000 shipments as compared to the previous year.

The development of traffic was impacted by numerous external factors. An increase of 8.3% in traffic was achieved in the first half semester as compared to 2016; in the second half, however, traffic was impeded by extensive construction sites – first and foremost was the six-month closure of the Luino section between Bellinzona and Gallarate. Substantially more serious consequences resulted from the complete closure of the Rhine Valley section for seven weeks following a construction accident near Rastatt. Of the 300 trains that Hupac normally runs on this section each week, less than one third could be diverted. Solutions could be offered for about 50% of transport operations because additional Basel ⇆ Italy trains were arranged and it was possible to bridge over the accident location via navigation on the Rhine and truck bridges organised by customers.

Traffic quickly returned to normal after the re-opening of the Rhine Valley line at the beginning of October. In overall terms, Hupac achieved traffic growth of 3.5% in 2017. The Rastatt effect is not only reflected in the statistics for transalpine traffic through Switzerland; to some extent, it also impacted non-transalpine traffic which includes Swiss import/export traffic via the Benelux-Switzerland axes. Transalpine traffic via France posted growth (+ 13.0%) whereas transalpine traffic via Austria saw a slight downturn (- 2.2%).

Market success for Shuttle Net

As regards Shuttle Net, transport growth was again driven by the 4-meter semitrailer market segment. Hupac's 4-meter network covers Belgium, the Netherlands, Germany, Scandinavia and Switzerland, with over 50 departures per week from/to Italy.

Trains are routed to Novara through the Lötschberg/Simplon 4-meter corridor, making a major contribution towards shifting heavy traffic from road to rail. When the 4-meter corridor via the Gotthard Base Tunnel is commissioned, Hupac will be able to continue strengthening its offering in this segment.

In the year under review, Hupac was able to enhance the attractiveness of its network for 4-meter trailers by introducing eight new train pairs per week. In March 2017, frequencies per week and direction were increased from four to five departures on the Ludwigshafen ⇆ Novara connection, and from nine to ten departures on the Cologne Eifeltor ⇆ Novara shuttle. The Zeebrugge C.RO ⇆ Novara connection was incorporated into the Shuttle Net in December. The five weekly departures offer direct connections to the UK. This enables Hupac to offer further transport capacities in addition to the existing Zeebrugge P&O Ferries ⇆ Novara shuttle. In January of this year, Hupac launched a direct connection between Hanover and Novara with three round trips per week, as a further development of the Hamburg/Hanover ⇆ Busto Y-shuttle which now operates as a Hamburg ⇆ Busto connection.

An encouraging development can also be reported in the Singen ⇆ Italy network. As from the end of the year, a new Singen ⇆ Cremona train was introduced with five roundtrips per week, and the frequency of the Singen ⇆ Brescia shuttle was also increased.

Thanks to strong demand, Hupac was able to continue expanding its offering on the south-east Europe axis. In May, the frequency on the Duisburg ⇆ Budapest shuttle train was increased to six departures, with improved runtimes. An additional departure on the Duisburg ⇆ Vienna connection was incorporated into the schedule in September. In February of this year, Hupac launched a new link between Istanbul-Halkali and Duisburg/Rotterdam, with two roundtrips per week. The trains operate via Vienna, providing a safe and reliable connection to and from Turkey with a runtime of about one week.

Some interesting developments can also be reported in the eastern Europe region. Traffic with southern Poland was transferred to the Slawkow terminal in May. Ongoing transport options to Russia are available from this location. Direct connections to Russia are provided by the weekly Sestokai ⇆ Moscow shuttle. There has been a changeover in the production concept for east European traffic during the current year. Since January, trains between Duisburg and Gadki and/or Warsaw-Pruszkow operate with end-to-end traction, i.e. with one locomotive from origin to destination. This step allows improved quality and greater flexibility in case of irregularities. Continuous traction is also used to produce the connections: Antwerp ⇆ Warsaw (from Aachen), Duisburg ⇆ Ludwigshafen, Antwerp ⇆ Buna and Antwerp ⇆ Schwarzheide.

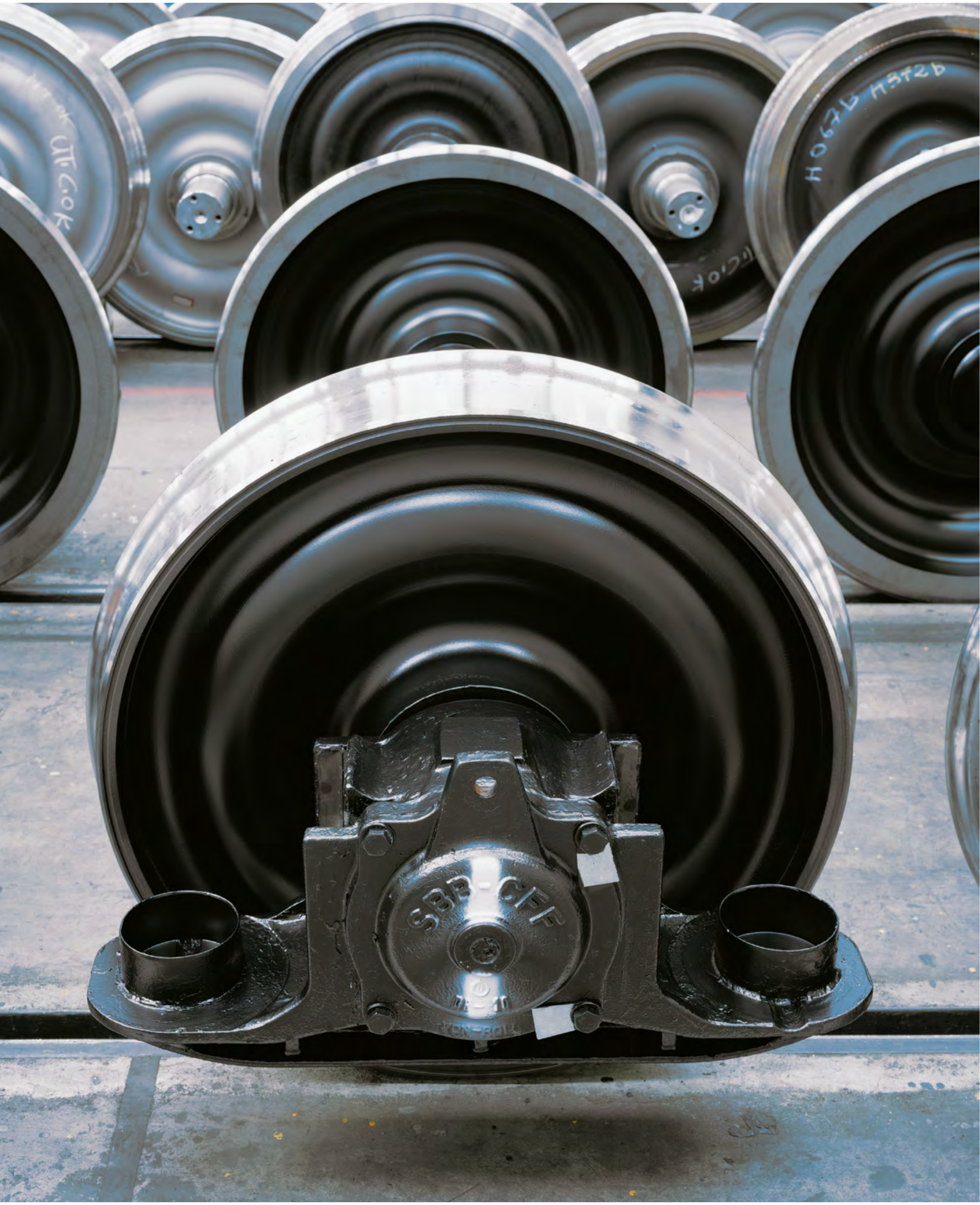
Growth trajectory: Intermodal Express Russia

Since 2011, Hupac has been actively present in Russia, where it has its own branch. Intermodal Express LLC, domiciled in Moscow, employs a staff of eight. Its key responsibilities include operational support for Hupac Group transports in Russia and the Baltic as well as acquisition and handling of transport services in Russia and the CIS states, which it provides and manages itself.

Hupac LLC, our Russian branch, has a fleet of 220 1520 mm-gauge carrying wagons for the Russian network. Thanks to its own resources, Hupac can guarantee high standards of flexibility and reliability for its customers. Transport operations to the economic regions of southern Russia and Kazakhstan showed particularly positive development. In the current year Iran, Azerbaijan, Turkmenistan and Kazakhstan were linked to the Hupac network via Baku.

First transport services for Landbridge China

The incorporation of Hupac International Logistics Shanghai early in 2016 paved the way for the development of the Landbridge China segment of our offering. The service portfolio comprises forwarding of load units in national traffic as well as on transcontinental routes, including all additional services such as trucking and empty container handling. Development of traffic between Italy and China via Nuremberg-Malaszewicze is planned during the current year.


SBB CFF

Company Shuttle: growth in progress

The new Company Shuttle unit has also played a key part in the growth of traffic. Each week, Hupac handles 64 trains (formerly: 44) on behalf of individual transport companies. They take on the capacity utilisation risk for the company shuttles, and assign organisation and operation of the trains to Hupac as operator. Numerous customers make use of the Company Shuttle service for their fixed large volumes as well as the Shuttle Net service for smaller or sporadic volumes, or to deal with volume peaks.

During the year under review, Hupac was able to increase the frequency of the Rotterdam Europoort ⇆ Novara company shuttle from four to six round trips per week. In Europoort, the train from Novara connects directly with the ferries to the UK operated by P&O Ferries and Stena Line. This service transports megatrailers, as well as time critical consumer goods in customised high security wagons.

At the start of 2017, Hupac launched another company shuttle between Antwerp Combinant and Busto Arsizio, with eight departures each week. Hupac deploys an innovative production concept to carry the exceptionally heavy loads from Antwerp to Italy on 2,000-tonne trains, thus achieving substantially enhanced performance.

Traffic to and from Romania was also expanded. In addition to the twice-weekly Piacenza ⇆ Oradea shuttle, January saw the launch of a shuttle between Zeebrugge and Oradea with three round trips per week. Traction is provided by young private rail transport companies; they cover the 1,890-km route in just 34 hours. This connection ensures optimal transfers to the ferries in Zeebrugge and allows A/D transit between Romania and the UK. Thanks to this train, Hupac is setting new standards for transit times on long intermodal connections.

In December 2017, Hupac initiated a company shuttle between Novara and Lübeck for Scandinavian traffic for 4-meter trailers. Following an introductory phase with three round trips per week, we were able to increase the frequency to four roundtrips. A further connection between Novara and Worms was set up at the beginning of the current year. With three roundtrips per week, this link serves the 4-meter transport segment between Italy and the Rhine-Main economic area.

Maritime Logistics launches its first connection

Hupac sees attractive opportunities for growth in maritime hinterland transport. Hupac Maritime Logistics GmbH, the subsidiary incorporated in 2016 with its operational headquarters in Duisburg, focuses on the North Sea ports of Rotterdam and Antwerp. A first connection between Rotterdam and Kornwestheim in the Stuttgart region was initiated in October 2017. This shuttle train, which operates three times per week, offers attractive A/B runtimes.

PRODUCTION AND OPERATIONAL RESOURCES

Proactive traffic management

Hupac provided its transport services under exceptionally difficult conditions in 2017. Traffic was adversely impacted by large numbers of construction sites, accidents and interruptions to line sections. First and foremost, these included the six-month closure of the Luino section on account of construction work, and the seven-week total closure of the Rhine Valley line due to a construction site accident at Rastatt. Extensive sections of track in the Rhine-Alpine corridor were affected by construction work. Problems also arose because the rail partners experienced resource bottlenecks affecting locomotives and locomotive drivers.

Hupac's production department compensates for critical framework conditions by engaging intensively in control and coordination activities, twenty-four hours a day in close cooperation with customers. Traffic is planned and – especially in case of disruptions – implemented as well as possible in collaboration with rail partners and terminal operators:

- Numerous back-up compositions are ready for use as needed in order to ensure on-time service.
- Hupac invests in own reserves as a way of compensating for the shortage of resources. A pool of locomotives and drivers has been kept available for Hupac since the start of 2016. They are available when called up and can be deployed at any time to cope with bottlenecks.
- In liaison with its rail partners, Hupac seeks dialogue with the infrastructure operators in order to find market-compatible solutions in case of serious restrictions, for example by rescheduling construction time windows.

Thanks to these measures, it has been possible to compensate for the negative overall conditions at least in part, and to accommodate customers' requirements for continuity and reliability insofar as possible. Although the greatest efforts were made to adhere to schedules, some 3,000 trains had to be cancelled as a consequence of the disruptions. Half of these cancellations were due to the interruption at Rastatt.

Quality statistics

Hupac measures the punctuality of its trains and provides transparent information about adherence to schedules. Trains are deemed punctual if they are ready for unloading no more than 60 minutes after the agreed schedule.

The punctuality rate fell to 59% during the reporting year, on account of the external factors already mentioned. On the Luino line, the extensive construction work caused a reduction in punctuality from 59% to 52%. A slight improvement was measured via Chiasso, from 75% to 78%. On the axis via Domodossola, the punctuality rate dropped from 65% to 51%, due in part to additional pressure on this route caused by traffic diverted from the Luino section. Punctuality also trended negatively for non-transalpine traffic, with a decline from 63% to 56%.

As far as customers are concerned, Hupac partially compensates for the irregularities by phased circulation of trains with frequent departures. Delays are hardly noticed in some cases if the trains are ready for pickup at night and the drivers only arrive at the terminal in the morning. But in terms of production, this situation frequently leads to losses of routes in the network, slots at the terminal and turnarounds of locomotives and wagons. These occurrences greatly reduce the competitiveness of combined transport, so Hupac is making vigorous efforts at every level to ensure that quality is improved. Crucial factors here are stable production concepts and functional contingency management.

Our traction partners

Over 95% of Hupac's transport is conducted in accordance with the principle of integrated international traction responsibility. Markets where the structures only partly allow this business model are an exception. In the year under review, the main freight carriers for Hupac trains included SBB Cargo International, DB Cargo AG, Mercitalia Rail, BLS Cargo, Crossrail, Captrain, WLB Wiener Lokalbahnen, SNCF Fret, SNCB Logistics, Rotterdam Rail Feeding, NOI Nuovo Operatore Intermodale, LTE, Railtraxx and Rail Cargo Hungaria.

Hupac's rail transport company handles shunting operations in the Busto Arsizio-Gallarate terminal and wagon transport between the terminal and the workshops.

Our own fleet of wagons

At the end of 2017, the Hupac Group had a fleet of 5,941 rail platforms. This represents year-on-year growth of 8.6% compared to the previous year.

As an Entity in Charge of Maintenance, Hupac assumes full responsibility for the maintenance of its fleet. The workshops near the Busto Arsizio-Gallarate terminal, accommodated in the company's own buildings and operated by third parties, make a valuable contribution towards ensuring capacity and boosting productivity. Precautionary protective measures were implemented on wagons with a specific wheel type during the year under review. This caused wagon availability to decrease to 89% (prior year: 93%).

Efficient terminals

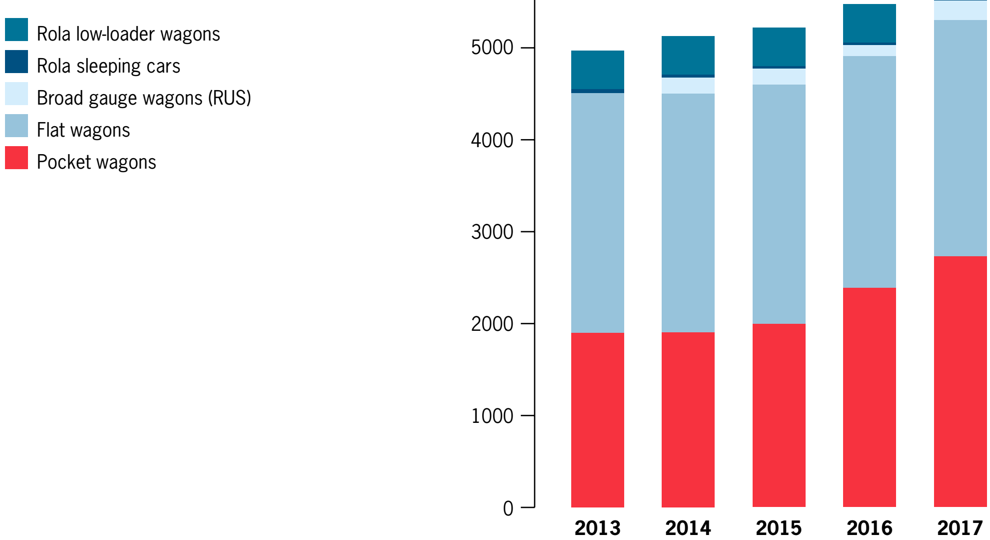
Hupac's trains serve around 60 transhipment terminals in 16 European countries. Many other terminals can be reached via rail connections offered by our partners. During the year covered by the report, the transhipment plants at Kaldenkirchen, Köln Nord, Kornwestheim and Slawkow were connected to the Hupac network.

Safe operations

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 disruptions 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 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.

Rolling stock by type
Number of rail platforms



INFORMATION TECHNOLOGY AND DIGITAL TRANSFORMATION

Digitalisation offers enormous opportunities to enhance the competitiveness of intermodal transport. Capacity management, efficiency gains from new technologies and interaction with customers: these are crucial keywords on the Hupac Group's digitalisation agenda.

During the year under review, Hupac drafted and adopted its digitalisation strategy. By doing so, the company is defining priorities and measures that will enable it to implement its vision of a transport system that is both customer-centric and efficient.

Working in parallel with the existing IT department, a dedicated team of business analysts and specialists from the various divisions of the company has been set up to enable the speedy and agile introduction of new concepts and tools. Thanks to this "two-speed IT", Hupac will ensure maintenance and consistent ongoing development of the existing IT systems as well as the implementation of new customer-centric solutions.

OCR gate automation

Over the coming years, Hupac will equip its terminals with OCR portals so as to support automation of the check-in/check-out processes. Equipped with cameras and specific optical character recognition (OCR) software, these portals can read and store information about incoming load units, trains and trucks. The first two portals to monitor incoming and outgoing trains were installed at the Busto Arsizio-Gallarate terminal in December 2017. After a test phase lasting several months, the system will commence operation in spring 2018. By the end of the year, the project at Busto Arsizio-Gallarate will be completed with the construction of two roadside portals.

WOLF Web Oriented Logistic Platform

WOLF is the new software platform that will gradually replace the Goal software. WOLF is web-based and device-independent. The customer module was developed and activated during the reporting year. It integrates customer-side processes such as bookings and tracking & tracing, and it also offers numerous additional functions such as driver authorisations, archiving of loading schemes and statistics. The TMS (Transport Management System) module was developed and launched to handle the door-to-door business in maritime transport and traffic to and from China. Additional modules that are still in the development phase focus on terminal and fleet management.

SPEAK capacity management system

Hupac's digital strategy includes the introduction of an innovative capacity management system based on algorithms. The goals are an optimised network, an efficient planning process and improved utilisation of capacity with new customer services. The first phase of the project aims to optimise planning of wagon rotation on the basis of the circulation plan. After a test and training phase lasting several months, this module was introduced at the start of 2018. The objective for the second phase is demand-oriented optimisation of train loading. Go-live is scheduled for the end of 2018.

ETA projects: Estimated Time of Arrival

Hupac is making targeted investments to develop IT systems that will monitor train movements and provide information for customers. The objective is to exchange reliable information as early as possible with partners in the logistics chain regarding the status of trains and their expected arrival times. Close collaboration with rail partners has already yielded some initial improvements. Hupac participates proactively in pilot projects within the sector aimed at achieving rapid success as regards the transparency and quality of information on train movements.

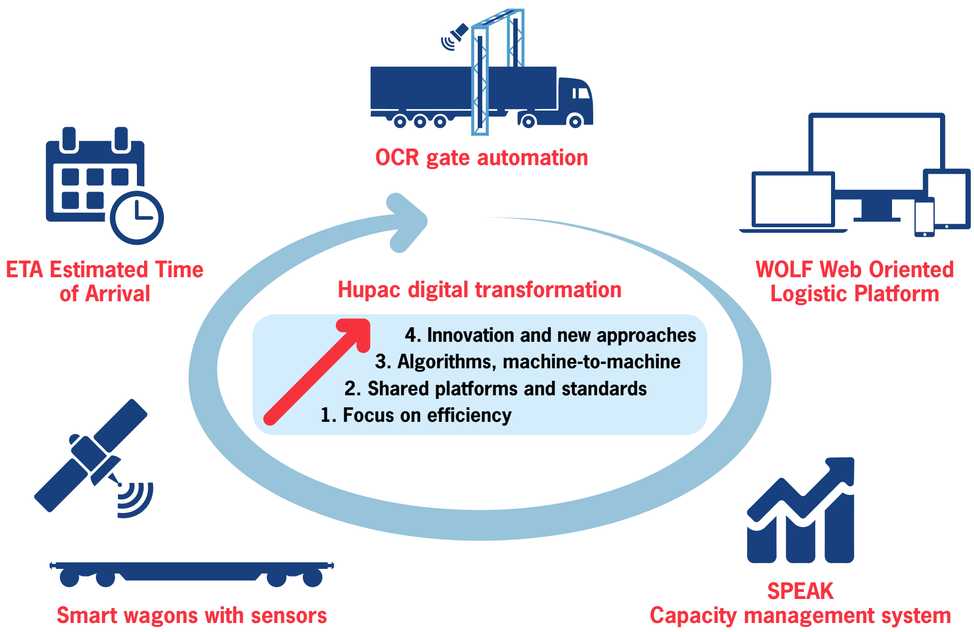
Intelligent wagons with sensors

The agenda also includes solutions for rolling stock monitoring and process optimisation. In future, all wagons will be fitted with sensors to increase safety and enable predictive maintenance.

Data integration with Ediges

Many customers and partners exchange their data with Hupac via XML using the Ediges (Electronic Data Interchange Goal with External Partners) system. Numerous partners were connected to this system during the year under review. Several of the main rail partners are to be integrated during the current year – a milestone for the information flow in intermodal transport.

Digital transformation – projects



TERMINAL MANAGEMENT

Top performance for road/rail transhipment

The transhipment terminals are cornerstones of the intermodal transport process chain. Terminals are the place where a load unit begins its journey by train, and it is here that it is picked up by a truck to cover the last kilometres to its final destination by road.

The Hupac Group operates seven terminals in Switzerland, Italy, Germany and Belgium. The operating companies are Hupac Intermodal Ltd for the Aarau, Basel and Chiasso terminals, Hupac SpA for the Busto Arsizio-Gallarate terminal, TPI Terminal Piacenza Intermodal SpA for the Piacenza terminal; Hupac Intermodal BVBA for the Antwerp terminal and the Terminal Singen TSG GmbH joint venture company for the Singen terminal. About 250 employees of the Hupac Group work in the terminal sector. Every day, they load thousands of load units onto rail wagons or trucks, and they manage arrivals and departures of trains, rail wagons and road vehicles. The software Goal (Global Oriented Application for Logistics) supports and manages every element of the terminal process.

The key factors in successful terminal operation are the functional layout of the facility with its tracks, cranes, road and parking lanes, together with efficient procedures supported by IT. One of the greatest challenges is to adopt a flexible approach to dealing with the numerous irregularities in rail operation, with the goal of offering a reliable transport service to intermodal transport customers.

Safety is accorded top priority in the Hupac Group's terminals. Modern plants and equipments combined with rigorous conformance to specified measures and regulations guarantee the safety of employees, users and the environment.

Customers appreciate the efficient work undertaken by the Hupac terminals as well as their sound organisation. In December 2016, 80% of drivers rated the service provided by the terminals as "good" or "very good".

Hupac's terminals are accessible without discrimination and are used by various operators. During the reporting year, these included companies such as Hupac Intermodal, Mercitalia Intermodal (formerly Cemat), Kombiverkehr, TX Logistik, TTS, GTS, and Codognotto.

The Hupac Group's terminal business was significantly impacted by the obstructions on the north-south axis during the year under review. Downturns in traffic were reported in the terminals at Busto Arsizio-Gallarate, Singen, Basel and Piacenza. On the other hand, the facilities at Chiasso, Aarau and Antwerp were able to increase their transhipment volumes.

Busto Arsizio-Gallarate terminal
With an area of 245,000 m² and 12 portal cranes, the Busto Arsizio-Gallarate terminal is one of Europe's largest transhipment facilities. Almost 300 trains are loaded and unloaded every week on the terminal's 13 crane tracks. Destinations include Germany, Switzerland, Italy, Spain, Benelux and Denmark. In the year under review, the transhipment volume was approximately 421,000 load units, corresponding to a year-on-year decline of 3%. In December 2017, a start was made on installing four OCR portals for automatic recording of incoming and outgoing trains, rail wagons and load units. The objectives are to increase efficiency and safety on the rail side, and to automate and accelerate the check-in and check-out processes on the road side. This project is scheduled for completion by the end of 2018.

Piacenza terminal
The Piacenza terminal also saw a slight downturn in traffic, with a decrease of 3%. A total of 107,000 load units were transhipped. The weekly traffic volume is about 80 trains, and the main

destinations are Italy, Germany, Benelux, Poland and Romania. The Piacenza terminal occupies an area of 45,000 m² and is equipped with five mobile cranes. Extensive plans to expand the terminal are on the agenda for the coming years.

Singen terminal
The Singen terminal, located in southern Germany, has two portal cranes and one reach stacker on an area of 61,000 m²; it serves about 60 trains each week. The main destinations are Italy and the Ruhr region. Traffic volume here fell by 2% to 72,000 load units in the reporting year.

Antwerp terminal
In 2017, the HTA Hupac Terminal of Antwerp was able to post 2% growth in volume. A total of 81,000 load units were transhipped on an area of 53,000 m² with three portal cranes. About 45 trains per week serve numerous destinations in Italy, Poland and Switzerland.

Aarau terminal
The Aarau terminal is an important hub for Swiss import/export traffic. Each week, the terminal processes about 50 trains to Germany, Italy, Belgium and Switzerland. Transhipment volume was increased by 12% to reach 49,000 load units in the reporting year. The Aarau terminal is equipped with three mobile cranes to handle the trains on five 300-meter long transhipment tracks. One mobile crane was ordered in November as a replacement investment. Delivery is scheduled for June 2018.

Basel Wolf terminal
The Basel Wolf terminal also handles Swiss import/export traffic with about 30 trains or wagon groups per week, bound for Benelux and Switzerland. On the terminal's area of 17,000 m², 37,000 load units were transhipped in the reporting year, corresponding to a decrease of 12%.

Chiasso terminal
10 trains or wagon groups bound for Aarau and Basel are processed each week at the Chiasso terminal. The volume was increased by 16% to reach 7,000 load units in 2017.

DEVELOPMENT OF OPERATIVE 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-trains 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. Cooperation with SBB Cargo International was successful. It was possible to expand transportation undertaken for Hupac. The existing quality problems have been recognised and are being addressed systematically.

Mercitalia Intermodal SpA, Milan
Since the 1970s, Hupac has maintained close collaboration with Cemat, the Italian combined operator, which was renamed as Mercitalia Intermodal at the start of 2018. At the end of the reporting year, Hupac's capital holding remained unchanged at 34.48%.

RAlpin Ltd, Olten
In conjunction with SBB, BLS and Trenitalia, Hupac is a 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 33.11%. Hupac handles many tasks on behalf of RAlpin, such as customer service, dispatching and invoicing for the Rolling Highway on the Lötschberg and the Gotthard axis. In addition, Hupac performs agency services in the Lugano terminal and also in the Novara terminal through its subsidiary, Fidia. In the year under review, Hupac AG rented 425 low-loader wagons and 8 accompanying coaches to RAlpin.

Terminal Singen TSG GmbH, Singen
The joint venture company Terminal Singen TSG GmbH, which was established in 1999, operates the Singen terminal. Approximately 60 trains travel via this hub every week.

Combinant NV, Antwerp
Hupac holds a share of 35% in the Combinant NV terminal operator which was founded in 2009. The other partners are BASF and Hoyer. In the year under review, Hupac handled 70 trains per week via the Combinant terminal.

KTL Kombi-Terminal Ludwigshafen GmbH, 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 shipments between Germany, Italy, Belgium and Poland. Around 100 Hupac trains run via the hub each week.

DIT Duisburg Intermodal Terminal GmbH, 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 30 trains per week via this terminal.

RSC Rail Service Center, Rotterdam
In December 2014, Hupac acquired a 16.33% interest in the RSC terminal in Rotterdam. With 105 weekly departures, the RSC terminal is the hub for Hupac's Netherlands traffic.

CIS Cesar International Services Scarl, Brussels
Hupac is a founding partner of Cesar International Services, established in 2004, with a capital share of 25.1%. Various other combined transport operators also hold shares in the Brussels-based service company, which manages and develops the Cesar customer information system.

ENVIRONMENTAL PERFORMANCE

In the year under review, the shift of freight transport from the roads to the Hupac transport network saved around 0.9 million tonnes of CO_2 and around 10.5 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. Transhipment and shunting operations at the terminals, fleet management and administration are the main targets.

Protection against accidents with harmful effects on the environment

Hupac's production is organised in such a way from an infrastructure and organisation perspective that the risk of an accident with consequences for people and the environment is as low as possible. The measures applied comply with and in many cases exceed the requirements of the valid provisions.

In the rolling stock sector, Hupac emphasises a concept of preventative maintenance. All rail wagons undergo various testing and maintenance steps at defined intervals. This means that safe circulation of the rolling stock is ensured.

Prevention is also the guiding principle in the terminal sector. The Goal operating software is equipped with control functions that prevent mis-loading of the train. In this way, risks for rail traffic are effectively prevented.

The terminals of the Hupac Group have a range of active and passive safety measures:
- sealing of the floor to protect the ground water
- lockable waste water system: in the event of a loss of harmful materials during a rainfall, the soiled water is directed to a retention basin to separate it from the remaining water
- safe operation in the handling area through electric portal cranes.

The Busto Arsizio-Gallarate terminal is designed for a high handling volume and has additional preventative safety devices such as electronic signal and operating/control equipment for internal rail traffic and centralised electronic control of all the safety equipment.

In every sector, Hupac emphasises the human factor. Employees are regularly made aware of and trained in safety issues in order to recognise risks at the workplace and deal with them effectively.

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 17.8% of the volume in its network. The company's own centralised service, headed by a hazardous goods compliance advisor, appointed and trained according to the provisions of Directive 96/35/EC, implements the appropriate regulations in all areas of the Group, advises customers and trains the staff.

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. Potential irregularities are detected, recorded and assessed during numerous inspections.

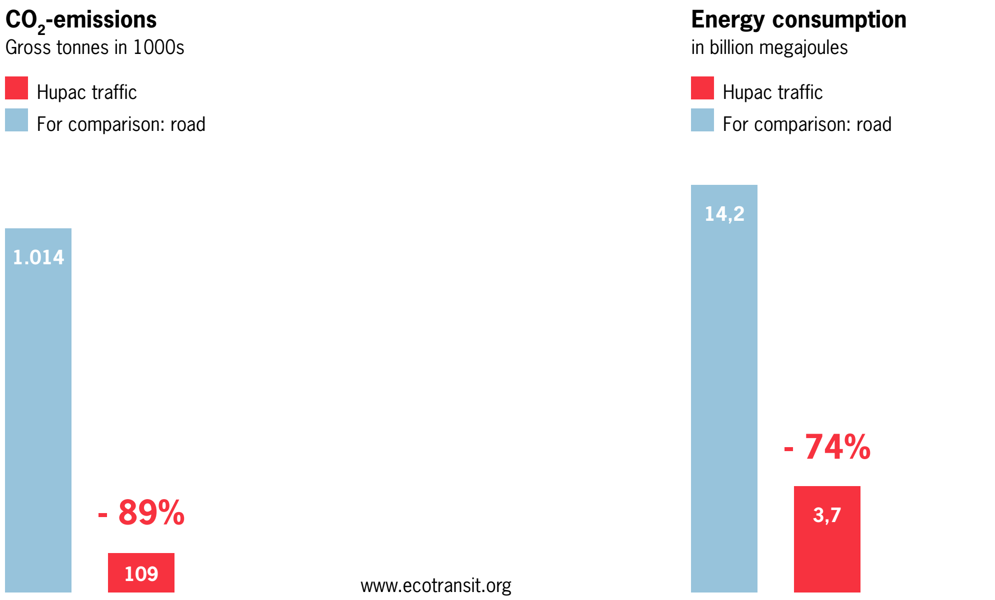
In the year under review, the number of irregularities remained more or less constant. 79 incidents were reported at the terminals (previous year: 60) and 20 on the rail network (previous year: 46).

Noise abatement of freight wagons

Hupac's entire wagon fleet has been low-noise since the end of 2016. Procurement of new wagons with low-noise K-pad brakes began in 2001. This makes Hupac one of the first operators to deploy the K-pad technology on this scale. It is not only the company's new wagons that run silently: about 800 existing wagons with grey cast iron brake blocks have also been retrofitted with K-pads at considerable expense and effort. The different friction coefficients for grey cast iron blocks and K-pads made it necessary to reconstruct the brakes. This reconstruction work, financed by the FinöV fund for noise refurbishment (Public Transport Financial Fund), was completed by the end of 2015.

Any further wagon-related reduction of the noise level to below 80 dB(A) can only be achieved through the deployment of alternative braking systems such as disc brakes. In 2015, Hupac converted four wagons from block brakes to disc brakes and began operating them as prototypes; this was followed in 2016 and 2017 by the procurement of a total of 200 wagon modules with disc brakes.

Environmental performance of Hupac's intermodal network



www.ecotransit.org

EMPLOYEES

Composition

At the end of 2017, the Hupac Group employed 455 members of staff as full-time equivalents (prior year: 429) or 470 natural persons (prior year: 440). These individuals were distributed as follows: 204 at Hupac Intermodal in Switzerland, 238 at the subsidiaries in Italy and 28 at the branches in Germany, the Netherlands, Belgium, Poland, Russia and China. The quota of women amounted to 18%. Average seniority decreased slightly to 10.7 years.

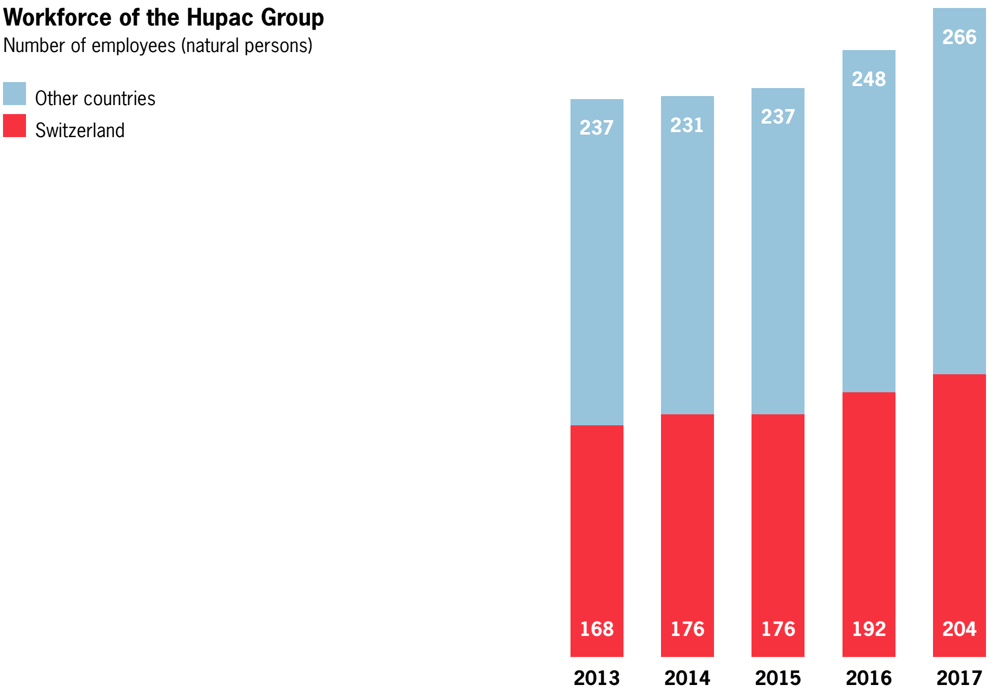
Training

Numerous coaching and training courses were held in the year under review. Internal foreign language courses and trainings on safety and rolling stock took place in Chiasso and Busto Arsizio. Other training courses covered IT applications and administrative processes, while a number of employees attended external courses for special training requirements.

Hupac places great importance on practice-oriented education and training so that employees are made aware of the operational value creation processes. They are trained for practical, operational tasks and can be deployed flexibly. During the year covered by the report, nine employees participated in job-rotation schemes, spending time in branches and subsidiaries. A large number of short-term secondments within the company promoted inter-divisional thinking.

In 2017, Hupac trained eight apprentices as commercial employees.

Workforce of the Hupac Group
Number of employees (natural persons)



Occupational health and safety

Hupac takes care to provide healthy and safe workplaces in compliance with 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, 11 occupational injuries were recorded along with 340 lost working days. This represents a slight year-on-year increase in the number of working days lost due to accidents per employee.

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 subsidiaries.

Employee satisfaction

Every year, Hupac assesses the satisfaction of its staff on the occasion of the meeting with their superiors and through a questionnaire with answers on a scale of 1 to 100. At headquarters, the average score was 80 (previous year: 82). At Hupac SpA, the Italian subsidiary, a score of 81 was attained (previous year: 82).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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 traffic from road to rail.

In 2017, Hupac achieved a volume of 468,000 road shipments with 9.0 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 profitability 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, Termi SpA and Hupac Intermodal BVBA were partly 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 into the municipal territories of Gallarate
- HTA Hupac Terminal Antwerp
- completion of the Busto Arsizio-Gallarate terminal (as per final accounts of 2012).

The Hupac Group will have to repay a considerable part of these subsidies, amounting between 2017 and 2040 to around CHF 54.7 million. In the same period, estimated interest of around CHF 2.2 million will be payable to the Swiss Government (see table).

Additional terminal projects are in the planning phase. These relate to locations in Brescia, Piacenza, Milano Smistamento and Basel Nord.

In terms of operating subsidies, the Swiss Government applies a degressive model. The intention is to shift increasing amounts of traffic onto rail with slightly decreasing funds.

Operating contributions per road shipment in transalpine traffic through Switzerland remained practically constant in 2017 compared to 2016 (+ 0.2%).

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

Years	2017	2018-2026	2027-2030	2031-2035	2036-2040	2017-2040 Total
Loan repayment	3,748	3,622 - 3,622	2,576 - 2,579	1,470 - 1,551	65	54,658
Interest	276	67 - 291	6 - 42			2,149
Total	4,024	3,689 - 3,913	2,582 - 2,620	1,470 - 1,551	65	56,807

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement 2017 and 2016

Amounts in 1 000 CHF	2017	2016
Net income from supplies and services	485 570	470 281
Other income	66 817	68 838
Cost of the services	-447 262	-433 816
Gross profit	105 125	105 303
Payroll expenses	-37 537	-35 671
Other operating expenses	-13 600	-11 862
Depreciations and value adjustments	-44 332	-43 187
Operating result before financial positions	9 656	14 583
Financial income	115	254
Dividend income	140	144
Financial expenses	-1 859	-1 898
Result from associates	1 841	1 277
Foreign exchange differences	2 873	-617
Ordinary operating result	12 766	13 743
Non-operating income	192	189
Non-operating expenses	-22	0
Extraordinary income	2 181	564
Gain from disposal of fixed assets	124	197
Extraordinary expenses	-265	-568
Loss from disposal of fixed assets	-12	-7
Dissolution of provisions	112	393
Annual result before taxes	15 076	14 511
Direct taxes	-3 839	-3 663
Annual result	11 237	10 848
Minority interest	-110	-96
Annual result of the Group	11 127	10 752

Consolidated balance sheet at 31 December 2017 and 2016

Amounts in 1 000 CHF	31.12.2017	31.12.2016
ASSETS		
Cash and cash equivalents	54 550	76 585
Receivables from supplies and services	68 515	57 618
- third parties	53 641	44 950
- shareholders	14 874	12 668
Other short-term receivables	16 422	8 838
- third parties	16 422	8 838
Stocks and services not invoiced	7 051	7 609
- stocks	3 438	3 191
- services not invoiced	3 613	4 418
Accrued income	25 740	23 535
Total current assets	172 278	174 185
Financial fixed assets	53	185
- Long-term receivables from third parties	47	180
- Other financial fixed assets	6	5
Investments	43 648	39 583
Tangible fixed assets	209 521	173 199
- Advances to suppliers	18 812	9 816
- Technical equipment	14 849	15 558
- Rolling stock	63 126	52 819
- Plants on third parties' lands	9 449	9 235
- Terminals, buildings and land	97 581	80 954
- Other tangible fixed assets	5 704	4 817
Intangible fixed assets	12 906	3 088
Deferred tax assets	1 289	710
Total fixed assets	267 417	216 765
Total assets	439 695	390 950

Amounts in 1 000 CHF	31.12.2017	31.12.2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Account payables from supplies and services	44 168	39 710
- third parties	43 994	39 616
- shareholders	174	94
Onerous short-term debts	876	4 395
- third parties	876	4 395
Other short-term debts	3 675	4 196
- third parties	3 675	4 196
Accrued expenses	59 665	47 606
Short-term provisions	155	266
Total short-term liabilities	108 539	96 173
Onerous long-term debts	64 571	58 633
- third parties	64 571	58 633
Other long-term debts	56 078	56 785
- third parties	56 078	56 785
Long-term provisions	98 391	83 252
Deferred tax liabilities	1 893	1 686
Total long-term liabilities	220 933	200 356
Total liabilities	329 472	296 529
Minority interests	1 033	473
Share capital	20 000	20 000
Statutory capital reserves	16 863	5 015
Statutory retained earnings	53 084	62 525
Voluntary retained earnings	32 474	27 211
Translation difference	-11 163	-18 229
Treasury shares	-2 068	-2 574
Total shareholders' equity	109 190	93 948
Total liabilities and shareholders' equity	439 695	390 950

Notes on the consolidated income statement for 2017

In financial year 2017, the Hupac Group's *Net income from supplies and services* rose by 3.3% year-on-year to CHF 485.6 million. This increase is due to growth for existing products and to the introduction of new products. The percentage of growth change in the Company Shuttle business unit was again significant in the year under review. Without the line disruption in Rastatt, the entire Group would have grown significantly more strongly.

The *Other income* position comprises operating contributions, contributions for low-noise refurbishment of rolling stock and contributions for the deployment of low-noise wagons. In the reporting year, these items amounted to CHF 66.8 million, representing a year-on-year decrease of 2.9%.

Cost of the services posted a year-on-year increase of 3.1% to CHF 447.3 million similar to revenue. At CHF 105.1 million, G*ross profit* remained almost unchanged from the previous year despite growth and due to the factors mentioned above.

Payroll expenses showed a year-on-year increase of 5.2% in financial 2017 especially due to growth and investments in the future. The *Other operating expenses* item was 14.6% higher than in 2016 due to higher consulting expenses, also in connection with acquisitions.

Expenditure on *Depreciations and value adjustments* posted a year-on-year increase of 2.6%.

The *Financial income* and *Dividend income* are almost unchanged compared to the previous year 2016, while the stronger euro led to significant currency gains of CHF 2.9 million. Compared to the previous year, the further improvement in the results of the associated companies with an additional CHF 0.6 million was also pleasing this year.

Despite higher interest-bearing liabilities, but due to better financing conditions, *Financial expenses* were 2.0% lower. The *Ordinary operating profit* for the 2017 financial year amounted to CHF 12.8 million, showing a decrease of 7.1% compared with the previous year despite positive currency effects and the line disruption in Rastatt.

After taking account of *Non-operating and Extraordinary income and expenses* and the *Gain and Loss from disposal of fixed assets* and *Dissolution of provisions* positions, the Hupac Group reports *Annual result before taxes* in financial year 2017 of well over CHF 15.1 million, equivalent to an improvement of 3.9% as compared to 2016 and resulting from a one-off tax credit of CHF 1.8 million.

After deduction of *Direct taxes,* the *Annual result* is well over CHF 11.2 million and after a further deduction for the *Minority interest,* the Hupac reports *Annual result of the Group* of CHF 11.1 million for the 2017 reporting year, corresponding to a year-on-year increase of 3.5% compared to the previous year despite the difficult environment in the second term and thanks to positive special effects.

Hupac Intermodal Ltd, by far the most important company in the Hupac Group as regards turnover, closes the 2017 financial year with a significant loss of CHF 3.0 million (prior year: profit of CHF 0.2 million). Without positive one-off effects such as currency gains or extraordinary tax credits, the negative result of Hupac Intermodal Ltd would have been much more significant due to the mentioned route disruptions and restrictions in the second term.

Consolidated cash-flow statement 2017 and 2016

Amounts in 1 000 CHF	2017	2016
Annual result of the Group	11 127	10 752
Depreciation of tangible assets	30 275	25 835
Depreciation of intangible assets	1 056	923
Change in value of investments	-651	-352
Variation of provisions	14 743	14 192
Other non monetary items	-3 414	68
Net result from sale of tangible assets	-112	-190
Income from associated companies	-1 841	-1 277
Minority interests	512	32
Variation of inventories	-96	-226
Variation of short-term receivables	-18 616	-3 779
Variation of short-term liabilities	15 772	13 167
Cash flows from operating activities	48 755	59 145
Purchase of tangible assets	-57 200	-26 984
Proceeds from sale of tangible assets	137	211
Purchase of intangible assets	-10 759	-1 022
Proceeds from sale of intangible assets	1	0
Cash flows from investing activities	-67 821	-27 795
Variation of financial receivables	-389	-44
Variation of financial loans	-1 802	-8 816
Treasury shares	506	190
Dividends payment	-3 129	-1 546
Cash flows from financing activities	-4 814	-10 216
Variation	-23 880	21 134
Cash at beginning of the year	76 585	55 271
Foreign exchange differences on cash	1 845	180
Cash at end of the year	54 550	76 585

Notes to the consolidated financial statements 2017

Principles applied in these financial statements

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957 – 963b Swiss Code of Obligations (CO) (effective 1 January 2013).

Accounting policies

Consolidation principles
The consolidated financial statements of Hupac Ltd have been prepared using the purchase price method, 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

The following companies were fully consolidated:

Company		Share or company capital	Interests as % 31.12.2017	31.12.2016
Hupac Ltd, Chiasso	CHF	20 000 000		
Hupac Intermodal Ltd, Chiasso	CHF	250 000	100.00	100.00
Hupac SpA, Busto Arsizio	EUR	2 040 000	96.99	96.99
Sub-interests of Hupac SpA, Busto Arsizio:				
- Fidia SpA, Milan	EUR	550 000	3.00	3.00
Hupac GmbH, Singen	EUR	210 000	100.00	100.00
Termi Ltd, Chiasso	CHF	2 000 000	100.00	100.00
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, Milan	EUR	550 000	97.00	97.00
Centro Intermodale SpA, Milan	EUR	4 480 000	100.00	100.00
Sub-interests of Centro Intermodale SpA, Milan:				
- Terminal Piacenza Intermodale Srl, Piacenza	EUR	52 000	100.00	100.00
Hupac Intermodal Italia Srl, Busto Arsizio	EUR	100 000	100.00	100.00
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
Intermodal Express LLC, Moscow	RUB	3 000 000	75.00	75.00
Sub-interests of Intermodal Express LLC, Moscow:				
- Hupac LLC, Moscow	RUB	60 000 000	2.00	2.00
Hupac LLC, Moscow	RUB	60 000 000	98.00	98.00
Hupac Terminal Brwinów Sp. z o.o., Brwinów	PLN	100 000	100.00	100.00
Hupac International Logistics (Shanghai) Co. Ltd, Shanghai	CNY	5 000 000	100.00	100.00
Hupac Maritime Logistics GmbH, Duisburg	EUR	200 000	100.00	100.00
Piacenza Intermodale SpA, Piacenza	EUR	6 720 000	94.07	0

The following companies were consolidated using the equity method:

Company	Registered in	Interests as % 31.12.2017	31.12.2016
Cemat SpA	Milan (Italy)	34.48	34.48
Terminal Alptransit Srl	Milan (Italy)	50.00	50.00
RAlpin Ltd	Olten (Switzerland)	33.11	33.11
SBB Cargo International Ltd	Olten (Switzerland)	25.00	25.00
Cesar Information Services Scarl	Brussels (Belgium)	25.10	25.10
Combinant NV	Antwerp (Belgium)	35.00	35.00
Terminal Singen TSG GmbH	Singen (Germany)	50.00	50.00
Gateway Basel Nord AG	Basle (Switzerland)	24.50	24.50
Kombi-Terminal Düsseldorf GmbH	Düsseldorf (Germany)	33.33	33.33

2017 also include an additional general risk provision of CHF 8.2 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 more than 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% and up to 50% of the voting rights are consolidated using the equity method. Equity method is also 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.

Equity method consolidation is used for the 50% interest in Terminal Singen TSG and Terminal Alptransit Srl.

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

Table of currency conversion

	Balance sheet		Income statement	
	31.12.2017	31.12.2016	2017	2016
CHF/EUR	1.16905	1.07370	1.11140	1.09020
CHF/RUB	0.01690	0.01650	0.016895	0.014769
CHF/PLN	0.28030	0.24280	0.261087	0.249865
CHF/CNY	0.14900	0.14663	0.145871	0.148424

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 2016	20 000	83 829	-2 765	-17 712	83 352	390
Translation differences				-333	-333	51
Translation differences of associated companies				-184	-184	
Net equity adjustment		1 716			1 716	-64
Movements of treasury shares			191		191	
Parent company dividend		-1 546			-1 546	
Consolidated profits 2016		10 752			10 752	96
Balance at 31 December 2016	20 000	94 751	-2 574	-18 229	93 948	473
Translation differences				5 168	5 168	47
Translation differences of associated companies				1 898	1 898	
Net equity adjustment		-328			-328	402
Movements of treasury shares			506		506	
Parent company dividend		-3 129			-3 129	
Consolidated profits 2017		11 127			11 127	111
Balance at 31 December 2017	20 000	102 421	-2 068	-11 163	109 190	1 033

to customers, UIRR companies and third parties for services performed on the transport network of Hupac, as well as for the hiring-out of wagons outside this transport network, logistics services and miscellaneous.

Other income
In this position are disclosed the governmental grants.

Cost of supplies and services
The cost of supplies and services is made up of the charges invoiced to Hupac for the provision of the necessary supplies and services (including freight charges, leasing of wagons, maintenance, terminal charges, operational insurance premiums and miscellaneous) for achieving the turnover with customers, UIRR companies and third parties.

Treasury shares

Registered shares	2017	2016
Initial holdings on 01.01.	630	674
- Purchase	56	0
- Sale	-183	-44
Final holdings on 31.12.	503	630

The transactions were conducted on market-based condition.

	2017	2016
Personnel - average number of full-time equivalents	442	424

Derivative instruments - As at 31.12.2017

Amounts in CHF	Contract volume as at 31.12.2017	Fair values as at 31.12.2017	Fair values as at 31.12.2016
Transactions interest rate swap			
Zürcher Kantonalbank 10.4.2012-14.4.2020, 0.825%	5 000 000	-177 790	-265 231
Credit Suisse 19.1.2015-19.1.2022, 1.46%	20 000 000	-1 602 474	-2 140 714
Total	25 000 000	-1 780 264	-2 405 945

At 5.4.2012 Hupac Ltd closed a deal concerning interest rate swap with Zürcher Kantonalbank and at 19.11.2013 with Credit Suisse. With these contracts Hupac Ltd has committed itself to pay a fixed interest rate. In return Hupac Ltd receives in case of positive interest level the floating rate corresponding to the 3-months Libor. The transactions have been concluded with the aim of securing a firm financing.

Amounts in 1 000 CHF	31.12.2017	31.12.2016
Extraordinary expenses	265	568
The most significant items are: 2017: Other tax and spare parts not invoiced 2016: Agreement arbitration proceedings and others		
Extraordinary income	2 181	564
The most significant items are: 2017: Reimbursement of tax and other tax 2016: Surplus proceeds Cosmef, reimbursement of other tax costs and insurance and others		
Other information in accordance with legal requirements		
Debts from leasing obligations with remaining duration of more than twelve months from the balance sheet date	38	34
Debts towards personnel foundations	579	555
Total amount of collateral pledged for liabilities of third parties	6 908	7 630
Pledges on assets to secure own liabilities	64 703	63 272
Onerous long-term debts		
- 1 - 5 years	44 676	22 183
- > 5 years	15 472	36 450
Auditor's fees		
Audit services	130	122

Report of the statutory auditor to the General Meeting on the consolidated financial statements 2017

As statutory auditor, we have audited the consolidated financial statements of Hupac Ltd, which comprise the balance sheet, income statement, cash flow statement and notes (pages 46 to 52), for the year ended 31 December 2017.

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 2017 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 Oversight Act (AOA) and independence (article 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 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

Elisa Alfieri
Licensed audit expert
(Auditor in charge)

Michele Balestra
Licensed audit expert

Lugano, 20 April 2018

FINANCIAL STATEMENTS OF HUPAC LTD

Income statement 2017 and 2016

Amounts in 1 000 CHF	2017	2016
Net income from supplies and services	74 034	70 441
Other income	0	95
Cost of the services	-25 970	-25 222
Gross profit	48 064	45 314
Other operating expenses	-3 200	-2 702
Depreciation of tangible fixed assets	-21 127	-17 465
Depreciation of intangible fixed assets	-3 287	-1 300
Provisions and value adjustments	-11 297	-13 218
Operating result before financial positions	9 153	10 629
Financial income	860	801
Dividend income	268	313
Financial expenses	-1 506	-1 534
Foreign exchange differences	1 669	-13
Ordinary operating profit	10 444	10 196
Extraordinary income	12	7
Gain from disposal of fixed assets	31	168
Extraordinary expenses	-112	-1 600
Loss from disposal of fixed assets	0	-7
Annual result before taxes	10 375	8 764
Direct taxes	-2 387	-2 046
Annual result	7 988	6 718

Balance sheet at 31 December 2017 and 2016

Amounts in 1 000 CHF	31.12.2017	31.12.2016
ASSETS		
Cash and cash equivalents	21 881	41 968
Receivables from supplies and services	14 484	16 380
- third parties	2 100	1 772
- group companies	12 717	14 851
- shareholders	23	23
- Provision for doubtful debts	-356	-266
Other short-term receivables	9 346	2 768
- third parties	9 346	2 768
Stocks and services not invoiced	1 657	1 632
- stocks	1 657	1 477
- services not invoiced	0	155
Accrued income	1 083	1 084
Total current assets	48 451	63 832
Financial fixed assets	31 017	27 508
- Long-term receivables from third parties	0	139
- Long-term receivables from group companies	31 009	27 362
- Other financial fixed assets	8	7
Investments	105 190	87 396
Tangible fixed assets	65 299	51 225
Intangible fixed assets	809	3 433
Total fixed assets	202 315	169 562
Total assets	250 766	233 394

Amounts in 1 000 CHF	31.12.2017	31.12.2016
LIABILITIES AND SHAREHOLDERS' EQUITY		
Account payables from supplies and services	4 192	4 426
- third parties	2 431	3 589
- group companies	1 715	776
- shareholders	46	61
Onerous short-term debts	0	4 295
- third parties	0	4 295
Other short-term debts	681	593
- third parties	681	593
Accrued expenses	23 280	21 708
Total short-term liabilities	28 153	31 022
Onerous long-term debts	44 676	40 000
- third parties	44 676	40 000
Long-term provisions	73 901	63 701
Total long-term liabilities	118 577	103 701
Total liabilities	146 730	134 723
Share capital	20 000	20 000
Statutory retained earnings	5 752	5 532
Voluntary retained earnings	80 352	75 713
Treasury shares	-2 068	-2 574
Total shareholders' equity	104 036	98 671
Total liabilities and shareholders' equity	250 766	233 394

Notes on the income statement

Hupac Ltd's *Net income from supplies and services* rose by 5.1% to CHF 74.0 million in financial year 2017. Income primarily comprises the rental of tangible assets, consisting in the main of rolling stock; the expansion of the fleet led to a corresponding increase in sales.

The *Other income* position shows government financial support. This relates to contributions towards noise refurbishment of the rolling stock. Since most of the wagon fleet was completely noise-refurbished in the year under review, these revenues fell from the already low CHF 95,000 to zero.

Cost of the services increased by 3.0% to CHF 26.0 million compared to 2016. This results in *Gross profit* of CHF 48.1 million for Hupac Ltd, which is CHF 2.8 million over the prior year's result.

The *Other operating expenses* position saw a year-on-year increase by 18.4% to CHF 3.2 million; this was principally due to an increase in various consulting fees, also in relation to acquisitions.

The *Depreciation of tangible fixed assets* position showed a year-on-year increase of CHF 3.7 million, while the CHF 3.3 million figure for *Depreciation of intangible fixed assets* more than doubled due to extraordinary depreciations

Provisions and value adjustments in financial year 2017 amounted to CHF 11.3 million, equating to a year-on-year decline of 14.5%.

The *Operating result before financial items* position was CHF 9.2 million in financial year 2017, corresponding to a year-on-year decrease of 13.9%.

The *Financial income, Dividend income* and *Financial expenses* items remained almost unchanged. A profit of CHF 1.7 million is reported for the *Foreign exchange differences* position. All these factors led to an *Ordinary operating profit* of CHF 10.4 million, representing a significant improvement.

After taking account of the *Extraordinary income and expenses* and the *Gains and Losses on disposal of fixed assets* positions, Hupac Ltd's *Annual result before taxes* is almost CHF 10.4 million, equivalent to a substantial increase of 18.4%.

After deduction of *Direct taxes,* Hupac Ltd reports *Annual result* of CHF 8.0 million in financial year 2017, which represents a similar increase of 18.9% compared to the previous year.

Notes on the balance sheet

The total assets of Hupac Ltd increased by CHF 17.3 million to around CHF 250.8 million in financial year 2017.

At year-end, Hupac Ltd had *Shareholder's equity* of almost CHF 104.0 million at its disposal, corresponding to a capital ratio of 41.5% (prior year: 42.3%).

Notes on the cash flow

With an amount of CHF 37.6 million, the operating cash flow was slightly under previous year's level, while investments significantly increased and CHF 53.6 million were used for investing activities. The cash flow from financing activities was significantly worse than in the previous year, in particular due to the additional anniversary dividend of CHF 1.6 million and came to minus CHF 4.1 million. The total change in liquidity amounted to minus CHF 20.1 million in the year under review, compared to plus CHF 11.5 million in the previous year.

Cash-flow statement 2017 and 2016

Amounts in 1 000 CHF	2017	2016
Annual result	7 988	6 718
Depreciation of tangible assets	21 127	17 465
Depreciation of intangible assets	3 287	1 300
Change in value of investments	0	3 468
Partial waiver of loans to subsidiary	0	1 600
Variation of provisions	10 200	8 750
Other non monetary items	-1 687	0
Net result from sale of tangible assets	-31	-162
Variation of inventories	-180	-244
Variation of short-term receivables	-4 526	4 261
Variation of short-term liabilities	1 428	-4 725
Cash flows from operating activities	37 606	38 431
Purchase of tangible assets	-35 205	-22 778
Proceeds from sale of tangible assets	33	182
Purchase of intangible assets	-664	-160
Purchase of investments	-17 794	-1 402
Cash flows from investing activities	-53 630	-24 158
Variation of financial receivables	-1 440	2 891
Variation of financial loans	0	-4 327
Treasury shares	506	190
Dividends payment	-3 129	-1 546
Cash flows from financing activities	-4 063	-2 792
Variation	-20 087	11 481
Cash at beginning of the year	41 968	30 487
Cash at end of the year	21 881	41 968

Notes to the financial statements 2017

1. Principles applied in these financial statements

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957 – 963b Swiss Code of Obligations (CO) (effective 1 January 2013).

2. Other information requested by law

Amounts in 1 000 CHF	31.12.2017	31.12.2016
2.1 Total amount of collateral pledged for liabilities of third parties	33 034	32 299
2.2 Onerous long-term debts		
1-5 years	44 676	20 000
> 5 years	0	20 000

2.3 Shareholders' equity movements

Amounts in 1 000 CHF	Share capital	Statutory capital reserves	Statutory retained earnings	Balance sheet profit/loss	Other voluntary reserves	Treasury shares	Total
Balance at 1 January 2016	20 000	459	5 013	7 001	63 600	-2 765	93 308
Dividends				-1 546			-1 546
Transfer to the statutory retained earnings		-459	519	-60			
Movements of treasury shares						191	191
Transfer to other voluntary reserves				-5 100	5 100		
Annual result				6 718			6 718
Balance at 31 December 2016	20 000	0	5 532	7 013	68 700	-2 574	98 671
Dividends				-3 129			-3 129
Transfer to the statutory retained earnings			220	-220			
Movements of treasury shares						506	506
Transfer to other voluntary reserves				-3 400	3 400		
Annual result				7 988			7 988
Balance at 31 December 2017	20 000	0	5 752	8 252	72 100	-2 068	104 036

2.4 Extraordinary expenses/income

Amounts in 1 000 CHF	31.12.2017	31.12.2016
Extraordinary expenses	112	1 600
2017: Spareparts of the warhouse were erroneously not invoiced Registration as costs 2016: Partial waiver of loans to Termi Ltd		
Extraordinary income	12	7
2017: Minor costs as calculated 2016: Recognized credit after VAT inspection of 09.2016		

2.5 Significant investments

Company	Business activity	Registered capital in 1 000		Share of capital as % 31.12.2017	31.12.2016
Hupac Intermodal Ltd, Chiasso	Traffic Management, Sales, Terminal Management	CHF	250	100.00	100.00
Hupac SpA, Busto Arsizio	Terminal Management, Railway Operating	EUR	2 040	96.99	96.99
Sub-interests of Hupac SpA, Busto Arsizio: - Fidia SpA, Milan	Terminal Management, Warehousing	EUR	500	3.00	3.00
Hupac GmbH, Singen	Service Provider	EUR	210	100.00	100.00
Termi Ltd, Chiasso	Terminal Engineering	CHF	2 000	100.00	100.00
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, Milan	Terminal Management, Warehousing	EUR	500	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 Management	EUR	1 601	0.06	0.06
Hupac Intermodal BVBA, Antwerp	Terminal Engineering, Terminal Management	EUR	1 601	99.94	99.94
Intermodal Express LLC, Moscow	Traffic Management, Sales	RUB	3 000	75.00	75.00
Sub-interests of Intermodal Express LLC, Moscow: - Hupac LLC, Moscow	Rolling Stock Management	RUB	60 000	2.00	2.00
Hupac LLC, Moscow	Rolling Stock Management	RUB	60 000	98.00	98.00
Centro Intermodale SpA, Milan	Terminal Engineering	EUR	4 480	100.00	100.00
Sub-interests of Centro Intermodale SpA, Milan: - Terminal Piacenza Intermodale Srl, Piacenza	Terminal management	EUR	52	100.00	100.00
Hupac Terminal Brwinów Sp. z o.o., Brwinów	Terminal Engineering, Terminal Management	PLN	100	100.00	100.00
Hupac Intermodal Italia Srl, Busto Arsizio	Sales	EUR	100	100.00	100.00
Hupac International Logistics (Shanghai) Co. Ltd, Shanghai	Traffic Management, Sales	CNY	5 000	100.00	100.00
Hupac Maritime Logistics GmbH, Duisburg	Traffic Management, Sales	EUR	200	100.00	100.00
Piacenza Intermodale SpA, Piacenza	Trafic Implementation, Warehousing Terminal Management	EUR	6 720	94.07	0
Terminal Singen TSG GmbH, Singen	Terminal management	EUR	260	50.00	50.00
Cemat SpA, Milan	Traffic Management, Terminal Management	EUR	7 000	34.48	34.48
Cesar Information Services Scarl, Brussels	Data processing service for customers	EUR	100	25.10	25.10
Combinant NV, Antwerp	Terminal Engineering, Terminal Management	EUR	500	35.00	35.00
RAlpin Ltd, Olten	Traffic Management, Terminal Management	CHF	4 530	33.11	33.11
SBB Cargo International Ltd, Olten	Railway Operating	CHF	25 000	25.00	25.00
Terminal Alptransit Srl, Milan	Terminal Engineering	EUR	1 500	50.00	50.00
Gateway Basel Nord Ltd, Basle	Terminal Engineering	CHF	100	24.50	24.50
Kombi-Terminal Düsseldorf GmbH, Düsseldorf	Terminal Engineering	EUR	25	33.33	33.33

2.6 Treasury shares

Registered shares	2017	2016
Initial holdings on 01.01.	630	674
- Purchase	56	0
- Sale	-183	-44
Final holdings on 31.12.	503	630

The transactions were conducted on market-based conditions.

2.7 Derivative instruments - As at 31.12.2017

Amounts in CHF	Contract volume as at 31.12.2017	Fair values as at 31.12.2017	Fair values as at 31.12.2016
Transactions interest rate swap			
Zürcher Kantonalbank 10.4.2012-14.4.2020, 0.825%	5 000 000	-177 790	-265 231
Credit Suisse 19.1.2015-19.1.2022, 1.46%	20 000 000	-1 602 474	-2 140 714
Total	25 000 000	-1 780 264	-2 405 945

At 5.4.2012 Hupac Ltd closed a deal concerning interest rate swap with Zürcher Kantonalbank and at 19.11.2013 with Credit Suisse. With these contracts Hupac Ltd has committed itself to pay a fixed interest rate. In return Hupac Ltd receives in case of positive interest level the floating rate corresponding to the 3-months Libor. The transactions have been concluded with the aim of securing a firm financing.

2.8 Personnel - average number of full-time equivalents

Hupac Ltd doesn’t have employees.

2.9 Auditor’s fees

Amounts in 1 000 CHF	31.12.2017	31.12.2016
Audit services	35	36

Proposal for the distribution of retained earnings

Amounts in CHF	31.12.2017
Profit carried forward	264 980
Annual result	7 987 504
Retained earnings at the disposal of the General Meeting	8 252 484
Proposal of the Board of Directors:	
- Dividends of 8% on the total nominal share capital	1 600 000
- Transfer to the statutory retained earnings	60 000
- Transfer to voluntary retained earnings	6 300 000
- To be carried forward	292 484
	8 252 484

Report of the statutory auditor to the General Meeting on the financial statements 2017

As statutory auditor, we have audited the financial statements of Hupac Ltd, which comprise the balance sheet, income statement, cash flow statement and notes (pages 54 to 60), for the year ended 31 December 2017.

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 2017 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 Oversight Act (AOA) and independence (article 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.

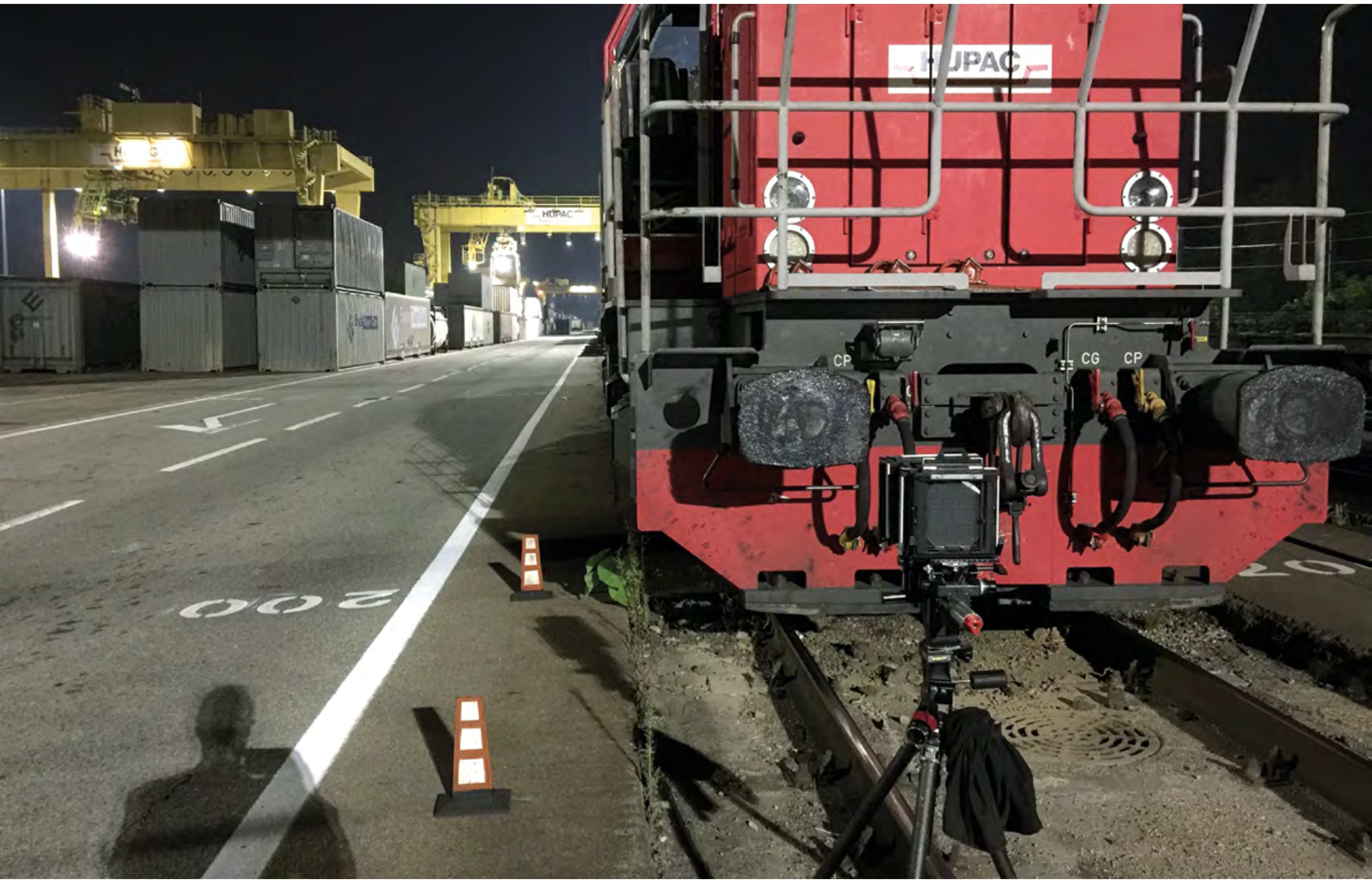
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Elisa Alfieri
Licensed audit expert
(Auditor in charge)

Michele Balestra
Licensed audit expert

Lugano, 20 April 2018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Project "Art book on the world of Hupac"
In summer 2016, the photographer Gian Paolo Minelli, who comes from Chiasso, devoted his creative vein to the activity of Hupac. Cranes, containers, railway wagons and tracks are captured by the artist's lens and become the object of an aesthetic vision that groups man and space, form and purpose, technology and society, placing them in a deep, meaningful dimension.

The book "Variations on a theme" was released in September 2017, year of Hupac's 50th anniversary. In this Annual Report there are some images of this photo album.

Gian Paolo Minelli was born in Geneva in 1968 and lives between Buenos Aires and Chiasso. His works are exhibited all over the world. Minelli was given the "Swiss Art Award" in 2008.
www.gianpaolominelli.com

Printed on ecological paper with FSC Mixed Sources
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