

ANNUAL REPORT 2016



HUPAC

50 years

ANNUAL REPORT 2016

Introduction	7 Hupac at a glance
	11 Foreword
	15 Corporate Governance
Management report	22 Economic development
	25 Risk assessment
	26 Traffic development
	32 Production and operational resources
	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



INTRODUCTION



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 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 17 companies with locations in Switzerland, Italy, Germany, the Netherlands, Belgium, Poland, Russia and China, and it has about 450 employees.

Hupac has around 5,500 rail platforms and bundles the consignments of transport companies into whole trains as a neutral, independent combined transport operator. The traction is provided by external rail companies. Hupac operates efficient terminals at key locations and develops innovative IT solutions.

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 rail 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, using its own rolling stock.
- The Landbridge China area provides links between Hupac's European network and China.
- 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.

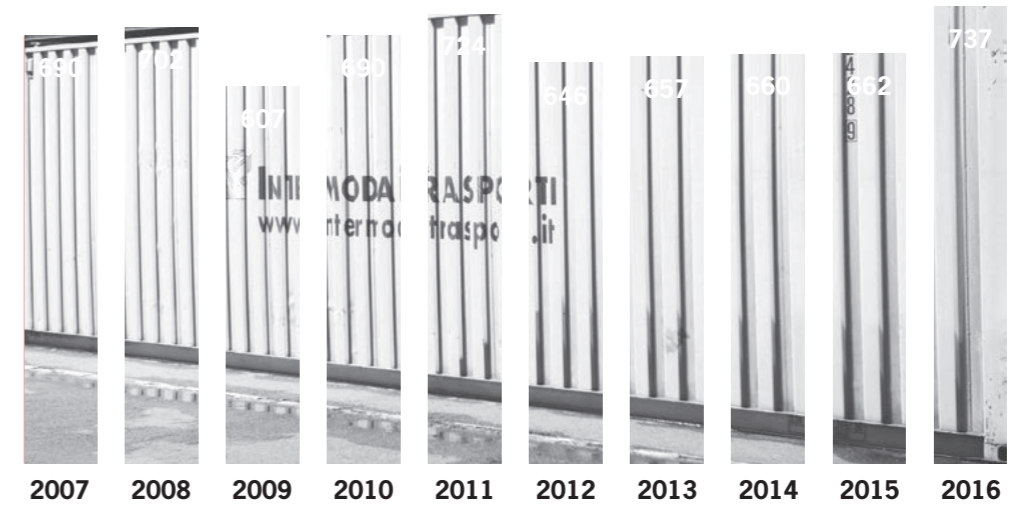
FACTS & FIGURES

Year of incorporation	1967
Share capital	CHF 20 million
Shareholders	around 100
Capital structure	72% transport and logistics companies 28% rail companies
Headquarters	Chiasso
Operational branches/ Representative offices	Basel, Busto Arsizio, Piacenza, Singen, Cologne, Duisburg, Rotterdam, Antwerp, Warsaw, Moscow, Shanghai
Business profile	Intermodal network operator
Traffic volume	737,311 road consignments
Employees	440 natural persons 429 persons in full time equivalent
Rolling stock	5,469 rail platforms 10 main-line and/or shunting locomotives
Terminal management	Busto Arsizio, Novara RAlpin, Piacenza, Aarau, Basel, Chiasso, Lugano, Singen, Antwerp
Information technology	Goal, integrated software solution for intermodal transport Cesar, web-based customer information system Ediges, XML-based data exchange system
Certifications	Quality management system ISO 9001:2008 Environmental management system ISO 14001:2004 ECM Entity in Charge of Maintenance according to Directive EU 445/2011
Financial data	Annual turnover CHF 470.3 million (EUR 431.4 million) Profit for the year CHF 10.8 million (EUR 9.9 million) Cash flow CHF 53.4 million (EUR 49.0 million)

Dated 31.12.2016

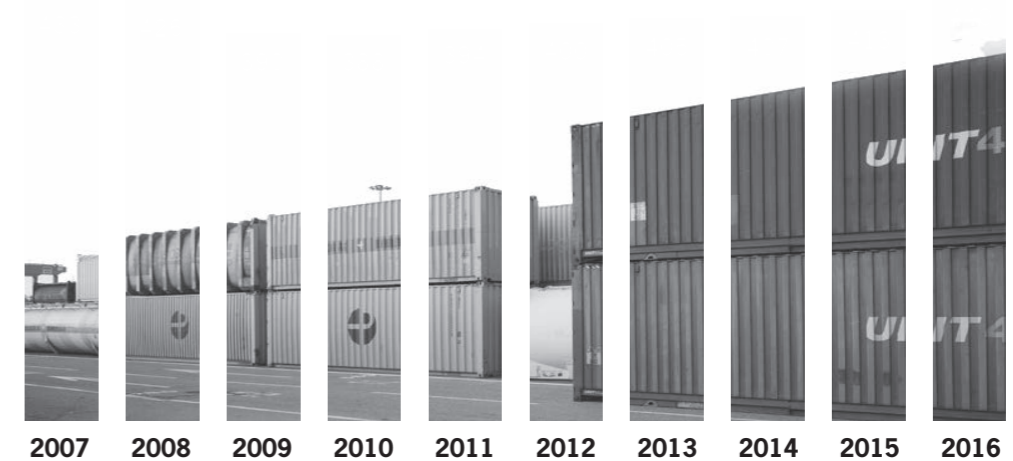
Traffic volume

Road consignments in 1000s



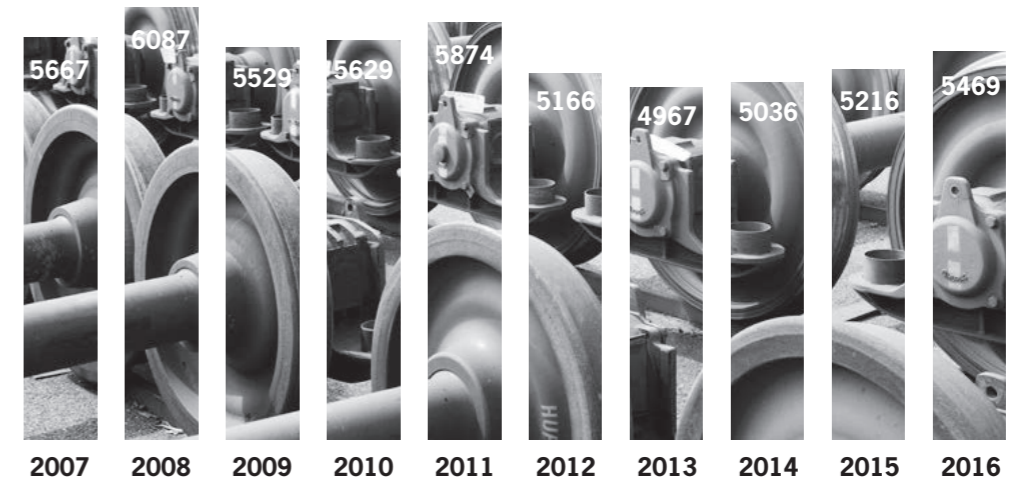
Employees

Number of natural persons



Rolling stock

Number of rail platforms





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

Ladies and gentlemen, dear friends of our company

Hupac has reached its fiftieth anniversary – so you might think that we can rest on our laurels. Hupac has withstood the economic crisis and last year, we posted growth at a pace that has not been seen in a very long time. The company has managed its business well, and it can report pleasing profit for the year. Hupac is strengthening its position in traditional markets while successfully penetrating new market segments: Russia, China, Company Shuttle and maritime hinterland transport.

The overall conditions also inspire confidence. The opening of the Gotthard Base Tunnel at the end of 2016 and the commissioning of the four-meter corridor in 2020 will finally allow Hupac's trains to benefit from the advantages of a high-performance flat railway.

Taking the global perspective, however, we must consider ways of ensuring that rail goods transport retains its competitive edge in the long term. While the rail system's performance continues to be restricted by national borders – as regards infrastructure and due to operational, administrative and cultural factors – transport of goods by road is advancing by leaps and bounds. IT-assisted journey optimisation, intelligent fleet management, low-consumption engines, gigaliners and driverless transport: these are just a few highlights of the breathtaking developments on the roads.

But what about the railways? There are many reasons why innovations in the rail world are moving at snail's pace. The high degree of technical complexity. Long innovation cycles. 'Nation-state' corporate cultures. But if rail goods transport is to have a future, a new mindset is called for in the rail system – and the pace of progress has to change. Cutting costs, boosting productivity and exploiting the opportunities of digitalisation: every day, we see how progress is being made towards these goals on the roads, and the railways are perfectly able to follow suit. Indeed, they have to.

Many players have recognised this – and that gives us confidence. Together with our rail partners, the infrastructure operators and transport policy decision-makers, we are aiming for a complete package of measures that will make it possible to cut costs and increase the productivity of international freight trains. A couple of examples:

- Improved coordination of international schedules can cut train journey times and boost the productivity of the resources deployed – locomotives, drivers, and rail wagons.
- Integration of terminals into the scheduling concept offers potential for greater efficiency.
- Adherence to schedules will reduce the enormous costs caused by delays.
- Integrated and open data exchange between all partners will release potential for productivity.

Our history shows that none of this is wishful thinking. Hupac has always had the knack of positioning the requirements of road transport in rail traffic, and of implementing them over the long term in the interests of all parties concerned.

I am convinced that intermodal transport is the transport of the future over longer distances. In terms of efficiency and sustainability, it is significantly superior to both pure road transport and conventional rail transport. The decisive factor will be our success in overcoming the many barriers in the railway world, which continues to be influenced by 'nation-state' thinking.

Hupac is consistently preparing for this future. Our fleet of wagons is being expanded in keeping with demand. The terminal projects at Basel, Warsaw-Brwinów, Piacenza, Milan and Brescia are moving ahead. The digital strategy has been drafted and is being implemented in a host of projects.

However, our employees and management staff are the critical factors in our success. Through their daily dedication to the search for innovative, sustainable and safe logistics solutions and the expansion of our intermodal network, they are paving the way for Hupac's next fifty years.

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.

Chiasco, May 2017



Bernhard Kunz
Managing Director

Dear shareholders, customers, partners and employees

We can look back with pride on what we have achieved. Hupac leads the market for international combined transport; the company has powerful innovative resources and is financially sound. None of this would be possible without the trust and vigorous support of our shareholders, customers and partners, or without the dedication of our employees. I would like to thank all of you on behalf of the management. I am delighted to be celebrating this anniversary with you.

What is Hupac's formula for success? Which factors have exerted a positive influence on the company over all these years? Will the values that shaped our culture continue to hold true in the future? These are questions that we are actively considering, because anniversaries are also occasions to learn from the past and prepare for the future.

A future that will confront us with many challenges. The pace of life is becoming faster all the time: companies come and go, new business models come into being, digitalisation and globalisation are transforming the markets, calling for a high degree of flexibility.

We are convinced that the success factors of the past will also put us on the right track for the future.

- **Clear strategy:** one of the cornerstones of Hupac's success story was that the Board of Directors always based its actions on the market perspective, setting clear targets for the management. A pragmatic and far-sighted approach with strong decision-making: this is how the Board of Directors exercises control.
- **Investments:** Hupac has been able to safeguard its independence and provide services with high added value by making investments in rolling stock, terminals and IT. Our founding fathers already instilled this principle into the company at its birth – in the physical form of the five 'Wippen' wagons which Hupac used to organise its first transport services.
- **Innovation:** the evolution of wagons and terminals has always kept up with the latest developments in road vehicles, which have been integrated into the combined transport system. Operational developments such as the shuttle train and gateway concepts have revolutionised rail production; all partners can benefit from the resultant increase in efficiency. Hupac is now preparing itself purposefully for the opportunities offered by Logistics 4.0.
- **Customer proximity:** closeness to our customers is surely the most important virtue of all. Listening to them, taking their recommendations seriously and reacting quickly: these are the keys to success. Customers will only continue to put their trust in us if they are satisfied.

More efforts are required to equip Hupac for the demanding challenges of the future. This is why the management has decided to focus thoughts on our corporate culture in our anniversary year, and to take practical steps that will ensure our ability to react better, more quickly and more effectively to market changes in the future – so that we can safeguard and expand our market position. This consideration of our corporate culture will involve all levels of the hierarchy and will open up new opportunities for the company, each individual employee and ultimately our customers.

Today, I would like to urge our employees: take advantage of the opportunity of working for a company with international reach. Be open-minded, and accept different cultures. Use the opportunities for training; learn from others, and from your own mistakes. Develop the gut instinct that is so important in our industry – the instinct that our founding fathers brought with them into the company.

On behalf of the management, I would like to thank you for the long history that we share. We are looking forward to the future, and to working with you to improve our product and continue expanding our network.

Chiasso, May 2017



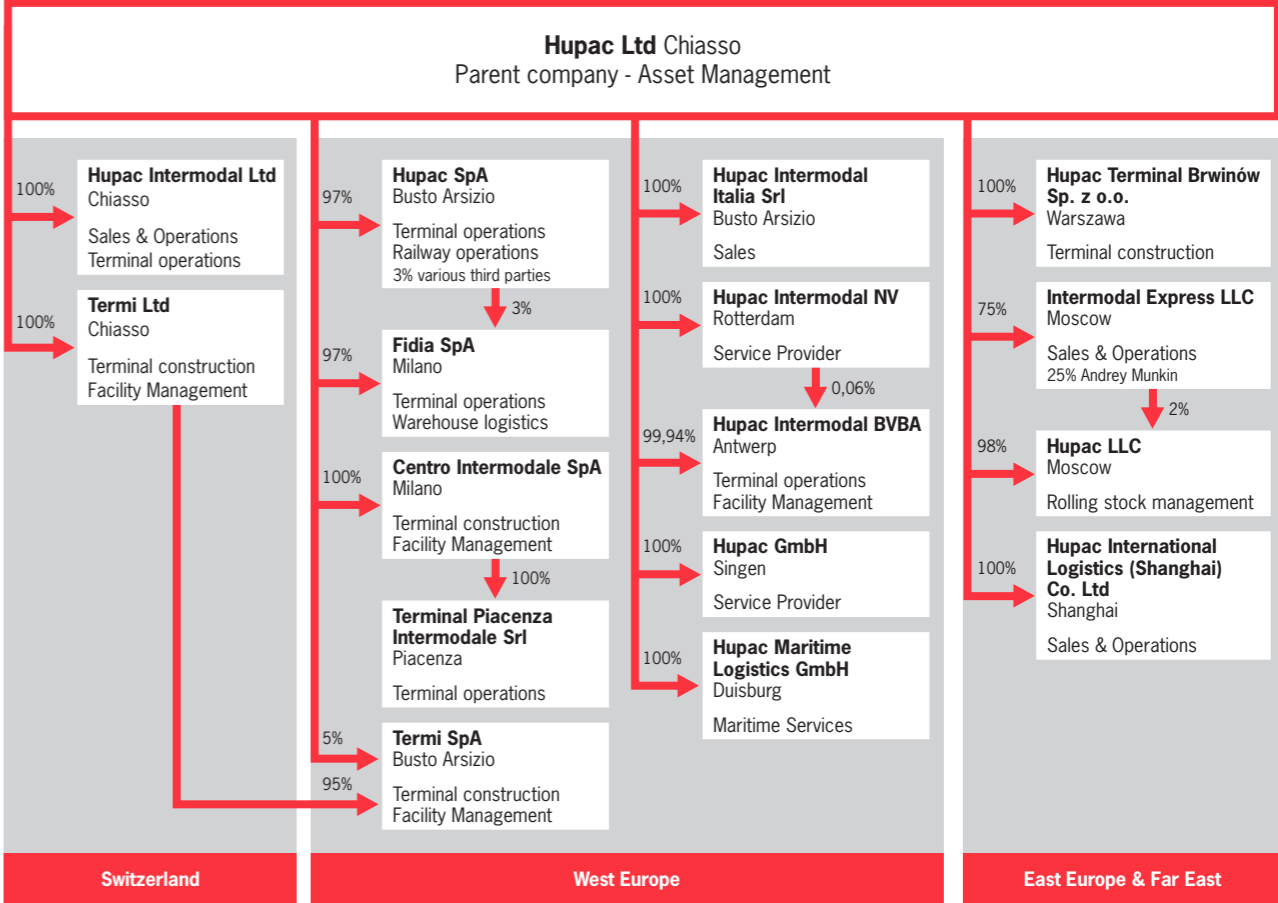
CORPORATE GOVERNANCE

Structure of the Hupac Group

At the end of 2016 the Hupac Group consisted of 17 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.

Hupac International Logistics (Shanghai) Co. Ltd was established at the start of 2016. The challenges it faces include developing the first transport services to and from China and in the inland Chinese market segment.

September 2016 saw the incorporation of Hupac Maritime Logistics GmbH, domiciled in Germany. This company is tasked with developing and coordinating maritime hinterland transport.





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 a 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.

Shareholdings

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

Board of Directors of Hupac Ltd

Name	Age	Position	Nationality	First nomination	Expiry of mandate
Dr. Hans-Jörg Bertschi	59	Chairman since 1993	Swiss	1987	2019
Dr. Thomas Baumgartner	62	Member	Italian	1990	2019
Thomas Hoyer	66	Member	German	1988	2019
Ing. Nicolas Perrin	57	Member	Swiss	2008	2019
Nils Planzer	45	Member	Swiss	2008	2019
Peter Hafner	60	Secretary	Swiss	1999	2019

Dated 31.12.2016



Hupac maintains substantial minority shareholdings in various companies within the field of combined transport. These include the combined operators Cemat and RAlpin, the Combinant terminal company, the data processing provider Cesar Information Services, the rail transport company SBB Cargo International which has developed very positively in the market despite being strongly exposed to the exchange rate risk CHF/EUR in the past few years, and 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 recertified in September 2016 as per the 2004 guidelines. Another recertification will take place in autumn 2017 according to the 2015 standards.

Hupac was certified in 2013 as an ECM (Entity in Charge of Maintenance) according to EU-Directive 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 <i>Managing Director</i> Peter Hafner <i>Deputy Managing Director</i>											
Hupac Intermodal Ltd Bernhard Kunz <i>Managing Director</i> Peter Howald <i>Deputy Managing Director</i>			Hupac SpA Piero Solcà <i>Delegate of the Board of Directors</i>			Hupac Intermodal Italia Srl Maurizio Bertaso <i>Sales Manager</i>			Hupac Terminal Brwinów Sp. z o.o. Peter Hafner <i>Manager</i> Peter Howald <i>Manager</i>		
Termi Ltd Peter Hafner <i>Managing Director</i>			Fidia SpA Francesco Crivelli <i>Delegate of the Board of Directors</i>			Hupac Intermodal NV Mark Jansen <i>Operations Director</i>			Intermodal Express LLC Andrey Munkin <i>Managing Director</i>		
			Centro Intermodale SpA Piero Solcà <i>Chairman</i>			Hupac Intermodal BVBA Dirk Fleerackers <i>Operations Director</i>			Hupac LLC Andrey Munkin <i>Managing Director</i>		
			Terminal Piacenza Intermodale Srl Piero Solcà <i>Chairman</i>			Hupac GmbH Sascha Altenau <i>Managing Director</i>			Hupac International Logistics (Shanghai) Co. Ltd Carl Zhong <i>General Manager</i>		
			Termi SpA Angelo Pirro <i>Chairman</i> Francesco Crivelli <i>Delegate of the Board of Directors</i>			Hupac Maritime Logistics GmbH Sven Lehmann <i>Managing Director</i>					
Switzerland			West Europe						East Europe & Far East		



MANAGEMENT REPORT



ECONOMIC DEVELOPMENT

In financial 2016, the Hupac Group's income from supplies and services rose by 10.0% year-on-year to almost CHF 470.3 million. The 'Other income' item, which includes government financial support, increased by 3.2% as compared to 2015.

The cost of supplies and services rose by 10.1% year-on-year. In the reporting year, this resulted in gross profit of CHF 105.3 million, equivalent to a 5.3% increase year-on-year.

The Group's profit for the year under review grew by a pleasing 77.5% to almost CHF 10.8 million.

According to the simplified calculation method (annual profit plus depreciation and changes in provisions), the Group's cash flow in financial 2016 totalled well over CHF 53.4 million. This represents a year-on-year increase of 29.3%.

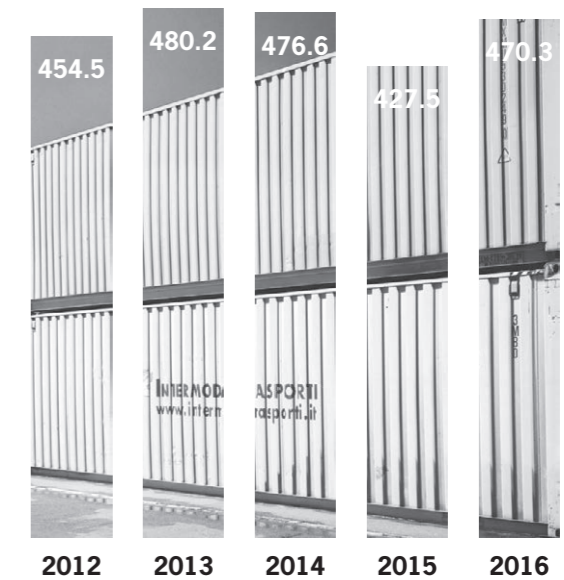
Investments in tangible assets amounted to CHF 26.9 million.

Given that overall economic conditions remained difficult due to the January 2015 exchange rate shock in particular, the Hupac Group's development in the 2016 reporting year may be described as good.

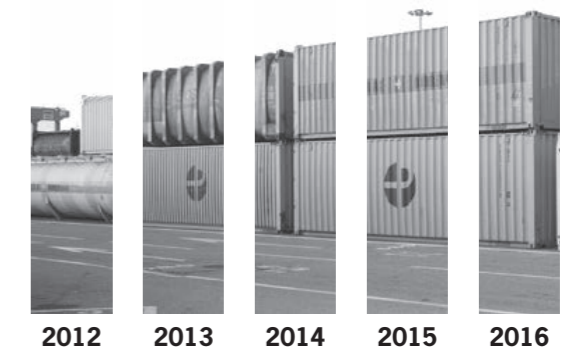
In the context of situation reporting, the Hupac Group's future prospects may be assessed as good. The designated growth in all business units and the NEAT effect can be regarded as positive factors. On the other hand, Hupac is confronted by some major challenges in the medium term: special mention must be made here of the future reduction in operating subsidy payments. Thanks to its new strategic growth alignment, the Hupac Group will be well able to meet the challenges of the future.

Values in 1000 CHF	2016	2015	%
Income from supplies and services	470,281	427,540	10.0
Other income	68,838	66,699	3.2
Cost of the services	433,816	394,197	10.1
Gross profit	105,303	100,042	5.3
Group's operating profit	10,752	6,058	77.5
Group's cash flow	53,413	41,306	29.3

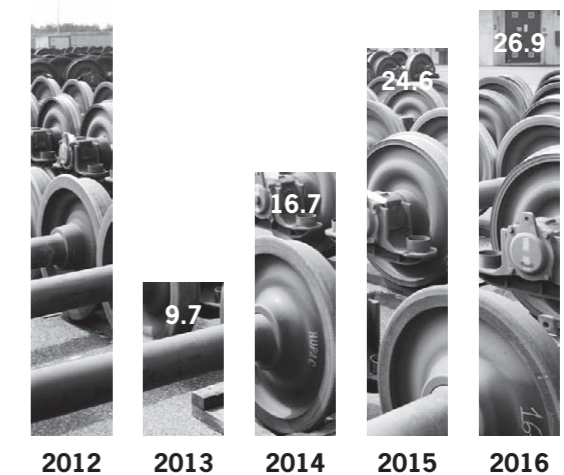
Annual turnover
in million CHF



Cash flow
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 to 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 lie on terminals and railway lines. They 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 Implementing Regulation 402/2013 of the European Commission as its basis.

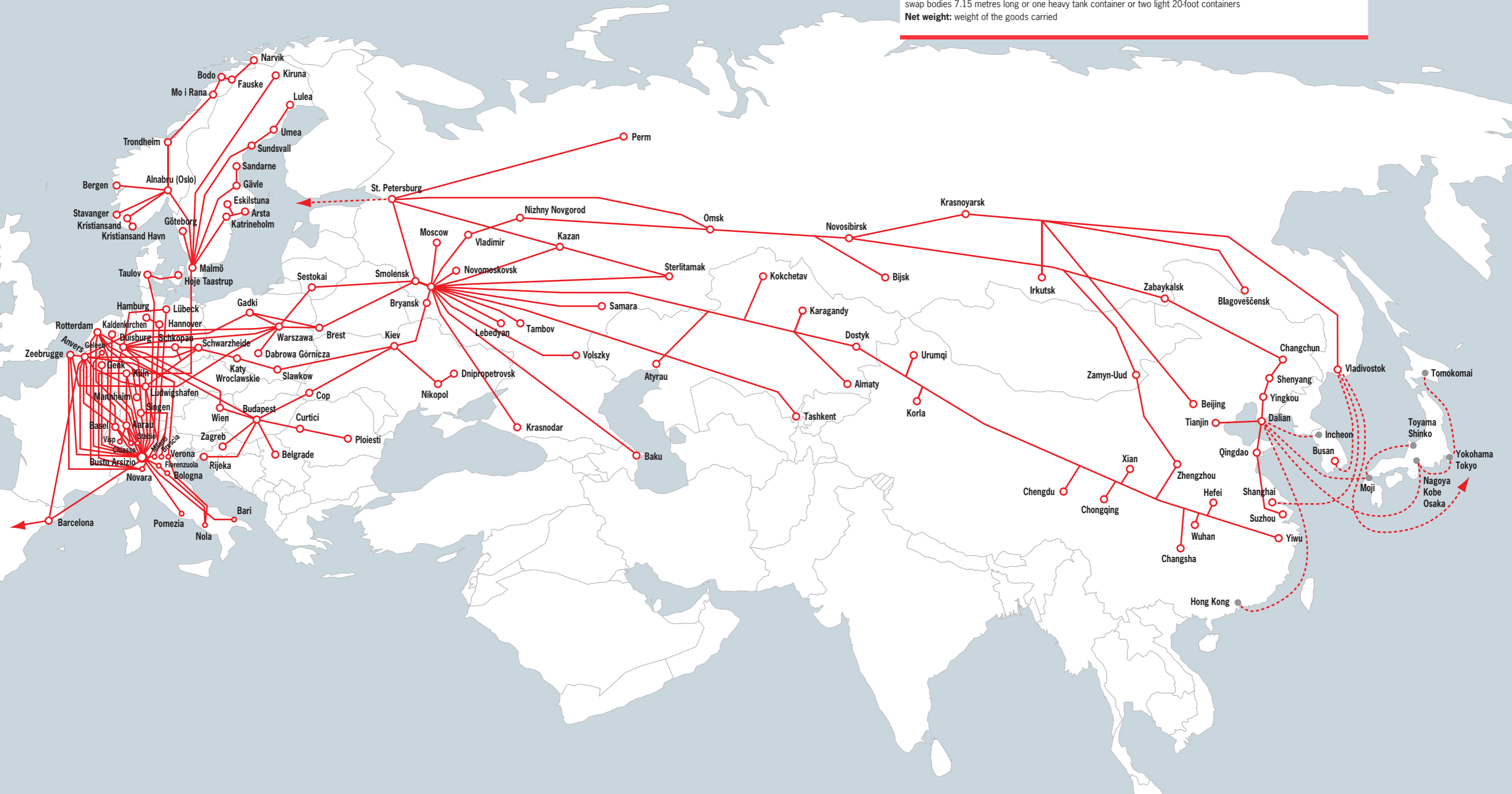
TRAFFIC DEVELOPMENT

In 2016, Hupac conveyed about 737,000 road shipments by rail. This represents year-on-year growth of 11.5%. For the first time, the traffic volume was significantly above the pre-crisis level. Transalpine transport through Switzerland showed especially dynamic development, with growth of 19.4% for this segment. Non-transalpine transport, which comprises the Spanish, Eastern European and Far Eastern markets, posted slight growth of 1.5%, while transalpine transport via Austria and France declined slightly.

Transport volumes

	Road consignments			Net weight in tonnes		
	2016	2015	%	2016	2015	%
Transalpine via CH	450,862	377,675	19.4	8,614,000	7,151,000	20.5
Transalpine via A	37,690	38,603	-2.4	678,000	722,000	-6.1
Transalpine via F	3,263	3,468	-5.9	73,000	76,000	-3.9
Non-transalpine	245,496	241,794	1.5	4,130,000	4,055,000	1.8
Total	737,311	661,540	11.5	13,495,000	12,004,000	12.4

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





Market success for Shuttle Net

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

At the start of 2016, numerous new connections were launched in collaboration with major customers. The Venlo ⇌ Busto Arsizio shuttle connection offers five departures per week, connecting the economic region of Limburg in the Netherlands with Hupac's network. With three round trips per week, the Zeebrugge ⇌ Novara shuttle train primarily targets the megatrailer market segment. In autumn, we were able to introduce the Rotterdam ⇌ Brescia product with three round trips for transport services to the east of Milan. Also in autumn, Hupac launched the new Le Havre ⇌ Ludwigshafen product, linking the French market to our network for the first time. Transport from the port of Le Havre can reach all destinations in Hupac's pan-European network via the Ludwigshafen hub.

For the destination of southern Italy, the Busto ⇌ Bari shuttle train was restructured in collaboration with the Italian operator Cemat. The aim here is to offer an attractive schedule without intermediate stops.

The frequency of the Cologne ⇌ Novara shuttle train was increased from six to eight round trips per week. We also restructured the Rotterdam ⇌ Novara/Busto shuttle train, by consolidating departures of trains from Busto Arsizio and upgrading the operating concept for trains from Novara. This offering also makes Hupac's network more attractive for P400-coded megatrailers. Novara is therefore the central transshipment terminal for the megatrailer market segment in transalpine transport. Trains are routed 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 strengthen and diversify its offering in this segment.

There are also some major new features in transport to and from Poland. Pruszków is the central hub for east-west traffic. This is the arrival point for Hupac's shuttle trains from Ludwigshafen, Schwarzeide and Antwerp, as well as the shuttle train from Duisburg operated jointly with PCC and Kombiverkehr. Shipments can travel from Pruszków on twice-weekly shuttles to Moscow, from where they can be forwarded as far as Central Asia and the Far East.

For transport to and from the economic region of southern Poland, a new connection was introduced with two weekly round trips between Schwarzeide and Katy Wroclawskie / Dobrowa. From Schwarzeide, various options for onward journeys to Benelux, Germany and Italy are offered.

Several products introduced in 2016 are to undergo further development in 2017. This relates in particular to networking for profile P400 megatrailers, for which a total of six additional round trips per week are to be implemented on the following routes: Zeebrugge ⇌ Novara, Ludwigshafen ⇌ Novara and Cologne ⇌ Novara, with two round trips per week in each case.

In Switzerland, extensive construction work to adapt the access routes to the Gotthard Base Tunnel is planned for the second half of 2017. The resultant restrictions on capacity will curb the development of transports.



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 130 1520 mm-gauge carrying wagons for the Russian network. Because it can draw on its own resources, Hupac can guarantee high standards of flexibility and reliability for its customers. Intermodal Express handled some 4,000 consignments in 2016, mostly on long trans-Russian routes. This positive development is expected to continue in the current year.



First transport services for Landbridge China

The incorporation of Hupac International Logistics (Shanghai) Co. Ltd early in 2016 paved the way for the development of the Landbridge China segment of our offering. Following an initial exploratory and orientation phase with individual transports on the Europe-China axis, the current year's focus will be on the launch of a connection between Malaszewicze in southern Poland and the Ludwigshafen hub. The aim is for this regular shuttle train to open up the Hupac network for intermodal transport services from and to China, thereby improving the rail offering in Far Eastern traffic.

The order and contract situation for the Shuttle Net business unit, which comprises the Intermodal Express Russia and Landbridge China offering segments, can be described as good.



Company Shuttle: trending sharply upwards

The new Company Shuttle business unit has also played a key part in the growth of traffic. Each week, Hupac handles 44 trains on behalf of individual transport companies. They take on the capacity utilisation risk for the company shuttles (as they are known), and they 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.

In January 2016, the Rotterdam Europoort ⇄ Novara company shuttle began operating with four 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. As well as time-critical consumer goods in customised high-security wagons, this service also transports megatrailers.

The Geleen ⇄ Domodossola/Busto Arsizio company shuttle with six round trips per week was launched together with a Belgian forwarder and a Swiss specialist in logistics for chemicals. The set-down stop in Domodossola allows consistent utilisation of the rail system's maximum technical parameters. Thanks to the direct link with the Chemelot chemical industry cluster in Geleen, local shippers can be connected to various destinations in northern, central and southern Italy via the Busto Arsizio hub.

A connection between Piacenza (Italy) and Oradea (Romania) was initiated in May. This is the first intermodal connection between Italy and Romania. The train operates twice per week, connecting Italy to Romania in a mere 30 hours – offering a genuine alternative to transport by road only. Traction is provided by private rail transport companies with through-running locomotives.

2017 began with the launch of two additional company shuttles and consolidation of departure frequencies for existing products. In addition to the Italy-Romania train, Hupac has organised a company shuttle between Zeebrugge and Oradea which has operated three times per week since January. In this case too, Hupac has contracted young private rail transport companies to provide traction; 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.

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. This concept has been implemented successfully in collaboration with customers, terminals and traction partners.

In parallel with the growth in traffic, we were also able to strengthen the organisation by recruiting two experienced product managers. Two additional product managers will expand the team by summer 2017.

The order and contract situation for the Company Shuttle business unit can be described as good. Various projects are in the pipeline and will be implemented in the near future.



On the starting block: Maritime Logistics

Hupac also sees attractive opportunities for growth in maritime hinterland transport. Hupac Maritime Logistics GmbH, the newly incorporated subsidiary with its operational headquarters in Duisburg, focuses on the North Sea ports of Rotterdam and Antwerp. Following set-up of the specific processes required for maritime transport such as customs, empty container handling and first/last mile transport, Hupac will launch its own maritime connections during the current year.



PRODUCTION AND OPERATIONAL RESOURCES

Proactive traffic management

Hupac again provided its transport services under difficult overall conditions in 2016. Rail goods traffic is accorded secondary priority in the network. This results in an accumulation of negative consequences in case of irregularities, which detracts from customer satisfaction and reduces the productivity of the resources deployed.

The reasons for this unsatisfactory situation are based on a variety of factors. In terms of infrastructure it is attributable to scheduled construction work, technical defects and isolated capacity bottlenecks. With respect to the railway companies it is primarily due to resource-related problems. Accidents, storm damage and strikes also contributed significantly to the delays.

Hupac's production team compensates for this poor quality by engaging intensively in control and coordination activities, twenty-four hours a day. Transport is planned and – especially in case of disruptions – performed as well as possible in close collaboration with rail partners and terminal operators. Numerous back-up compositions are ready to be used as needed in order to ensure on-time service. Hupac stationed additional back-up compositions during the reporting year.

Hupac invests in its 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 order to achieve a sustainable improvement in quality, Hupac will order eight multi-system locomotives this year for use on key routes.

Despite major delays in some cases, these steps have made it possible to provide a large proportion of planned train services, so customers' requirements for continuity and reliability have been met.

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 in the reporting year was 66%. For transport services via Luino, punctuality fell from 60% to 59%; for services via Chiasso, there was a decrease from 78% to 75%. The situation on the axis via Domodossola improved, with an increase from 56% to 65%. The punctuality rate for non-transalpine transport was unchanged at 63%.

As far as customers are concerned, inadequate punctuality is partially compensated by phased circulation 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 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.

Monitoring and information

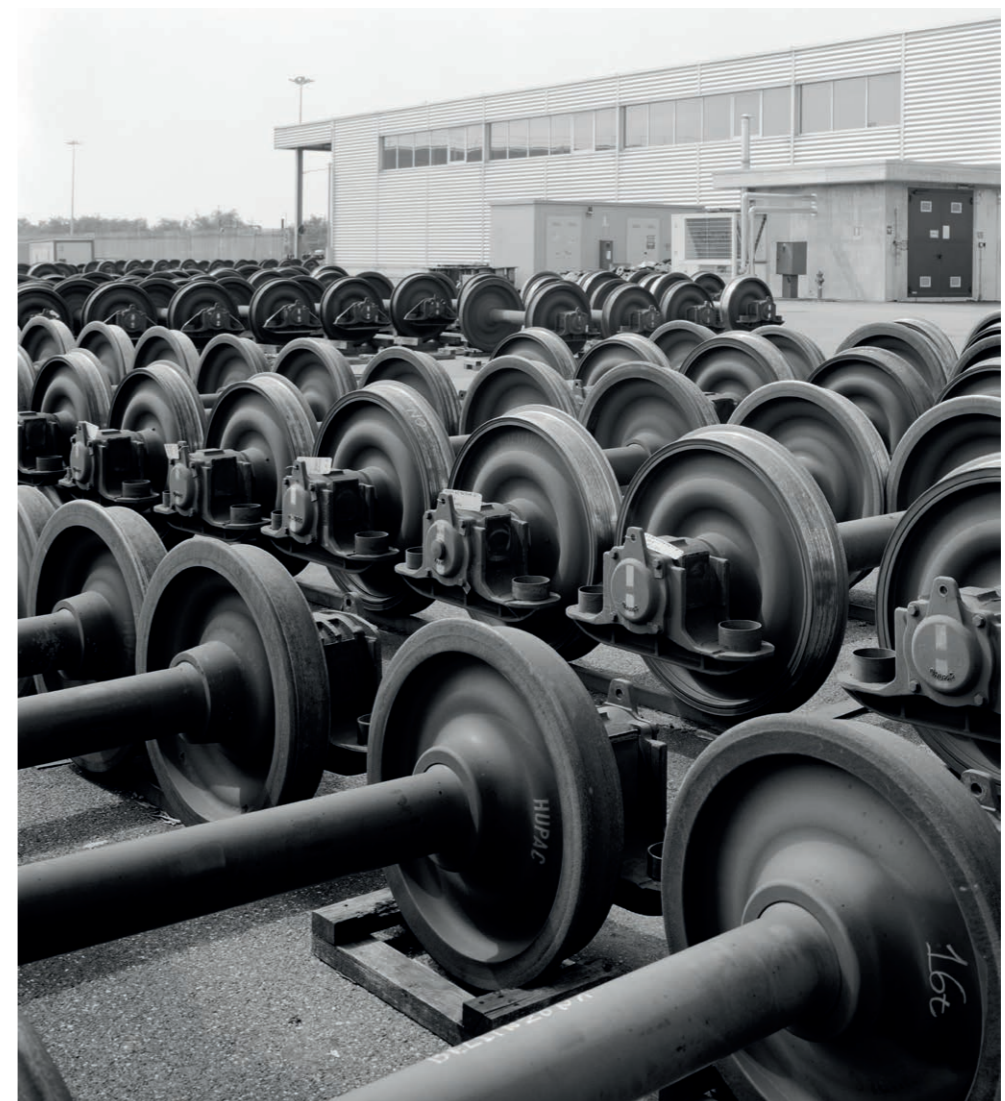
Hupac is making targeted investments to develop IT systems that will monitor train movements and provide information for customers. The objective is to exchange reliable information as early as possible with partners in the logistics chain regarding the status of trains and their expected arrival times. 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.

Information technology and process optimisation

Hupac has a centralised system that links the branch offices and around 60 terminals all over Europe. At the heart of the system is Goal (Global Oriented Application for Logistics), a software application developed by Hupac for the coordination of combined transport from booking to billing. A number of terminals and operators have adopted the system. Many customers and partners exchange their data with Hupac via XML using the Ediges (Electronic Data Interchange Goal with External Partners) system.

Digitalisation offers enormous opportunities to optimise and automate terminal operation and to improve customer service and rolling stock management. 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. New digital solutions at terminals will help to boost operational efficiency and simplify business processes, especially in the check-in/check-out area. The agenda also includes solutions for rolling stock monitoring and process optimisation.

In the reporting year, major steps were already taken towards seamless digital order processing within the supply chain between the customer, operator, railway company and terminal. For example, IT specialists digitised the document flow in the Busto Arsizio-Gallarate terminal, with a change-over to electronic signatures. A web-based customer platform integrates the digital documents for the check-out process and makes various monitoring tools available.



Full conversion of bookings to digital systems is a key goal for the current year. At the end of 2016, 14% of bookings were still being made via conventional channels such as fax or e-mail. Complete digitalisation of the booking process is the essential requirement for innovative capacity management and customer information systems; these are currently in the project phase and are due to be introduced in 2018. During the current year, Hupac will start to introduce OCR gates in the main terminals to support process digitalisation for check-in and check-out.

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, Trenitalia Cargo, BLS Cargo, Crossrail, Captrain, Wiener Lokalbahnen Cargo, SNCF Fret, SNCB Logistics, Rotterdam Rail Feeding, NOI Nuovo Operatore Intermodale, LTE and Rail Cargo Hungaria. Railtraxx was added in the current year.

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

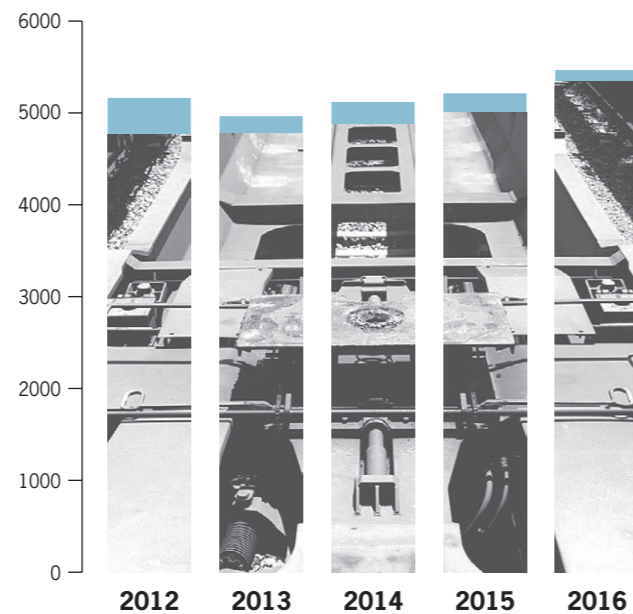
Our own fleet of wagons

At the end of 2016, the Hupac Group had a fleet of 5,469 rail platforms. This represents year-on-year growth of 4.9%. Leased wagons accounted for 2.2% of the total rolling stock.

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. In the reporting year, wagon availability rose by 3% to 93%, its highest level ever.

Rolling stock
Number of rail platforms

- Leased wagons
- Own wagons



Efficient terminals

Hupac's trains serve around 60 transshipment 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 transshipment plants at Herne, Kutno and Gliwice were connected to the Hupac network.

The terminals are accessible without discrimination and are used by various operators. During the reporting year these include, beyond Hupac, companies such as Cemat, Kombiverkehr and TX Logistik.

The Milan Certosa terminal has been closed since the start of 2016. Trains are now routed to the Milan Smistamento and Busto Arsizio-Gallarate terminals. Bottlenecks due to construction work were reported in Schwarzheide/Ruhland. Trains had to be routed via the Schkopau terminal during several periods.

Safe operation

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.

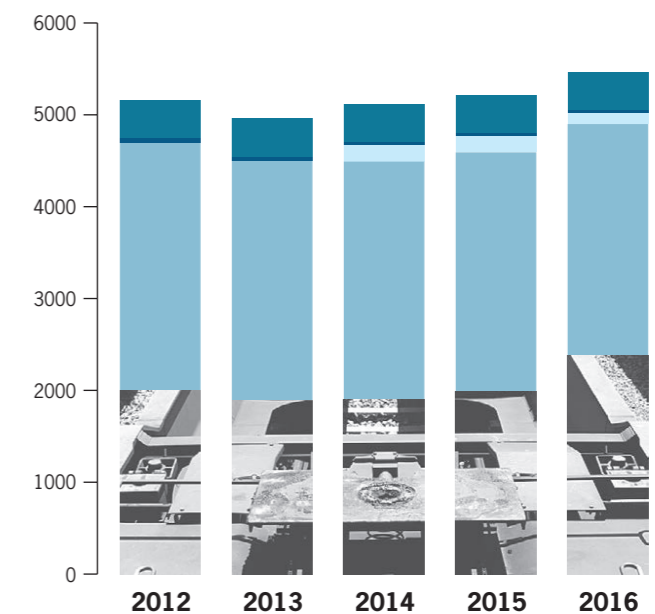
Hupac supports the zero-error strategy of the rail system and applies a range of precautions and measures to reduce risks and increase safety. All vehicles, load units and rail wagons are subject to systematic checks from departure to destination. The processes are agreed with the terminal and railway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

During the year under review, the Hupac Group's safety team improved the monitoring system in order to obtain early indications of weak points. Extension of the network by connecting up numerous new terminals posed another challenge in terms of training requirements and system integration.

During the year under review, there were no major accidents in Hupac's area of activity.

Rolling stock by type
Number of rail platforms

- Rola low-loader wagons
- Rola sleeping cars
- Broad gauge wagons (RUS)
- Flat wagons
- Pocket wagons





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.

Crossrail Ltd, Muttenz — Hupac sold its shares in Crossrail in April 2016.

Cemat SpA, Milan — Hupac has worked closely with Cemat since the seventies and has been one of the Italian combined transport operator's shareholders for decades. At the end of the year under review, Hupac's capital share remained unchanged at 34.48%. Hupac was able to intensify its cooperation with Cemat in the year under review. There was a positive development in jointly operated traffic.

RAIpin 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 33.1%. Hupac handles many tasks on behalf of RAIpin, such as customer service, dispatching and invoicing for the Rolling Highway on the Lötschberg and the Gotthard axis. Hupac also operates the terminal of Lugano, whereas that of Novara is managed by its subsidiary Fidia. In the year under review, Hupac leased 425 low-loader wagons and 9 sleeping cars to RAIpin.

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 every week via this hub.

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 85 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 consignments between Germany, Italy, Belgium and Poland. Around 110 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 1.1 million tonnes of CO₂ and around 13.2 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. Transshipment 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 operating software Goal 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 for example electronic signal and operating/control equipment for internal rail traffic and a centralised electronic control of all the safety equipment.

In every sector Hupac emphasises the human factor. The 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 around 16.5% of the total traffic volume. The company's own centralised service, headed by a hazardous goods

compliance advisor, appointed and trained according to the provisions of EC Directive 96/35, implements the appropriate regulations in all areas of the Group, advises customers and trains the staff.

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. 60 incidents were reported at the terminals (previous year: 59) and 46 on the rail network (previous year: 25).

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.

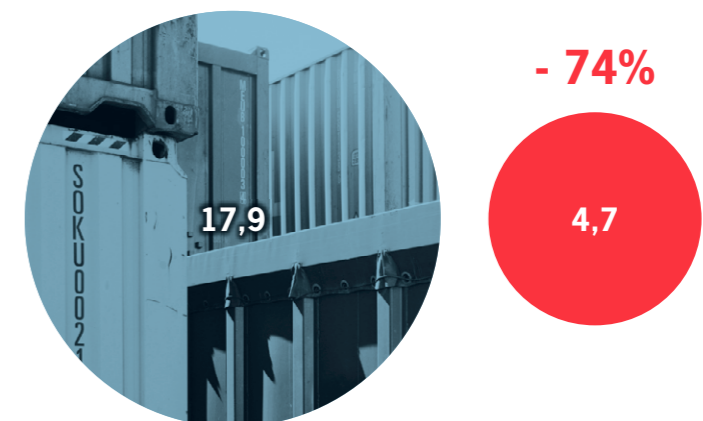
It is not only the company's new wagons that run silently: about 800 existing wagons with grey cast iron brake blocks have also been retrofitted with K-pads at considerable expense and effort. The different friction coefficients for grey cast iron blocks and K-pads made it necessary to reconstruct the 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. Hupac commissioned the first prototypes for this purpose in 2015.

CO₂-emissions
Gross tonnes in 1000s
■ For comparison: road
■ Hupac traffic



Energy consumption
in billion megajoules
■ For comparison: road
■ Hupac traffic



www.ecotransit.org

EMPLOYEES

Composition

At the end of 2016, the Hupac Group employed 429 members of staff (full-time equivalents; prior year: 404) or 440 actual individuals (prior year: 413). These individuals were distributed as follows: 192 at Hupac Intermodal in Switzerland 218 at the subsidiaries in Italy and 30 at the branches in Germany, the Netherlands, Belgium, Poland, Russia and China. The quota of women amounted to 17%. Average seniority fell slightly to 11.1 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.

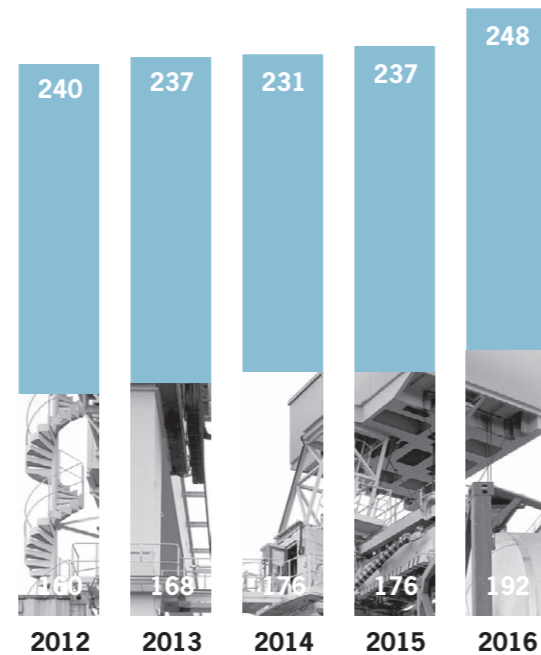
Hupac places great importance on practice-oriented education and training. So the employees are made aware of the operational value creation processes. They are trained for practical, operational tasks and can be deployed flexibly. During the year covered by the report nine employees participated in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

In 2016, Hupac trained seven apprentices as commercial employees.

Workforce of the Hupac Group

Number of employees

- Other countries
- Switzerland



Occupational health and safety

Hupac takes care of 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, 13 occupational injuries were recorded along with 228 lost working days. This represents a year-on-year reduction 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 subsidies.

Employee satisfaction

Every year Hupac assesses the satisfaction of its staff on the occasion of the meeting with their superior and through a questionnaire with answers on a scale of 1 to 100. At headquarters, the average score was increased from 81 to 82. At Hupac SpA, the Italian subsidiary, a score of 82 was attained (previous year: 78).





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 2016 Hupac achieved a volume of 450,000 road consignments or 8.6 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 transshipment equipment cannot guarantee to be profitable when financed by capital markets. And on the other hand, intermodal transport operators, particularly in transalpine traffic, are unable to cover the costs in full by using their income. Based on a range of laws and decrees, the Swiss Government guarantees financial support to the providers of intermodal transport.

Numerous investment projects for the terminal infrastructure of Termi Ltd, 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 on the district grounds belonging to Gallarate and Busto Arsizio (as per final accounts of 2006).
- 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 from 2016 to 2040 to around CHF 57.9 million. In the same period, estimated interest of around CHF 2.8 million will be payable to the Swiss Government (see table).

In terms of operating subsidies, the Swiss Government applies a degressive model. Increasing amounts of traffic are intended to be shifted onto rail with slightly decreasing funds. Operating contributions per road consignment in transalpine traffic through Switzerland decreased by an average of 4.1% in 2016 as compared to 2015.

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

Values in 1000 CHF

Years	2016	2017-2026	2027-2030	2031-2035	2036-2040	2016-2040 Total
Loan repayment	3,794	3,584 - 3,710	2,538 - 2,540	1,470 - 1,551	65	57,918
Interest	327	70 - 393	6 - 43			2,817
Total	4,121	3,654 - 4,102	2,544 - 2,583	1,470 - 1,551	65	60,736



FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement 2016 and 2015

Amounts in 1 000 CHF	2016	2015
Net income from supplies and services	470 281	427 540
Other income	68 838	66 699
Cost of the services	-433 816	-394 197
Gross profit	105 303	100 042
Payroll expenses	-35 671	-32 995
Other operating expenses	-11 862	-10 272
Depreciations and value adjustments	-43 187	-37 466
Operating result before financial positions	14 583	19 309
Financial income	254	128
Dividend income	144	55
Financial expenses	-1 898	-1 960
Result from associates	1 277	63
Foreign exchange differences	-617	-10 633
Ordinary operating result	13 743	6 962
Non-operating income	189	166
Non-operating expenses	0	-26
Extraordinary income	564	262
Gain from disposal of fixed assets	197	118
Extraordinary expenses	-568	-172
Loss from disposal of fixed assets	-7	-46
Dissolution of provisions	393	1 837
Annual result before taxes	14 511	9 101
Direct taxes	-3 663	-2 947
Annual result	10 848	6 154
Minority interest	-96	-96
Annual result of the Group	10 752	6 058

Consolidated balance sheet at 31 December 2016 and 2015

Amounts in 1 000 CHF	31.12.2016	31.12.2015	Amounts in 1 000 CHF	31.12.2016	31.12.2015
ASSETS			LIABILITIES AND SHAREHOLDERS' EQUITY		
Cash and cash equivalents	76 585	55 271	Account payables from supplies and services	39 710	37 030
Receivables from supplies and services	57 618	52 154	- third parties	39 616	36 942
- third parties	44 950	39 354	- shareholders	94	88
- shareholders	12 668	12 800	Onerous short-term debts	4 395	3 778
Other short-term receivables	8 838	12 366	- third parties	4 395	3 778
- third parties	8 838	12 366	Other short-term debts	4 196	3 063
Stocks and services not invoiced	7 609	6 991	- third parties	4 196	3 063
- stocks	3 191	2 977	Accrued expenses	47 606	38 983
- services not invoiced	4 418	4 014	Short-term provisions	266	201
Accrued income	23 535	22 242	Total short-term liabilities	96 173	83 055
Total current assets	174 185	149 024	Onerous long-term debts	58 633	65 044
Financial fixed assets	185	237	- third parties	58 633	65 044
- Long-term receivables from third parties	180	215	Other long-term debts	56 785	59 220
- Other financial fixed assets	5	22	- third parties	56 785	59 220
Investments	39 583	36 421	Long-term provisions	83 252	69 037
Tangible fixed assets	173 199	172 566	Deferred tax liabilities	1 686	1 755
- Advances to suppliers	9 816	930	Total long-term liabilities	200 356	195 056
- Technical equipment	15 558	17 482	Total liabilities	296 529	278 111
- Rolling stock	52 819	46 121	Minority interests	473	390
- Plants on third parties' lands	9 235	9 888	Share capital	20 000	20 000
- Terminals, buildings and land	80 954	93 246	Statutory capital reserves	5 015	5 015
- Other tangible fixed assets	4 817	4 899	Statutory retained earnings	62 525	61 038
Intangible fixed assets	3 088	2 991	Voluntary retained earnings	27 211	17 776
Deferred tax assets	710	614	Translation difference	-18 229	-17 712
Total fixed assets	216 765	212 829	Treasury shares	-2 574	-2 765
Total assets	390 950	361 853	Total shareholders' equity	93 948	83 352
			Total liabilities and shareholders' equity	390 950	361 853

Notes on the Consolidated Income Statement for 2016

In financial 2016, the Hupac Group's *Net income from supplies and services* rose by exactly 10% year-on-year to just under CHF 470.3 million. This increase is due to growth for existing products and also to the introduction of new products.

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 2016 reporting year, these items amounted to well over CHF 68.8 million, representing a year-on-year increase of 3.2%.

Cost of the services posted a year-on-year increase of 10.1% to CHF 433.8 million. *Gross profit* increased by 5.3% year on year.

Payroll expenses showed a year-on-year increase of 8.1% in financial 2016, and the *Other operating expenses* item rose by 15.5% as compared to 2015.

Expenditure on *Depreciations and value adjustments* posted a year-on-year increase of 15.3%.

Financial income almost doubled as compared to the prior year (2015) and *Dividend income* showed a year-on-year increase of 161.8%. The ongoing reduction of debt to banks resulted in a year-on-year decrease in *Financial expenses* of 3.2%, bringing the figure to almost CHF 1.9 million. The *Result from associates* increased sharply in financial 2016; this item is reported as almost CHF 1.3 million. The *Foreign exchange differences* position shows a loss of well over CHF 0.6 million. The *Ordinary operating profit* in financial 2016 amounts to well over CHF 13.7 million, equating to a year-on-year increase of 97.4%.

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 2016 of well over CHF 14.5 million, equivalent to an improvement of 59.4% as compared to 2015.

After deduction of *Direct taxes*, the *Annual result* is well over CHF 10.8 million and after a further deduction for the *Minority interest*, the Hupac reports *Annual result of the Group* of almost CHF 10.8 million for the 2016 reporting year, corresponding to a year-on-year increase of 77.5%.

Hupac Intermodal Ltd, by far the most important company in the Hupac Group as regards turnover, closes the 2016 financial year with a profit of CHF 0.2 million (prior year: loss of CHF 0.3 million).

Consolidated cash-flow statement 2016 and 2015

Amounts in 1 000 CHF	2016	2015
Annual result of the Group	10 752	6 058
Depreciation of tangible assets	25 835	25 112
Depreciation of intangible assets	923	865
Change in value of investments	-352	1 258
Variation of provisions	14 192	7 395
Other non monetary items	68	8 358
Net result from sale of tangible assets	-190	-72
Income from associated companies	-1 277	-63
Minority interests	32	-130
Variation of inventories	-226	222
Variation of short-term receivables	-3 779	13 035
Variation of short-term liabilities	13 167	-7 262
Cash flows from operating activities	59 145	54 776
Purchase of tangible assets	-26 984	-24 536
Proceeds from sale of tangible assets	211	1 236
Purchase of intangible assets	-1 022	-405
Proceeds from sale of intangible assets	0	6
Purchase of investments	0	-4 046
Cash flows from investing activities	-27 795	-27 745
Variation of financial receivables	-44	1 043
Variation of financial loans	-8 816	-13 364
Treasury shares	190	-1 251
Dividends payment	-1 546	-1 566
Cash flows from financing activities	-10 216	-15 138
Variation	21 134	11 893
Cash at beginning of the year	55 271	44 592
Foreign exchange differences on cash	180	-1 214
Cash at end of the year	76 585	55 271

Notes to the consolidated financial statements 2016

Principles applied in these financial statements Accounting policies

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).

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 %	
			31.12.2016	31.12.2015
Hupac Ltd, Chiasso	CHF	20 000 000		
Hupac Intermodal Ltd, Chiasso	CHF	250 000	100.00	100.00
Hupac SpA, Milan	EUR	2 040 000	96.99	96.99
Sub-interests of Hupac SpA, Milan:				
- 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, Antwerpen	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	0
Hupac Maritime Logistics GmbH, Singen	EUR	200 000	100.00	0

The following companies were consolidated using the equity method:

Company	Registered in	Interests as %	
		31.12.2016	31.12.2015
Cemat SpA	Milan (Italy)	34.48	34.48
Terminal Alptransit Srl	Milan (Italy)	50.00	50.00
RAipin Ltd	Olten (Switzerland)	33.11	33.11
Crossrail Ltd	Muttenz (Switzerland)	0	13.44
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	Basel (Switzerland)	24.50	24.50
Kombi-Terminal Düsseldorf GmbH	Düsseldorf (Germany)	33.33	0

2016 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	
	31.12.2016	31.12.2015	2016	2015
CHF/EUR	1.07370	1.08169	1.09020	1.08463
CHF/RUB	0.0165	0.0134	0.014769	0.015028
CHF/PLN	0.2428	0.2538	0.249865	0.254491
CHF/CNY	0.146630	0	0.148424	0

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 2015	20 000	78 000	-1 514	-11 725	84 761	584
Translation differences				-3 925	-3 925	-65
Translation differences of associated companies				-2 062	-2 062	
Net equity adjustment		1 337			1 337	-225
Movements of treasury shares			-1 251		-1 251	
Parent company dividend		-1 566			-1 566	
Consolidated profits 2015		6 058			6 058	96
Balance at 31 December 2015	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

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	2016	2015
Initial holdings on 01.01.	674	387
- Purchase	0	329
- Sale	-44	-42
Final holdings on 31.12.	630	674

The transactions were conducted on market-based condition.

	2016	2015
Personnel - average number of full-time equivalents	424	404

Derivative instruments - As at 31.12.2016

Amounts in CHF	Contract volume as at 31.12.2016	Fair values as at 31.12.2016	Fair values as at 31.12.2015
Transactions interest rate swap			
Zürcher Kantonalbank 10.4.2012-14.4.2020, 0.825%	5 000 000	-265 231	-324 560
Credit Suisse 19.1.2015-19.1.2022, 1.46%	20 000 000	-2 140 714	-2 372 383
Total	25 000 000	-2 405 945	-2 696 943

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	31.12.2016	31.12.2015
Extraordinary expenses	568	172
The most significant items are:		
In year 2016 Agreement arbitration proceedings and others		
In year 2015 Assumption of costs correlated with the sale of shares and tax costs and others		
Extraordinary income	564	262
The most significant items are:		
In year 2016 Surplus proceeds Cosmef, reimbursement of other tax costs and insurance and others		
In year 2015 Reimbursement of other tax costs 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	34	0
Debts towards personnel foundations	555	477
Total amount of collateral pledged for liabilities of third parties	7 630	7 992
Pledges on assets to secure own liabilities	63 272	66 608
Onerous long-term debts		
- 1 - 5 years	22 183	27 073
- > 5 years	36 450	37 971
Auditor's fees		
Audit services	122	135

Report of the statutory auditor to the General Meeting on the consolidated financial statements 2016

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 2016.

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 2016 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

Alessandro Miolo Michele Balestra

Lugano, 20 April 2017

FINANCIAL STATEMENTS OF HUPAC LTD

Income statement 2016 and 2015

Amounts in 1 000 CHF	2016	2015
Net income from supplies and services	70 441	67 852
Other income	95	4 242
Cost of the services	-25 222	-26 317
Gross profit	45 314	45 777
Other operating expenses	-2 702	-2 342
Depreciation of tangible fixed assets	-17 465	-16 500
Depreciation of intangible fixed assets	-1 300	-1 343
Provisions and value adjustments	-13 218	-11 793
Operating result before financial positions	10 629	13 799
Financial income	801	1 039
Dividend income	313	440
Financial expenses	-1 534	-1 610
Foreign exchange differences	-13	-5 022
Ordinary operating profit	10 196	8 646
Extraordinary income	7	0
Gain from disposal of fixed assets	168	116
Extraordinary expenses	-1 600	-43
Loss from disposal of fixed assets	-7	0
Annual result before taxes	8 764	8 719
Direct taxes	-2 046	-2 016
Annual result	6 718	6 703

Balance sheet at 31 December 2016 and 2015

Amounts in 1 000 CHF	31.12.2016	31.12.2015	Amounts in 1 000 CHF	31.12.2016	31.12.2015
ASSETS			LIABILITIES AND SHAREHOLDERS' EQUITY		
Cash and cash equivalents	41 968	30 487	Account payables from supplies and services	4 426	9 383
Receivables from supplies and services	16 380	15 250	- third parties	3 589	7 010
- third parties	1 772	406	- group companies	776	2 312
- group companies	14 851	15 087	- shareholders	61	61
- shareholders	23	23	Onerous short-term debts	4 295	3 623
- Provision for doubtful debts	-266	-266	- third parties	4 295	3 623
Other short-term receivables	2 768	2 190	Other short-term debts	593	857
- third parties	2 768	2 190	- third parties	593	857
Stocks and services not invoiced	1 632	7 450	Accrued expenses	21 708	21 883
- stocks	1 477	1 233	Total short-term liabilities	31 022	35 746
- services not invoiced	155	6 217	Onerous long-term debts	40 000	44 327
Prepayments and accrued income	1 084	991	- third parties	40 000	44 327
Total current assets	63 832	56 368	Long-term provisions	63 701	54 951
Financial fixed assets	27 508	32 000	Total long-term liabilities	103 701	99 278
- Long-term receivables from third parties	139	207	Total liabilities	134 723	135 024
- Long-term receivables from group companies	27 362	31 787	Share capital	20 000	20 000
- Other financial fixed assets	7	6	Statutory capital reserves	0	459
Investments	87 396	89 461	Statutory retained earnings	5 532	5 013
Tangible fixed assets	51 225	45 932	Voluntary retained earnings	75 713	70 602
Intangible fixed assets	3 433	4 572	Treasury shares	-2 574	-2 765
Total fixed assets	169 562	171 965	Total shareholders' equity	98 671	93 309
Total assets	233 394	228 333	Total liabilities and shareholders' equity	233 394	228 333

Notes on the Income Statement

Hupac Ltd's *Net income from supplies and services* rose by 3.8% to well over CHF 70.4 million in financial 2016. Income primarily comprises the rental of tangible assets, consisting in the main of rolling stock.

The *Other income* position shows government financial assistance. This relates to contributions towards noise refurbishment of the rolling stock. Since most of the wagon fleet has already undergone noise refurbishment, this income amounted to only CHF 95,000 in the 2016 reporting year.

Cost of the services decreased to somewhat more than CHF 25.2 million, a reduction of 4.2% as compared to 2015, the prior year. This results in *Gross profit* of well over CHF 45.3 million for Hupac Ltd, nearly CHF 0.5 million below the prior year's result.

The *Other operating expenses* position saw a year-on-year increase of 15.4% to well over CHF 2.7 million; this was principally due to higher IT expenses and various consultancy fees.

The *Depreciation of tangible fixed assets* position showed a year-on-year increase of almost CHF 1 million, while the figure for *Depreciation of intangible fixed assets* fell by 3.2% to CHF 1.3 million.

Provisions and value adjustments in financial 2016 amounted to well over CHF 13.2 million, equating to a year-on-year increase of 12.1%.

The *Operating result before financial positions* item was well over CHF 10.6 million in financial 2016, corresponding to a year-on-year decrease of 23%.

The *Financial income, Dividend income* and *Financial expenses* items all posted slight decreases year-on-year; a small loss of CHF 13,000 is reported for the *Foreign exchange differences* position. All these factors led to an *Ordinary operating profit* of just under CHF 10.2 million, representing a year-on-year improvement of 17.9%.

After taking account of the *Extraordinary income and expenses* and the *Gains and Losses from disposal of fixed assets* positions, Hupac Ltd's *Annual result before taxes* is almost CHF 8.8 million, equivalent to a small year-on-year increase of 0.5%.

After deduction of *Direct taxes*, Hupac Ltd reports *Annual result* of well over CHF 6.7 million in financial 2016, also equating to a slight increase of 0.2% year-on-year.

Notes on the Balance Sheet

The total assets of Hupac Ltd increased by almost CHF 5.1 million to around CHF 233.4 million in financial 2016.

As at the end of 2016, Hupac Ltd had *Shareholder's equity* of almost CHF 98.7 million at its disposal, corresponding to a capital ratio of 42.3% (prior year: 40.9%).

Cash-flow statement 2016 and 2015

Amounts in 1 000 CHF	2016	2015
Annual result	6 718	6 703
Depreciation of tangible assets	17 465	16 500
Depreciation of intangible assets	1 300	1 343
Change in value of investments	3 468	2 328
Partial waiver of loans to subsidiary	1 600	0
Variation of provisions	8 750	8 465
Other non monetary items	0	-44
Net result from sale of tangible assets	-162	-115
Variation of inventories	-244	105
Variation of short-term receivables	4 261	3 114
Variation of short-term liabilities	-4 725	3 775
Cash flows from operating activities	38 431	42 174
Purchase of tangible assets	-22 778	-13 977
Proceeds from sale of tangible assets	182	790
Purchase of intangible assets	-160	-322
Purchase of investments	-1 402	-15 996
Cash flows from investing activities	-24 158	-29 505
Variation of financial receivables	2 891	6 870
Variation of financial loans	-4 327	-5 812
Treasury shares	190	-1 251
Dividends payment	-1 546	-1 566
Cash flows from financing activities	-2 792	-1 759
Variation	11 481	10 910
Cash at beginning of the year	30 487	19 577
Cash at end of the year	41 968	30 487

Notes to the financial statements 2016

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	31.12.2016	31.12.2015
2.1 Total amount of collateral pledged for liabilities of third parties	32 299	32 918
2.2 Onerous long-term debts		
1-5 years	20 000	24 327
> 5 years	20 000	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 2015	20 000	459	4 953	6 824	58 700	-1 514	89 422
Dividends				-1 566			-1 566
Transfer to the statutory retained earnings			60	-60			
Movements of treasury shares						-1 251	-1 251
Transfer to other voluntary reserves				-4 900	4 900		
Annual result				6 703			6 703
Balance at 31 December 2015	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

2.4 Extraordinary expenses/income

Amounts in 1 000 CHF	31.12.2016	31.12.2015
Extraordinary expenses	1 600	43
In year 2016: Partial waiver of loans to Termini Ltd		
In year 2015 : Assumption of costs correlated with the sale of shares		
Extraordinary income	7	0
In year 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 %	
			31.12.2016	31.12.2015
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
Termini Ltd, Chiasso	Terminal Engineering	CHF 2 000	100.00	100.00
Sub-interests of Termini Ltd, Chiasso: - Termini SpA, Busto Arsizio	Terminal Engineering	EUR 2 000	95.00	95.00
Termini 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, Antwerpen	Terminal Engineering, Terminal Management	EUR 1 601	0.06	0.06
Hupac Intermodal BVBA, Antwerpen	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	0
Hupac Maritime Logistics GmbH, Singen	Traffic Management, Sales	EUR 200	100.00	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, Bruxelles	Data processing service for customers	EUR 100	25.10	25.10
Combinant NV, Antwerp	Terminal Engineering, Terminal Management	EUR 500	35.00	35.00
Crossrail Ltd, Muttentz	Railway Operating	CHF 24 723	0	13.44
RAIpin 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
Teralp Srl, Milan	Terminal Engineering	EUR 1 500	50.00	50.00
Gateway Basel Nord Ltd, Basel	Terminal Engineering	CHF 100	24.50	24.50
Kombi-Terminal Düsseldorf GmbH, Düsseldorf	Terminal Engineering	EUR 25	33.33	0

2.6 Treasury shares

Registered shares	2016	2015
Initial holdings on 01.01.	674	387
- Purchase	0	329
- Sale	-44	-42
Final holdings on 31.12.	630	674

The transactions were conducted on market-based conditions.

2.7 Derivative instruments - As at 31.12.2016

Amounts in CHF	Contract volume as at 31.12.2016	Fair values as at 31.12.2016	Fair values as at 31.12.2015
Transactions interest rate swap			
Zürcher Kantonalbank 10.4.2012-14.4.2020, 0.825%	5 000 000	-265 231	-324 560
Credit Suisse 19.1.2015-19.1.2022, 1.46%	20 000 000	-2 140 714	-2 372 383
Total	25 000 000	-2 405 945	-2 696 943

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	31.12.2016	31.12.2015
Audit services	36	34

Proposal for the distribution of retained earnings

Amounts in CHF	31.12.2016
Profit carried forward	295 420
Annual result	6 718 040
Retained earnings at the disposal of the General Meeting	7 013 460
Proposal of the board of directors:	
- Dividends of 8% on the total nominal share capital	1 600 000
- 50 years Hupac foundation anniversary dividends another 8%	1 600 000
- Transfer to the statutory retained earnings	220 000
- Transfer to voluntary retained earnings	3 400 000
- To be carried forward	193 460
	7 013 460

Report of the statutory auditor to the General Meeting on the financial statements 2016

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 2016.

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 2016 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

Alessandro Miolo Michele Balestra

Lugano, 20 April 2017



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 “World of Hupac” will be released in December 2017, year of Hupac's 50th anniversary. In this Annual Report there are some first 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 (CQ-COC 000010) and Ecolabel (Rif. IT/011/04) certification



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