

*Financial Results Media Conference Hupac Group*

## **Hupac invests in growth**

**Zurich, 2.5.2018** Despite significant infrastructure bottlenecks, the Swiss intermodal transport operator Hupac increased its volume of traffic by 3.5% in 2017 and ended the year with a satisfactory result. The company intends to stabilise quality and expand the market with targeted investments. Hupac expects considerably more efficiency and reliability with the start-up of the 4-meter corridor via Gotthard and Ceneri in 2021.

## **Positive result despite strained transport conditions**

During the 2017 financial year, the Hupac Group's sales rose by 3.3% to CHF 485.6 million (EUR 436.9 million). Although the worldwide economic conditions were favourable, which was evident particularly during the first six months, negative effects caused by route disruptions significantly weakened the results in the second half of the year, resulting in losses especially in the core business on the north-south routes. However, with the euro strengthening towards year end and with extraordinary earnings, a satisfactory annual profit of CHF 11.1 million was achieved, up 3.5% compared to the prior year.

The Shuttle Net business unit contributed to the positive operating result with transports in Europe, Russia and China. In the core market of transalpine transports through Switzerland, the segment of the 4-meter mega-trailers once again proved to be a growth driver with a 10% increase. The Company Shuttle business unit, introduced in 2015 for customers with large-scale capacities, also achieved very favourable results. Transports increased by approximately 50% and already account for 10% of total sales. Last autumn, the first trains of the Maritime Logistics business unit went into operation and other substantial market developments are foreseen.

Overall, the companies of the Hupac Group transported 763,100 road consignments, or 1,370,000 TEUs. While transports grew by plus 8.3% during the first six months, route closures and construction sites had an adverse effect in the second half of the year, resulting in a negative development of minus 1.6%. Overall, Hupac's growth in volume amounted to 3.5%.

"The events of the last financial year have plainly shown how important it is to have an efficient contingency management system with reserves and well-defined processes. To be able to act in critical situations Hupac keeps approximately 10% of its wagon fleet as a reserve and has engines and train drivers ready for backup operations. Without such additional resources and without the flexibility and commitment of our staff, our performance during this difficult financial year would have been considerably worse", said Hans-Jörg Bertschi, chairman of the Board during the presentation of the company's financial results to the media on 2 May 2018 in Zurich.

## **Contingency management: stabilise quality, secure the supply chain**

The persistently unstable quality on Europe's major rail arteries caused by construction work and accidents requires decisive action to maintain and strengthen the position of rail freight traffic in the global supply chain. The implementation of an international construction site management with backup routings and the establishment of a corridor-based crisis management are priorities of transport policy. In the event of

unplanned disruptions on important freight routes the quick resumption of transportation with single-track operation at reduced speed must be a primary concern. There is also much room for improvement in the international cooperation between national control centres in daily business. "If the European infrastructure management thinks and acts internationally, we can develop intermodal transport in line with market requirements and push ahead with modal shift", Bertschi emphasised.

Hupac also draws conclusions from last year's bottlenecks. The seven-week complete shutdown of the Rheintalbahn due to an accident at a construction site near Rastatt and the six-month closure of the Luino route between Bellinzona and Gallarate because of construction work to complete the 4-meter corridor had a significant impact. During the past year, Hupac has lost around 55,000 road shipments due to route disruptions and heavy delays. Hupac intends to put a stop to this negative trend with further investments and to stabilise the quality. Measures include additional reserves to make up for stranded trains and postponed departures on subsequent days, multi-system engines for cross-border operation, real-time capacity management and the development of alternative routings to diversify the risks.

Timely, proactive information in the event of delays is of central importance for the supply chain. Hupac is pursuing various digitalisation projects with railway partners and transportation companies to develop transparent, high-quality flows of information from source to destination. "As an immediate concrete step, we will equip our trains with GPS and inform our customers precisely about the position of their loading units via an interface. The technology exists - we will use it and make the results available to the market from the end of 2018", Hupac managing director Beni Kunz announced.

## **Investments in rolling stock, terminals and digitalisation**

Hupac consistently invests in the further growth of its business activities and with CHF 56.5 million, it more than doubled investments in tangible fixed assets in 2017. The wagon fleet was increased by approximately 450 wagon modules to 5,941 units. The purchases focused on type T3000 pocket wagons to meet the rising demand with respect to mega-trailers. Forty-foot flat wagons were ordered and delivered in Russia to accommodate the growing market in Eastern Europe. Orders for 400 modules were placed during the current year. Also, eight multi-system locomotives were purchased, which will be provided to the railway partners over the course of the current year.

Transshipment terminals are a key factor for the development of intermodal transportation. Especially in view of today's strained quality situation in railway transportation, sufficient terminal capacities with flexible, efficient processes are necessary to sustain operations and deliver performance to the customers. Hupac is responsible for the operation of a dozen terminals in Switzerland, Italy, Germany, Belgium, and the Netherlands either via own operating companies or active participations. In order to secure capacities for further growth, Hupac, together with partners, is pursuing the terminal projects in Milano Smistamento, Piacenza and Brescia in Italy, Gateway Basel Nord in Switzerland and Brwinów/Warsaw in Poland. These terminals are expected to be completed during the period 2020 to 2022. Deficits exist in the economic areas of Rotterdam, Cologne/Duisburg and Mannheim. Hupac will therefore invest in the RTC Geleen terminal (NL). Furthermore, Hupac has entered into a future-oriented cooperation with HGK concerning the Köln Nord terminal.

Substantial resources are also flowing into the digital transformation of the company. For Hupac terminals, the installation of OCR gates for recording train and loading unit data is planned. The SPEAK capacity management tool will increase the predictability of logistic chains. Sensor technology will increase the safety

standards for rolling stock and facilitate predictive maintenance. Integrated booking-to-billing platforms and an improved flow of information are of paramount importance for customers.

## **Political support for modal shift in the Alpine transit corridor**

For years, Hupac has been preparing itself for the abolition of the Swiss subsidies for combined traffic at the end of 2023. Lower production costs and more payload per train is the motto, in order to compensate for the discontinuation of the subsidies without losing competitiveness compared with road. The parameters requiring a train weight of 2000 tons with one engine, 740 meter length and a 4-meter profile, however, will not be completely available on the freight corridor Rotterdam-Genoa by 2024. Enforcing these parameters on the entire corridor is a central responsibility of transport policy, as well as the introduction of internationally coordinated train path planning and traffic coordination.

Recent calculations have shown that approximately two thirds of current government subsidies for intermodal transportation can be reduced by improvements in productivity with the Gotthard/Ceneri base tunnels and the 4-meter corridor. One third would still have to be granted under the current circumstances, even after 2024. A viable alternative would be to reduce the current very high track access prices for transit through Switzerland to the level of the corridor countries - a simple, non-discriminatory solution with little administrative effort, which would send an immediate signal in favour of modal shift.

The subsidy equivalence between unaccompanied combined transport and the Rolling Highway from 2024 must also be taken into account: an even playing field is necessary to prevent opportunity-driven shifts from the former to the latter.

Another important measure to support modal shift is the continuation of the noise bonus for low-noise freight wagons after 2020 to compensate for the high operating costs: environmentally friendly, quiet freight cars must not be placed in a worse position than noisy rail cars, which have lower operating costs.

## **Outlook for 2018**

During the first four months of this year, Hupac reported a 5.2% increase in volume. Transalpine intermodal transports were particularly successful with a plus of 10.7%. The frequency of many trains has been increased and several new connections have been introduced, such as Zeebrugge Cobelfret ⇄ Novara, Hannover ⇄ Novara, Singen ⇄ Cremona, Rotterdam/Duisburg ⇄ Istanbul, in addition to new block trains in the Company Shuttle business unit. Transports to Iran, Azerbaijan and Turkmenistan were handled for the first time. A priority for the current year is the expansion of maritime hinterland services.

Challenges are expected in 2018 related to construction sites for the expansion of the feeder routes to the Gotthard base tunnel. However, these will lessen by the time the 4-meter corridor opens up. Kunz: "With the start-up of the 4-meter corridor via Gotthard and Ceneri in 2021 we anticipate considerably more efficiency and reliability in favour of a further shift of goods transportation from road to rail."

## **About Hupac**

Hupac is the leading network operator in Europe's intermodal transportation with a volume of 763,000 road shipments, or 1,370,000 TEUs, and a turnover of CHF 486 million (EUR 437 million). Services include 110 daily trains with connections between the large European economic centres and as far as Russia and the Far East. Hupac Ltd was established in 1967 in Chiasso, Switzerland. The Hupac Group consists of 18 companies located in Switzerland, Italy, Germany, the Netherlands, Belgium, Poland, Russia, and China. The company has 470 employees, over 5,900 wagon modules and operates efficient terminals at key locations in Europe.

## **Media Contact**

Irmtraut Tonndorf Director Communications & Marketing  
Tel. +41 58 8558020 [itonndorf@hupac.com](mailto:itonndorf@hupac.com)