

Annual report 2019 of the Hupac Group

Hupac defies corona crisis thanks to digitalisation and good results 2019

Chiasso, 20.5.2020 In 2019 the Hupac Group shifted more than 1 million road consignments from road to rail and achieved a satisfactory financial result. During the corona crisis, Hupac is maintaining its network thanks to digitalisation and contactless processes. In order to mitigate the consequences of the traffic collapse in the current year, targeted measures to support eco-friendly combined transport are needed.

The Hupac Group's Annual report 2019 is available online: <https://www.hupac.com/Annual-Report>

Hupac Group gains market share in Alpine transit

In the past financial year the Hupac Group shifted more than 1 million truck consignments from road to rail for the first time. Overall, the number of transports increased by 10.5% to 1,024,089 road consignments. The growth was partly due to the acquisition of ERS Railways in June 2018, which last year was consolidated in the Hupac Group for a full year for the first time.

Hupac again increased its market share in its core business of transalpine transport through Switzerland thanks to the introduction of new products. Overall, the past year was characterised by a negative volume development in land transport via the Alps (-4.6%) as a result of the weakening of the economy in Europe. Nevertheless, Hupac was able to further expand its strong position in combined transport with a transport volume of 551,042 road consignments (+2.8%) and thus contributed to reducing the number of road transports through Switzerland.

Financially healthy into the crisis year 2020

The Hupac Group looks back on a satisfactory financial year 2019. While Group turnover increased by 5.4% to CHF 611 million, the business result could not quite keep up with the sales development due to the clouding economic situation, the strong Swiss franc and the reduction of subsidies. Although EBITDA increased by 4.6% or CHF 55.4 million, the operating result of CHF 5.1 million was 35% lower than the previous year. The factors that contributed were negative currency effects and an extraordinary effect in the previous year.

Since February 2020, the corona crisis has presented the company with extraordinary challenges. „The company is financially healthy and has secured additional financial liquidity in view of a longer crisis scenario“, says Hans-Jörg Bertschi, Chairman of the Board of Directors of Hupac. „We expect a gradual recovery of transport volumes throughout Europe in the second half of 2020“.

Corona crisis: combined transport secures supply

At the end of February, the COVID-19 crisis hit northern Italy – and thus Hupac's most important destination and source market – as the first country in Europe with great severity. Hupac reacted immediately and took all necessary measures to protect its employees and customers:

- In the terminals, social distancing and hygiene and safety measures were effectively implemented through a reorganisation of the terminal processes.

- All employees were able to move from the office to home-office within very short time and ensured that the services offered to customers continued to function perfectly. This was possible thanks to the company's already highly advanced digitization, which provides systems for decentralized access to documents and platforms as well as powerful tools for telecommunications and teleconferencing.

Hupac also advocated that rail freight transport and the terminals should be recognised as systemically relevant and should not be closed even in the event of lockdowns, in order to maintain a secure supply of essential goods. This contributed to the fact that Hupac's offer was always open, even during the phase of national border closures.

Continue modal shift success, bridge corona crisis

Sharp decline in traffic resulting from the corona crisis is placing an enormous burden on the combined transport system. After a pleasing first quarter with a transport growth of 3.6%, Hupac recorded a strong decline in transport volumes in April, especially in transalpine transport to Italy. The main reason for this slump – which peaked at minus 50% – was the extensive closure of industrial production by the authorities. Due to the gradual easing of regulations, the traffic volume in Hupac's network is currently increasing again and is presently at a level of minus 25% compared to the planned traffic volumes.

The Europe-wide slump in traffic and the simultaneous increase in road competition due to the drop in diesel prices during the corona crisis requires effective measures to support combined transport in order to prevent a shift back from rail to road. Switzerland plans to provide greater support for transalpine combined transport with the subsidies already at its disposal. Italy grants discounts on train path costs in favour of railway undertakings. „We expect further measures to reduce the fixed cost burden of the combined transport operators also from Germany as the most important market and central European transit country“, says Michail Stahlhut, director of Hupac Intermodal. „Temporary additional track access charges support as well as subsidies for rolling stock that cannot be used in the crisis would provide relief and counteract a clear-cutting of offers in rail freight transport. Without appropriate support, combined transport operators would be forced to reduce their network, which would trigger a dangerous downward spiral in modal shift“.

New connections 2020

In the current year, Hupac was able to further develop its product portfolio despite the corona crisis. In January daily connections Rotterdam ⇄ Melzo and Novara ⇄ Pescara for P400 trailers were integrated into the network. In April a shuttle train took off between Perpignan and Cologne for P400 trailers, a groundbreaking innovation for the Spain/South France market. Also in April, a daily feeder service Geleen ⇄ Moerdijk with further connections to the UK and Italy started operations, while an improved operational concept between Stabio and Aarau was implemented for domestic traffic in Switzerland.

In the field of maritime hinterland transport, ERS Railways was able to add the Bremerhaven ⇄ Regensburg and Bremerhaven ⇄ Frankfurt connections to its service in April. At the beginning of May, the new business unit Landbridge China launched a shuttle service between Xian in western China and Warsaw in Poland with connections to Hupac's European Shuttle Net.

Network development 2019

The business unit Shuttle Net continues to be the backbone of the Hupac Group with a transport volume of 752,700 road consignments. The network was developed proactively despite the economic slowdown that began in the second half of 2019. In the transalpine segment, transports from the high-performance Cologne North terminal to Italy and the strengthening of the offer for 4-metre semi-trailers between Novara and Hanover or Zeebrugge should be mentioned. In September the first shuttle trains started between

Pordenone in north-east Italy and Duisburg. In non-transalpine traffic, an approval for P386 semi-trailers was obtained for the Antwerp ⇆ Barcelona connection for the first time. With this step Hupac opens up the trailer transport segment for the Spanish market. On the east-west axis the frequency of the trains Antwerp ⇆ Schkopau/Schwarzheide and Duisburg ⇆ Poland was increased. South Eastern Europe with destinations in Romania, Bulgaria, Serbia and Turkey was connected to Hupac's Shuttle Net via the hub terminals Vienna and Budapest.

The new Company Shuttle business unit continued to develop very dynamically in 2019 reaching a transport volume of 94,600 road consignments. In line with the strong demand, the service was upgraded with additional shuttles for transalpine traffic. Trains travel on behalf of individual transport companies. Customers assume the risk of using company shuttles and entrust the organisation and management of transport to Hupac as operator.

For the Maritime Logistics business unit, the subsidiary ERS Railways, which in the previous year operated only from northern German ports, developed and expanded new connections between Rotterdam and southern Germany (Munich, Nuremberg, Kornwestheim and Wörth). In 2019, ERS Railways was able to handle a transport volume of 323,600 TEUs or 179.200 road consignments in inland maritime traffic, a growth of around 11% over the whole year 2018.

Investments in terminals, rolling stock and IT secure the future

In 2019 the Hupac Group has again invested significantly in the future. The investment sum of CHF 75 million reflects our long-term growth strategy. CHF 32 million of this amount has been invested in rolling stock. At the end of 2019 the Hupac Group operated a fleet of 7,297 wagon modules. This corresponds to an increase of 5.9% compared to the previous year. In addition, Hupac uses 21 own mainline and shunting locomotives.

A central focus in 2019 was the investment in transshipment terminals in Italy, the Netherlands, Germany and Poland, which amounted to CHF 38 million. Terminals are today the Hupac Group's central strategic investments. In many regions of Europe they are the bottleneck for the further shift of transports over long distances from road to rail.

In addition to the new facilities in Milano Smistamento, Piacenza and Brescia to be developed in collaboration with Mercitalia Logistics, Hupac was able to take over the majority of the terminal company CIM SpA Interporto Novara in October 2019. Last year Hupac also acquired the majority of the terminal company Geleen RTC (near Maastricht). In addition, in summer 2019 Hupac was able to conclude letters of intent for participation in the construction of new terminals on the European part of the Silk Road in the former coal port of Duisburg and in Minsk (Belarus).

Significant progress in digital transformation

Extensive investments have also been made in information technology. In addition to installing GPS units in approx. 1000 wagons for better train tracking throughout Europe, 250 wagons have been equipped with RFID chips. The information obtained here – in conjunction with the data from the train control devices in Switzerland – facilitates the predictive maintenance of the wagons.

The further use of OCR gates in the Busto Arsizio-Gallarate terminal allows for a better utilization of the facility. The handling time per train is reduced by an average of 20 minutes. This generates a capacity increase of the terminal of 10%.

Last year, the digitisation of booking processes also started. The automation of these processes and the resulting optimisation of loading capacity leads to mandatory transport plans and reliable information on the status of the transport. The Hupac Train Radar makes this information visible on a platform. Customers can

virtually follow their loading unit; if necessary, they receive proactive information on deviations from the timetable and a new estimation of the arrival time.

With the digital transformation of its business processes, Hupac is strengthening the competitiveness of combined transport. The focus is on wagon technology, terminal productivity, better planning of the interface between wagon, terminal and customer and, last but not least, better visibility of the supply chain.

About Hupac

Hupac is Europe's leading intermodal network operator. The offer comprises 150 trains each day with connections between the main European economic areas up to Russia and the Far East. Hupac Ltd was founded in Chiasso/Switzerland in 1967. The Hupac Group comprises 2 companies based in Switzerland, Italy, Germany, Netherlands, Belgium, Poland, Russia and China. The Group has a workforce of 540 full time equivalent employees and a wagon fleet of 7,300 platforms and operates efficient terminals at key locations in Europe.

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