

*Swiss Intermodal Operator posts positive results in 2013*

## Hupac continues to expand its market leadership

**Zurich, 12.5.2014** Hupac can look back on a satisfactory 2013 financial year. With a slight increase in the volume of transports the company generated a higher profit for the year. The opening of the Gotthard base tunnel will provide new opportunities. Due to the bilateral transport agreement the feeder lines to Italy could be ready to accommodate 750-meter trains as early as 2017, which would boost productivity considerably. Hupac intends to further expand its market leadership by investing in the new “Company Shuttle” business unit and in rolling stock for Russia. Another top priority is the issue of noise abatement. Hupac, as a pioneer in the reduction of railway noise, is investing in the development of even lower noise freight wagons with disk brakes. Starting in 2016 the company will only use low-noise freight wagons.

### **Satisfactory annual result**

In financial year 2013, Hupac's turnover rose by 5.7% to CHF 480.2 million. The company generated a profit of CHF 6.6 million for the year, corresponding to an increase of 49.5%. The performance of the holdings improved significantly compared to the prior year which also contributed to the favourable result. Cash flow was strong and amounted to CHF 50.8 million (+5.6%) at year-end. Investments in fixed assets totalled CHF 9.7 million and thus were 70.9% below the prior year level. The reduced investment activities of the Hupac Group are primarily attributable to lower investment needs in the rolling stock caused by the continued low demand in transports and a higher availability of wagons as a result of the optimised maintenance services.

### **Gotthard base tunnel: offering future opportunities**

With the opening of the Gotthard base tunnel in December 2016 the general conditions for intermodal transports on the Swiss Alpine transit route will improve sharply. The new flat rail link will save costs, for example due to a shorter route and the elimination of multiple traction. However, the complete north-south axis is not expected to be fully operational until after 2020 when the Ceneri base tunnel opens up and the corridor has been adapted to the 4-meter profile. Therefore, it is even more important to complete at least a first line for 750-meter trains to the terminals in northern Italy by 2017. This is to be made possible through the recently signed transport agreement between Switzerland and Italy, which also covers the financing of the construction works. “An increase in train length from the current 550 meters to 750 meters will allow us to substantially boost the productivity of intermodal transport after the opening of the Gotthard base tunnel and to shift significantly more freight to the railways” explained Hans-Jörg Bertschi, Chairman of the Board of Directors of Hupac AG during the financial media conference in Zurich. The Hupac terminal Busto Arsizio-Gallarate is already designed for 750-meter trains in accordance with the European standard.

### **New “Company Shuttle” business unit**

Hupac is also preparing for further growth at the commercial level. Intermodal transport is a growth market where more and more forwarders have the volumes for block trains. Starting in autumn 2014, Hupac will offer its new “Company Shuttle” services to customers willing to bear the capacity utilisation risk. Hupac will

focus on the organisation of the block train concepts while other service components, such as rolling stock, terminal handling, event management, etc. may be optionally included based on customer needs. Hupac has been offering slot concepts as far back as 2003 where customers take over a certain number of slots on a train. "The new business unit accommodates the developments in the market", said Bertschi. "While customers with small volumes benefit from the advantages of Hupac's extensive network, transportation companies with adequate volume commitment will be able to schedule and book their own customer-specific trains with us in the future."

### **Pioneer in railway noise abatement: all low-noise Hupac trains as of 2016**

Hupac intends to further expand its pioneering role in eco-friendly, low-noise rail freight transportation. As far back as the 1990s the company was at the forefront in the development of the so-called "whisper brake" which cuts the perceived noise approximately in half compared to today's conventional freight trains. Hupac started to systematically adapt its wagon fleet to the new technology in 2001. By the end of 2013, 93% of the company's own wagons were equipped with brakes made of a low-noise synthetic resin composite. Unlike the old metal brakes of grey cast iron, this so-called K-pad does not deform the running surface of the wheels. It remains smooth causing the trains to run more quietly by approximately 10 decibels. The refitting of the wagon fleet is expected to be completed by the end of 2015. Starting in 2016 Hupac will operate only low-noise trains.

In the future, a further reduction of the noise level by 5 decibel can only be achieved with disk brakes. During the current year Hupac will test wagons equipped with disk brakes, take noise measurements and perform operational tests. An order for a first series of pocket wagons with disk brakes will be placed shortly.

### **Own wagons for the emerging Russian market**

Hupac's strategy to use its own resources for intermodal transport was also implemented in the Russian market in financial year 2013. In the fall of 2013 a prototype for a 60-ft. container flat wagon was designed for the Russian broad gauge track. One hundred wagons are expected to be delivered by mid-2014. The wagons are procured and managed by the new subsidiary Hupac LLC in Moscow. "Having our own rolling stock ensures market presence, flexibility and maximum productivity" said Bertschi. "Hupac's customers are able to benefit from these advantages on the east-west connection as well."

### **Financial year 2014**

During the 2014 financial year Hupac will prepare for the new situation following the opening of the Gotthard base tunnel. The Milano Smistamento, Piacenza and Brescia terminal projects, which were the subject of a memorandum of understanding signed between FS Italiane, FS Logistica, CEMAT and Hupac in 2012, will continue. Hupac and its partners have submitted a joint request for financial support for the Milano Smistamento terminal to the Swiss Federal Office of Transport.

The Gotthard base tunnel is a challenge for the industry to develop and implement new concepts for efficient train operations. "Together with our railway partners we are looking for ways to utilise the necessary resources, such as engines, drivers and wagons, as efficiently and cost-effectively as possible", said Bernhard Kunz, CEO of the Hupac Group. The competitive pressure from road freight transports is growing steadily and forces the industry to develop effective strategies. "We firmly believe that with a market oriented cost structure, intermodal transports will continue to be a growth market."

Another key factor is quality. On-time trains enable a maximum circulation of the resources in service, while delays cause an enormous loss in productivity and customer confidence. During the reporting year, Hupac invested specifically in quality support activities. The production monitoring unit coordinates the circulation of trains around the clock, seven days a week, by interaction with the railways, the terminals and the customers. When necessary, substitute trains stationed at different hubs within the network are able to absorb the most serious quality defects. Kunz: “Our customers will often not even notice a disruption in operations – an example of our contribution to quality assurance.”

Hupac anticipates business to be stable or increase slightly during the current year. The existing routes will be expanded in line with demand and streamlined, as needed. Hupac will continue to adhere to its development strategy in the growth markets of Eastern Europe, Russia and the Far East.

### **Profile of the Hupac Group**

Hupac is the leading combined transport operator through Switzerland and one of the market leaders in Europe. The company works to ensure that an increasing volume of goods can be transported by rail and not by road, thus making an important contribution to modal shift and environment protection.

Hupac operates a network of 100 trains each day between Europe’s main economic areas and as far away as Russia and the Far East. In 2013, the traffic volume was around 657,000 road consignments. The Hupac Group employs 405 persons in 12 companies with locations in Switzerland, Germany, Italy, the Netherlands, Belgium, Denmark, Poland and Russia.

Hupac was founded in 1967 in Chiasso. The company has over 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.

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