

Annual report 2013



bis cargo

Die Alpinisten.

Impressum

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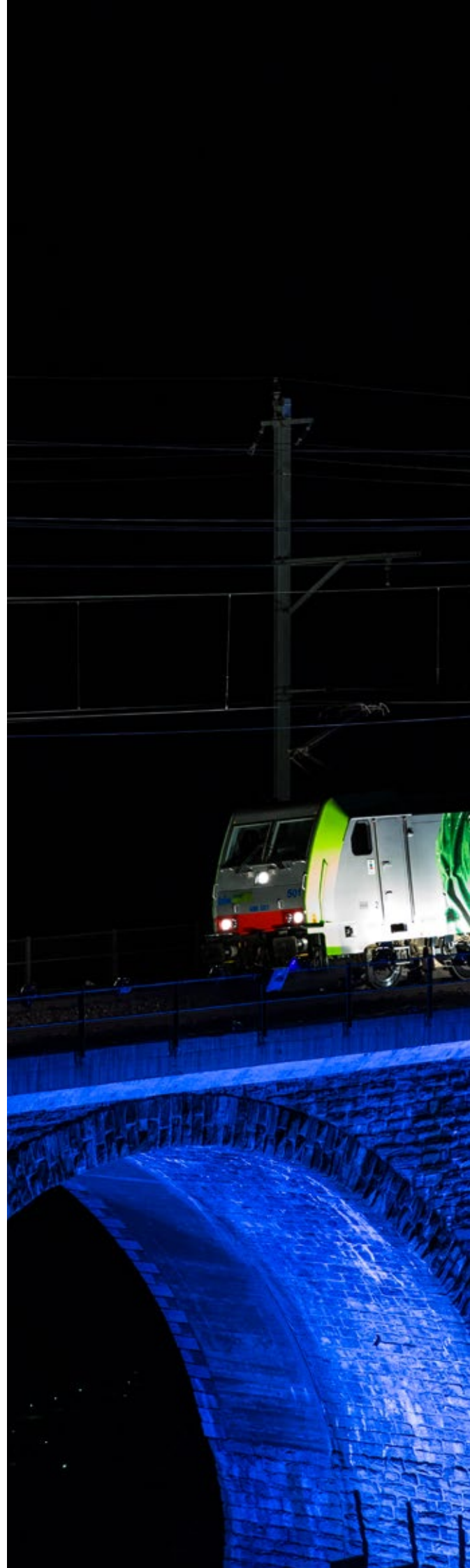
Stefanie Burri, Head of Management Section/Communication BLS Cargo

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A watershed year for BLS Cargo

In 2013, BLS Cargo divested itself of unprofitable parts of the business and strategically repositioned itself as a corridor service provider. The company returned to profitability, thanks to a stable economic environment, few unforeseen disruptions and resolute cost management.



The past year was characterized by the key strategic decision to concentrate on profitable business segments and to strategically reposition the company in the market. In 2013, BLS Cargo acquired some important new clients with large volumes of traffic, thus enabling it to lay the foundation for the future as an independent specialist traction provider on the north-south corridor.

Business segments predominantly positive

Events of the past four years have clearly shown that BLS Cargo's performance is driven by two major forces: on the one hand, the European economy and on the other, accessibility to the railway infrastructure and the problem of unforeseen line closures. These both remained stable during the year, allowing BLS Cargo to look back on a successful year as far as traffic was concerned. After several economically difficult years, there was still a degree of uncertainty in 2013, but this did not lead to large fluctuations in demand as in previ-

ous years. Traffic increased by 5% over 2012 to 3491.8 mill. net kms (2012: 3312.6). Both market segments, transit as well as domestic/import/export, contributed in equal measure to the growth in business, whereas in the previous year, various major line closures on the Gotthard route plus refurbishment of the Simplon tunnel had a disproportionately negative effect on intermodal traffic. Intermodal's larger loading gauge prevented traffic being switched to the Gotthard route when services were disrupted. However, in 2013, it was able to operate normally, resulting in high growth rates of +11% for unaccompanied intermodal traffic and +15% for the Rolling Highway.

Successfully repositioned

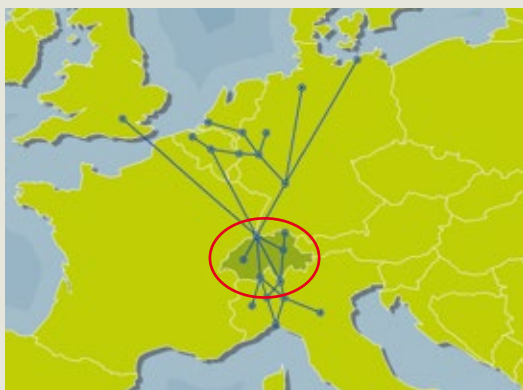
At the beginning of April, BLS Cargo announced that, from 2014, it would no longer be operating loss-making services for its customer, DB Schenker Rail, on the Gotthard route. Whilst attention centred internally on the large staff surplus facing BLS Cargo in 2014, this more detached relationship with DB Schenker Rail meant that BLS Cargo was able to strengthen its position as a service provider on the freight corridor. The company emphasised this with a new business identity and spent more time than before in personal contact with potential clients. The market reacted very positively to this approach, leading to new business with major clients such as ERS Railways and TX Logistik. However, on-going development of relationships with BLS Cargo's own existing client base remained of paramount importance.

International operations

The key element of BLS Cargo's new business is the use of its own locomotives on crossborder operations. This aspect has been accentuated compared to recent years, adding value to BLS Cargo's services portfolio. Together with new partners in Germany and Italy, BLS Cargo has developed innovative, economical operating concepts for the large new traffic flows. The new BR 186 «DACHINL» multi-system locomotive offers a distinct competitive advantage, as it is equipped with train protection systems enabling it to operate in Germany (D), Austria (A), Switzerland (CH), Italy (I) and the Netherlands (NL). By the end of the year, BLS Cargo was able to secure eight of these locomotives for a number of years, thanks to cooperation with other railway undertakings and locomotive



leasing companies. As a quid pro quo, BLS Cargo has made some of its own locomotives available to the companies involved. With this key resource at its disposal, BLS Cargo is excellently placed to achieve long-term success on the important Rotterdam-Genoa corridor 1 and to establish itself as an alternative, independent service provider on this freight corridor.



previous use of locomotives



locomotive use as from 2014

Number of job losses considerably reduced

Despite the acquisition of new business for 2014, the discontinuation of services for DB Schenker Rail (DBSR) traffic led to a surplus of staff in Bern and on the Gotthard route. BLS Cargo is closely linked to BLS AG, from which it purchases strategically important services. For example, BLS Cargo procures almost all its train drivers from BLS AG, as a result of which both organisations were heavily

involved in finding ways to cushion the effects of a 50+ reduction in the number of jobs. Together with the various parties involved, BLS drew up a comprehensive redundancy plan for the staff affected and provided support during this difficult period. Thanks to various measures such as a voluntary reduction in working hours, natural fluctuations, internal rotation, acquisition of additional business, external placement with other companies, plus the high level of commitment shown by staff themselves, the number of employees seeking a new position at the beginning of 2014 was minimal.

Back to profit

Thanks to the stable working environment, strict cost management and productivity gains, there was a significant improvement in financial results compared to the previous year, with BLS Cargo recording a positive operating profit (EBIT) of 2.6 mill. CHF (2012: -1.9 mill. CHF). The end-of-year profit and loss account closed at 1.5 mill. CHF (2012: -1.8 mill. CHF), signifying a successful turnaround in 2013. Planning for the next few years is also positive and confirms that BLS Cargo has succeeded in repositioning itself in the market.

BLS Cargo’s relationship with DB Schenker Rail re-defined

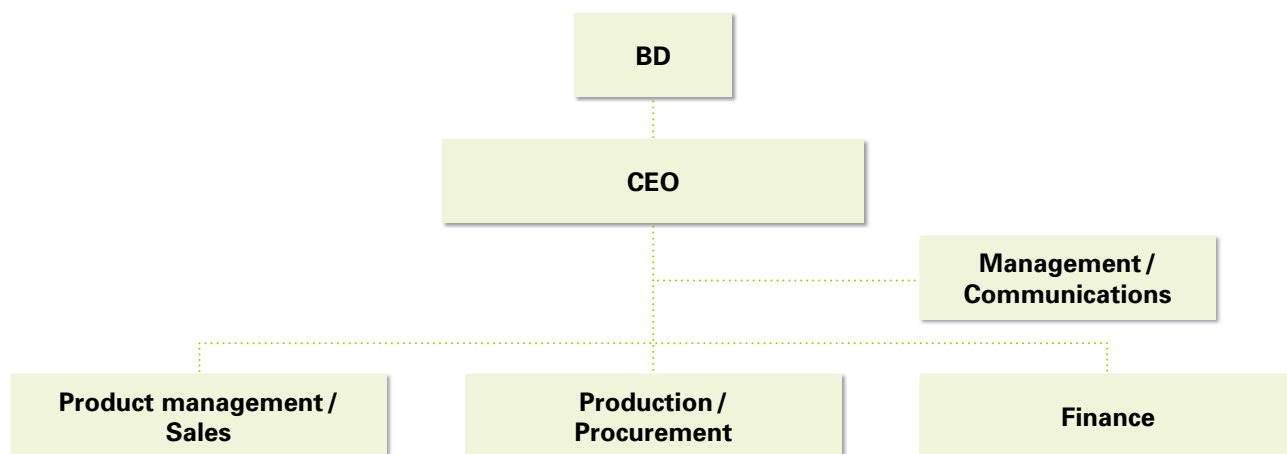
Following the transfer of a substantial volume of business by DBSR to our competitor SBB Cargo, business relations with DBSR have reverted to those based on a normal client relationship. DBSR retains a 45% shareholding in BLS Cargo. There are no DB Schenker Rail representatives on the BLS Cargo Board of Directors. Discussions are still taking place between BLS and DBSR with regard to revised working arrangements and future participation, as previously advised by both parties last April.

Outlook

After a turbulent year for the company, BLS Cargo can look forward to a successful future: financial planning for the coming year and through to 2018 is positive, demonstrating that BLS Cargo’s new business model with the company operating neutrally in the market and its dedicated focus on corridor services is having a lasting effect.

Lean organisation

as of 1.1.2014



Shareholders

BLS AG	52 %
DB Schweiz Holding AG	45 %
IMT AG (Ambrogio Gruppe)	3 %

Board of Directors

- » **Bernard Guillelmon (CH), President**
Chairman of the Board BLS AG
- » **Livio Ambrogio (I), Vice President**
CEO Ambrogio Trasporti Spa
- » **Reto Baumgartner (CH)**
Head of Finance BLS AG
- » **Josef Küttel (CH)**
Board Member ERMEWA HOLDING

Shareholdings

BLS Cargo Italia S.r.l	100 %
BLS Cargo Deutschland GmbH	100 %

Management



Dr. Dirk Stahl, CEO
Member of Management BLS AG



Dr. Dirk Pfister, Deputy CEO
Head of Product Management/Sales



Markus Zraggen
Head of Production/Procurement



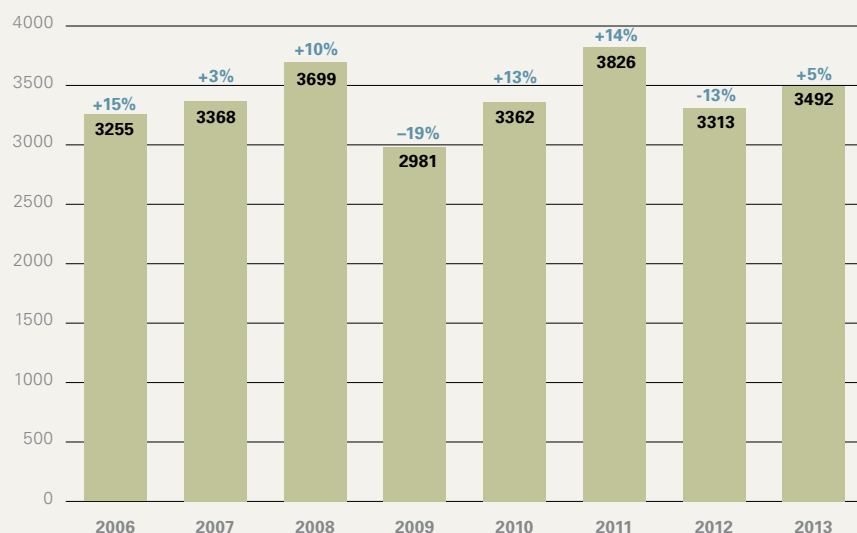
Marco Guntern
Head of Finance



Stefanie Burri
Head of Management Section/
Communication

Key figures at a glance

Traffic performance in Mill. Ntkm



2013: 3491.8 (+5%)

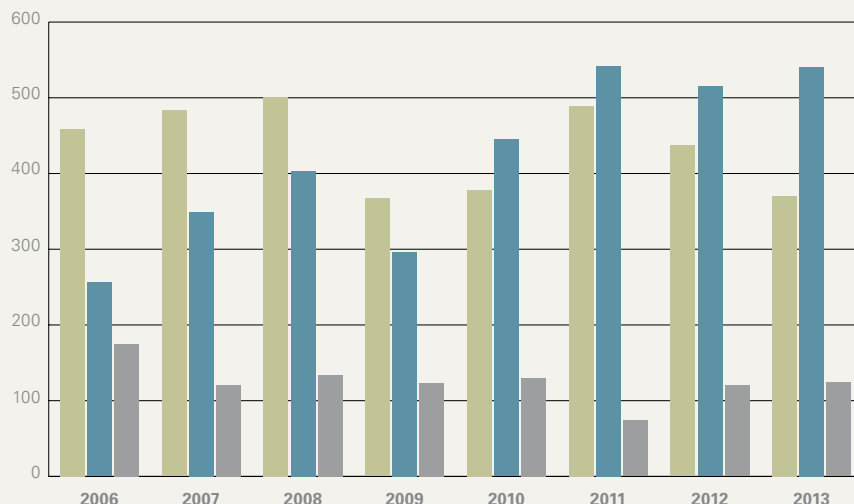
BLS Cargo was able to grow again in 2013 and recorded its third best performance in the company's history.

Traffic performance in Mill. Ntkm

	Jan.–Dec. 2012	Jan.–Dec. 2013	% change
Lötschberg/Simplon Transit	1930	2052	6 %
intermodal Transit Lötschberg	796	880	11 %
wagonload Transit Lötschberg	437	370	-15 %
rolling highway	697	803	15 %
Gotthard Transit	1248	1280	4 %
intermodal Gotthard	733	756	3 %
wagonload Gotthard	515	541	5 %
Switzerland	135	142	5 %
block trains Switzerland	135	142	5 %
Total	3313	3492	5 %

Compared with 2012, a year of numerous line closures, 2013 was free from disruption and intermodal traffic on the Lötschberg route in particular registered a strong increase.

Wagonload traffic growth (Mill. Ntkm)

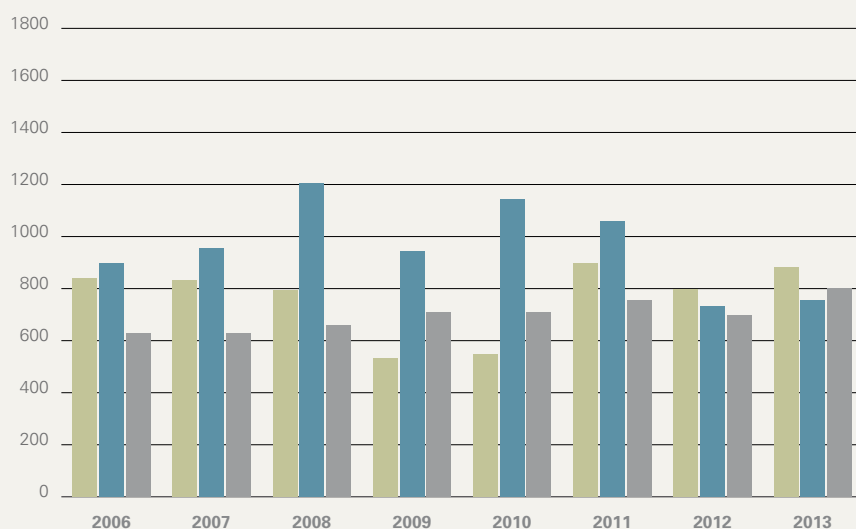


Key figures 2013

Turnover: 37 mill. CHF (0%)
 Transport performance (in mill. Ntkm):
 Lötschberg-Simplon: 370 (-15%)
 Gotthard: 541 (+5%)
 Domestic, import/export: 124 (+3%)
 Number of trains: 7'035 (-5%)

- WLT Lötschberg/Simplon
- WLT Gotthard
- WLT Binnen, Import/Export

Intermodal traffic growth (Mill. Ntkm)

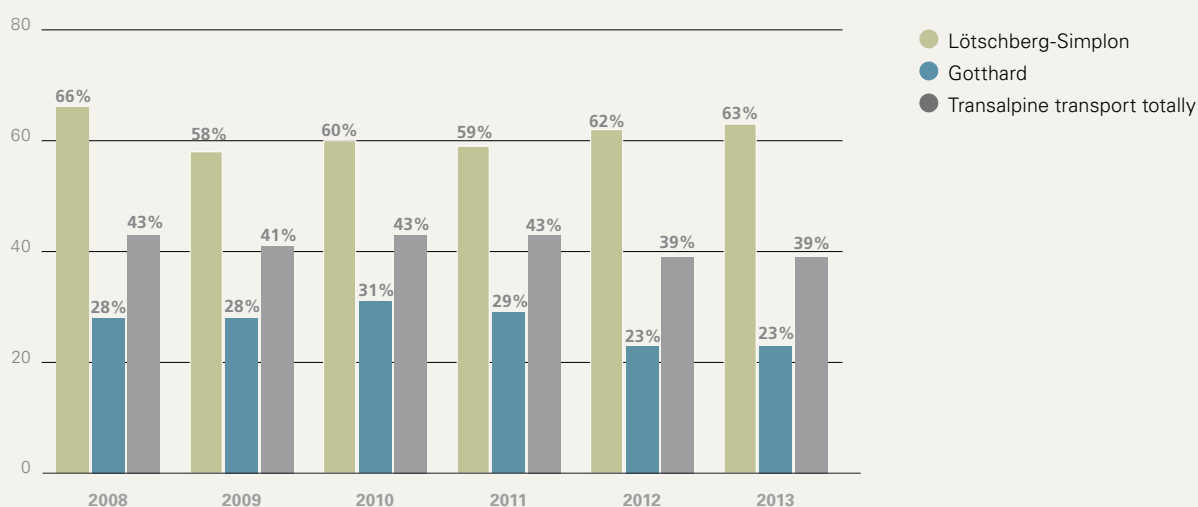


Key figures 2013

Turnover: 127 mill. CHF (+7%)
 Transport performance (in mill. tkm):
 Lötschberg-Simplon: 1'683 (+13%)
 of which Rolling Highway: 803 (+15%)
 Gotthard: 756 (+3%)
 Domestic, import/export: 18 (+20%)
 Number of trains: 14'489 (+6%)

- UCT Lötschberg/Simplon
- UCT Gotthard
- Rolling Highway Lötschberg/Simplon

Market share in transalpine transport (percentages, based on gross tonnes)



Number of employees

	2012	2013	% change
Total no. of employees	123	123	0%
BLS Cargo AG, Bern	79	79	0%
BLS Cargo Italia	18	18	0%
BLS Cargo Deutschland	8	8	0%
Service centres (Chiasso, Bern)	18	18	0%

In addition, BLS Cargo buys in services such as drivers and workshop facilities from BLS AG

Balance sheet

Balance sheet 2013

Assets	31.12.2013 in kCHF	31.12.2012 in kCHF
Liquid assets	22 424	12 704
Accounts receivable for supplies and services		
vis-à-vis third parties	13 146	10 082
vis-à-vis associates	13 849	14 445
Other outstanding debits		
vis-à-vis third parties	756	1 234
vis-à-vis associates	83	418
Accrued income	2 265	4 353
Total current assets	52 522	43 236
Fixed assets	103 804	112 049
Financial assets		
Shares	159	159
Loans affiliated companies	123	121
Other financial assets	2	6
Total investments	104 087	112 335
Total assets	156 609	155 571
<hr/>		
Liabilities	31.12.2013 in kCHF	31.12.2012 in kCHF
Accounts payable for supplies and services		
vis-à-vis third parties	12 655	13 771
vis-à-vis associates	14 824	17 706
Other short-term liabilities		
vis-à-vis third parties	2 364	2 208
vis-à-vis associates	41	35
Deferred income	17 241	16 877
short-term reserves	1 077	0
Total short-term borrowed capital	48 201	50 597
Long-term financial liabilities	10 000	10 000
Long-term reserves	7 991	6 047
Total long-term borrowed capital	17 991	16 047
Total borrowed capital	66 192	66 644
Share capital	60 000	60 000
Statutory reserves	2 563	2 563
Voluntary reserves	34 800	34 800
Net profit/loss:		
Brought forward	-8 437	-6 589
Profit/loss for the financial year	1 491	-1 847
Total equity	90 417	88 927
Total liabilities	156 609	155 571

Profit and loss account

Profit and loss account 2013	31.12.2013 in kCHF	31.12.2012 in kCHF
Revenue from supplies and services	167 086	156 784
Other operating income	15 185	12 697
Total operating income	182 271	169 481
Personnel costs	-10 506	-10 452
Costs for use of infrastructure	-49 825	-47 985
Third-party services	-47 280	-43 605
Production costs	-40 352	-39 632
Other operating costs	-23 493	-21 862
Total operating costs	-171 455	-163 536
Operating profit before interest + depreciation (EBITDA)	10 816	5 945
Depreciation	-8 167	-7 854
Operating profit before interest + tax (EBIT)	2 649	-1 909
Financial income	68	97
Financial expenditure	-726	-1 797
profit on asset disposal	610	0
Extraordinary income	417	2 003
Extraordinary expenditure	-1 395	-113
Operating profit before tax (EBT)	1 623	-1 719
Taxes	-132	-128
Profit / loss for the financial year	1 491	-1 847

Appendix to annual Account

per 31st December 2013

Fire Insurance for Fixec Assets

All fixed assets are comprehensively insured against third-party damage plus damage to property and machines. Insurance covers all companies within the BLS group. The amount of cover is fixed at maximum 100 mill. CHF per incident, no matter what the cause of damage is (third-party, interruption of services, accident, etc). Also included in this are claims arising from fire damage. Rolling stock is indemnified based on its current value (cost of buying new less depreciation to date). In the absence of any insurable values for fire damage in the policy, the cost of replacement is shown below and can act as a reference for new acquisitions for the relevant asset group.

	31.12.2013 in kCHF	31.12.2012 in kCHF
Locomotives incl. spare parts	181 227	183 033

Shareholdings	percentage	31.12.2013 in kCHF	31.12.2012 in kCHF
BLS AG	52,0 %	31 200	31 200
DB Schweiz Holding AG	45,0 %	27 000	27 000
IMT AG	3,0 %	1 800	1 800
share capital		60 000	60 000

Joint Liability

Joint liability arising from group taxation of VAT	p.m.	p.m.
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Explanation of financial expenditure

BLS Cargo participates pro-rata in the costs of repaying the costs and interest arising from the loan by the Symova pension fund, which BLS AG took out in order to cover liabilities in connection with the company pension scheme. Annuity owed by BLS Cargo totalling CHF 1 081 457 was for the last time recorded 2012 under financial expenditure.

Exchange rate differences totalling CHF –607 000 are included in the results.

Shareholding in subsidiary companies

	nominal share capital	percentage
BLS Cargo Italia S.r.l.	50 000	100 %
BLS Cargo Deutschland GmbH	50 000	100 %

Assessment of risk by the Boards of Directors

At its meeting on 30.08.2013 the Board discussed the company's risk profile and agreed appropriate measures to deal with significant risks.

Report of the statutory auditor



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An die Generalversammlung der
BLS Cargo AG, Bern

Bern, 11. März 2014

Bericht der Revisionsstelle zur Jahresrechnung

Als Revisionsstelle haben wir die Jahresrechnung der BLS Cargo AG, bestehend aus Bilanz, Erfolgsrechnung und Anhang / Seiten 10 bis 12, für das am 31. Dezember 2013 abgeschlossene Geschäftsjahr geprüft.

Verantwortung des Verwaltungsrates

Der Verwaltungsrat ist für die Aufstellung der Jahresrechnung in Übereinstimmung mit den gesetzlichen Vorschriften und den Statuten verantwortlich. Diese Verantwortung beinhaltet die Ausgestaltung, Implementierung und Aufrechterhaltung eines internen Kontrollsystems mit Bezug auf die Aufstellung einer Jahresrechnung, die frei von wesentlichen falschen Angaben als Folge von Verstössen oder Irrtümern ist. Darüber hinaus ist der Verwaltungsrat für die Auswahl und die Anwendung sachgemässer Rechnungslegungsmethoden sowie die Vornahme angemessener Schätzungen verantwortlich.

Verantwortung der Revisionsstelle

Unsere Verantwortung ist es, aufgrund unserer Prüfung ein Prüfungsurteil über die Jahresrechnung abzugeben. Wir haben unsere Prüfung in Übereinstimmung mit dem schweizerischen Gesetz und den Schweizer Prüfungsstandards vorgenommen. Nach diesen Standards haben wir die Prüfung so zu planen und durchzuführen, dass wir hinreichende Sicherheit gewinnen, ob die Jahresrechnung frei von wesentlichen falschen Angaben ist.

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen für die in der Jahresrechnung enthaltenen Wertansätze und sonstigen Angaben. Die Auswahl der Prüfungshandlungen liegt im pflichtgemässen Ermessen des Prüfers. Dies schliesst eine Beurteilung der Risiken wesentlicher falscher Angaben in der Jahresrechnung als Folge von Verstössen oder Irrtümern ein. Bei der Beurteilung dieser Risiken berücksichtigt der Prüfer das interne Kontrollsystem, soweit es für die Aufstellung der Jahresrechnung von Bedeutung ist, um die den Umständen entsprechenden Prüfungshandlungen festzulegen, nicht aber um ein Prüfungsurteil über die Wirksamkeit des internen Kontrollsystems abzugeben. Die Prüfung umfasst zudem die Beurteilung der Angemessenheit der angewandten Rechnungslegungsmethoden, der Plausibilität der vorgenommenen Schätzungen sowie eine Würdigung der Gesamtdarstellung der Jahresrechnung. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise eine ausreichende und angemessene Grundlage für unser Prüfungsurteil bilden.

Prüfungsurteil

Nach unserer Beurteilung entspricht die Jahresrechnung für das am 31. Dezember 2013 abgeschlossene Geschäftsjahr dem schweizerischen Gesetz und den Statuten.



Berichterstattung aufgrund weiterer gesetzlicher Vorschriften

Wir bestätigen, dass wir die gesetzlichen Anforderungen an die Zulassung gemäss Revisionsaufsichtsgesetz (RAG) und die Unabhängigkeit (Art. 728 OR) erfüllen und keine mit unserer Unabhängigkeit nicht vereinbaren Sachverhalte vorliegen.

In Übereinstimmung mit Art. 728a Abs. 1 Ziff. 3 OR und dem Schweizer Prüfungsstandard 890 bestätigen wir, dass ein gemäss den Vorgaben des Verwaltungsrates ausgestaltetes internes Kontrollsystem für die Aufstellung der Jahresrechnung existiert.

Wir empfehlen, die vorliegende Jahresrechnung zu genehmigen.

Ernst & Young AG

A handwritten signature in black ink, appearing to read 'Ruprecht', is written over a faint, light-colored signature line.

Roland Ruprecht
Zugelassener Revisionsexperte
(Leitender Revisor)

A handwritten signature in black ink, appearing to read 'i.V. S. Schmid', is written over a faint, light-colored signature line.

Stefan Schmid
Zugelassener Revisionsexperte

