

# NEWS



12 April 2006

## **Eurotunnel requests waiver extension to continue negotiations**

### **Alert Procedure (France) - Joint Board extends financial reporting deadline**

#### **Operational progress in 2005**

#### **Eurotunnel requests an extension to the waiver to pursue negotiations with all creditors**

On 31 January 2006, a Memorandum of Understanding (MoU) was signed by Eurotunnel and the Ad Hoc Committee of creditors, which represents more than 50% of the Group's debt.

A second waiver period (16 February-31 March) was put in place to allow the presentation, to non-signatory creditors, of the outline framework of the restructuring agreed between the Group and the Ad Hoc Committee.

This period also allowed the junior and subordinated creditors to group themselves into a single committee representing a large part of those particular categories of debt.

The Joint Board considered that the conditions were right to enter into a third period of negotiation - which will enable all of the creditors to come together for the first time, in order to reach a consensual financial restructuring plan.

In order to achieve this, the Joint Board has decided to request the opening of a new waiver period, until the 12 July, with a review planned in mid May 2006.

#### **Alert Procedure (France) - Joint Board extends financial reporting deadline**

As has been announced on several occasions, Eurotunnel will not be able to meet its contractual obligations in the first half of 2007, given the planned end of the Minimum Usage Charge mechanism, defined in the contract with the Railways and the forthcoming significant capital repayments of the debt.

In this context, the Group reiterates that the Credit Agreements provide:

1. A cash facility to a maximum amount of £50 million.
2. Recourse, in event of default, to a contractual "Standstill", of limited duration, which would permit Group to continue to operate normally whilst allowing negotiations on a financial restructuring plan to take place. This standstill could be interrupted by a qualified majority of creditors.

This situation has led the auditors, as required under French law, to initiate an alert procedure concerning the continuity of operations in 2007.

Until the result of the negotiations which are about to commence is known, the Joint Board considers that it is unable to give an opinion on the continuity of operations. It has therefore extended the reporting deadline. As a consequence, only provisional operating figures are presented below.

The Joint Board has fixed the date of Eurotunnel's AGM on the 30 June 2006 at 14h30 in Coquelles, France.

**Provisional operating figures for 2005\* show encouraging first results from the operational reorganisation. Full effect expected in 2006**

- Revenue stable: £541 million +1%
- First improvement in Shuttle Services revenue since 2002: +4%, to £295 million
- Improvement of 4% in operating margin (to £299 million), to 55% of turnover

In 2005, Eurotunnel implemented a major operational reorganisation, in line with the Group's new economic model which seeks to improve the productivity and profitability of its core business, the truck and passenger shuttle services.

This is clearly seen in the new commercial approach, a better matching of transport capacity to demand, a new pricing structure, tighter cost control and a significant reduction in staffing levels. This strategy has led to the improved results for 2005.

Despite a market which showed very little growth (although our first quarter was helped by the problems experienced at the port of Calais), the good results derive from a combination of improved revenue from Shuttle Services and a reduction in operating costs. Eurotunnel thereby improved profitability with an operating margin on turnover of 55% (2004: 53%). Based on the valuation of assets at the end of 2004, the trading profit would be £153 million (+19%).

2005 should be considered a year of transition, which saw a new dynamism brought to the Group. The operational reorganisation which was put in place during the second half of the year will not produce its full effect until 2006. The substantial improvement expected in operating results will, however, still fall short of the level required to meet the debt repayment schedule from the beginning of 2007.

Jacques Gounon, Chairman of Eurotunnel, said *"Eurotunnel is undergoing a profound reorganisation which is generating a substantial improvement in operational performance. But beyond this positive new dynamism, we cannot guarantee the future of the Group in 2007, unless there is a global financial restructuring. The new waiver which we have just requested should allow us to advance towards that goal. I know that all parties concerned in this negotiation are very aware of its importance"*.

\*Un-audited figures