NEWS

31 May 2006

Presentation of the Preliminary Restructuring Agreement agreed

between Eurotunnel and the Ad Hoc Committee

Following 10 months of negotiations, on 23 May 2006, Eurotunnel signed a binding Preliminary Restructuring Agreement with the Ad Hoc Committee. The restructuring plan is strengthened by a financing commitment from a group of financiers and investors comprised of Goldman Sachs, Barclays and Macquarie.

The Agreement preserves, as far as possible, the interests of all the parties involved. It is being presented to the other debt holders and will be presented to Eurotunnel shareholders at the next General Meeting.

The economics of this Agreement are as follows:

- Debt reduction of approximately £3.3bn
- A total “corporate” style debt of £2.9bn, made up of 3 tranches: new Senior debt, Tier 1A (FLF 2) and mezzanine ;
- Listed hybrid notes for a nominal amount of £1bn, convertible from 2009
- The establishment of accretion mechanisms for the existing Eurotunnel shareholders: warrants and the possibility for the Group to buyback the hybrid notes.

The financial restructuring, if accepted, will be implemented through the incorporation of a new French parent company which will, in autumn 2006, launch an exchange offer, in the UK and France, to holders of Eurotunnel Units.

<u>Appendix</u>

A more detailed presentation of the Agreement is attached below.

Eurotunnel
Preliminary Restructuring Agreement

This note summarises the key elements of the Preliminary Restructuring Agreement executed by Eurotunnel with the members of the Ad Hoc Committee[1]. This binding agreement, which is subject to a number of conditions precedent, sets out the principal terms of the restructuring of Eurotunnel's debt which, once finalised, will be presented to its shareholders at the next General Meeting.

This restructuring plan is strengthened by a financing commitment from a group of financiers and investors comprised of Goldman Sachs, Barclays and Macquarie.

The prime objective of the parties to the Preliminary Restructuring Agreement is to create the conditions for Eurotunnel to operate on a "normal" basis, at the same time as taking account of the interests of the different parties. The agreed structure provides a lasting solution to the problems encountered by the group since its creation by:

- simplifying and unifying the existing corporate structure;
- replacing the current "project finance" style debt structure by a "corporate" debt structure; and
- significantly reducing the group's indebtedness and adapting the amount and duration to the specificities of the tunnel concession.

The implementation of the restructuring plan is expected to be completed prior to 31 October 2006.

<u>Key features of the financial restructuring plan</u>

- The Preliminary Restructuring Agreement sets out the framework to restore and stabilize Eurotunnel's financial situation, with the objective of reducing its indebtedness by approximately 54% from £6.20 billion[2] to £2.90 billion. This reduced level of indebtedness is considered realistic in light of the duration of the concession and operating forecasts to ensure the group's future and prospects for development and provides a balanced treatment of the interests of all relevant parties.
- The refinancing plan is structured around:

  (i) the incorporation of a new French holding company, which will be at the centre of the restructuring and all of the transactions required for its implementation. The existing Eurotunnel shareholders will have the possibility to become members of the new French holding company pursuant to an exchange offer (the "Exchange Offer"); and

  (ii) the simultaneous financing of the new structure by a group of investors and financiers.
- The key features of the financial restructuring are as follows:

  (i) incorporation of a new French holding company listed in London and Paris. The share capital of the new holding company will be comprised of ordinary shares and one preferred share. The preferred share will be held by a company controlled by the

[1] *The* Ad Hoc Committee represents the majority of the Co-financier debt, it is composed of MBIA Assurance SA, *European Investment Bank, Franklin Mutual Advisers LLC, Ambac Assurance UK Ltd, and entities affiliated with investment funds managed by Oak tree Capital Management LLC.*

[2] *For ease of reference, the amounts referred to in this press release have been rounded and presented in £ sterling. The exchange rate used in this press release is 1.4619 euro/£. The final amounts will be calculated by reference to the actual exchange rate.*

investors in the hybrid notes and would confer specific governance rights, but no specific economic rights;

(ii) implementation of an exchange offer in the UK and France pursuant to which the holders of Eurotunnel PLC and Eurotunnel SA Units will be offered:

- new shares in the new French holding company;

- warrants entitling the holders to subscribe for additional shares in the circumstances set out in paragraph (vi) below, in particular in the event of additional value crystallising in Eurotunnel.

In addition, shares in the new French holding company offered pursuant to the Exchange Offer will benefit from preferential tariffs for transport. The minimum acceptance threshold for the Exchange Offer will be 60%, subject to regulatory approval;

(iii) the funding of a new Senior facility of an aggregate amount of £1.81 billion to France Manche SA and Eurotunnel Finance Ltd to refinance the Senior Debt, Fourth Tranche and Tier 1 and Tier 2 of the Junior Debt. Tier 1A (£740 million) will be excluded from this refinancing and will remain in place under its current terms;

(iv) issue by an English subsidiary of the new French holding company (entirely controlled by the French holding company and having its centre of management in France) of a mezzanine debt of an aggregate amount of up to £350 million, the proceeds of which will be used in part to refinance part of the current Junior Tier 3 Debt and to compromise the Stabilisation Notes, Resettable Bonds and Participating Loan Notes. Any remaining amount of the mezzanine debt will be used as working capital by the group, including to pay costs incurred in connection with the implementation of the restructuring;

(v) issue by the UK subsidiary of listed subordinated Hybrid Notes convertible into ordinary shares of the French holding company. The issue of the Hybrid Notes will be underwritten by the new investors. The Hybrid Notes will be offered to the holders of the Tier 3 Junior Debt in exchange for their debt of £1.78 billion. The aggregate nominal amount of the Hybrid Notes will be £1 billion or equivalent, divided in three tranches: T1- £500m, mandatory conversion on the third anniversary of their issue, T2 - £250m, mandatory conversion on the fourth anniversary of their issue, and T3 - £250m, mandatory conversion on the fifth anniversary of their issue. In addition, the Hybrid Notes may, subject to certain conditions, be redeemed at the discretion of Eurotunnel by the payment of a redemption premium of 59.2%, increased each year by 7.5%; and

(vi) the granting of claw back rights, in the form of warrants (referred to in paragraph (ii) above) issued to shareholders tendering their Units to the Exchange Offer and to a lesser extent to holders of Stabilisation Notes, Resettable Bonds and Participating Loan Notes. These warrants are intended to limit the diluting effect on the shareholders of the Hybrid Notes upon the occurrence of certain events and enable their holders to participate in future value creation within the new French holding company.

The restructuring plan provides for the extension of the maturity profile of all of the group’s indebtedness to be more in line with the duration of the concession. The group’s indebtedness may also be refinanced, subject in certain cases (in particular its fixed rate debt), to the payment of an early redemption premium, enabling the group to benefit from any improvement in market conditions and the company’s credit rating following the restructuring.

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Overview of the financial restructuring

The restructuring plan is in respect of approximately £6.24 billion, estimated to be the level of the group's debt as at 31 October 2006, the expected closing date of the implementation of the restructuring.

Estimated Principal Indebtedness as at 31/10/06	**£m**	**Restructured Debt (1)**	**£m**
Senior Debt	366	New Senior Debt	1,810
Tier 1A (FLF2)	740	Tier 1A	740
Junior Debt T1	3,208		
Junior Debt Tier 2			
Junior Debt Tier 3			
Participating Loan Notes	860		350
Stabilisation Notes	560	Mezzanine Debt	
Resettable Bonds	464		
	6,198		**2,900**

(1) The structure of the capital following implementation of the restructuring also includes the Hybrid Notes for a face value of £1 billion.

The restructuring plan:

- provides for the redemption in full of the principal amount plus accrued interest of the Senior Debt (£237 million), the Fourth Tranche Debt (£129 million) and the Tier 1 Debt (£541 million) and Tier 2 Debt (£892 million). Holders of Tier 3 Junior Debt will receive subordinated Hybrid Notes convertible into shares of an aggregate principal amount of £1 billion, plus a payment in cash of £100 million in exchange for their debt of £1.78 billion;

- does not affect the Tier 1A Debt (FLF2) which remains in place under its current terms. With the first repayment of principal not due until 2026, this does not affect the short term financial stability of the group; and

- includes a mezzanine debt, the principal amount of which is not amortizable for 7 years and the unpaid interest of which will be capitalized.

Dilution/Claw Back Rights

The conversion of Hybrid Notes into ordinary shares of the new French holding company will entitle their holders to up to 86.95652% of the share capital of the new French holding company on a fully diluted basis and following a complete success of the Exchange Offer. Under the terms of the agreement, the potential dilution of holders of Units may be limited by:

- the holders of Units accepting the Exchange Offer will receive free warrants to subscribe for ordinary shares in the new French holding company which will entitle them to be the only shareholders benefiting from a part of the increase in value of the French holding company between 2008 to 2010 by being able to exercise the warrants with effect from 2011 at an exercise price equal to the nominal value of the underlying shares (1 euro cent) and for a number of shares proportionate to the increase in value and to which they are entitled; and

- up to 40% of the Hybrid Notes may be redeemed at any time at the entire discretion of the Eurotunnel group, subject to the payment of an initial redemption premium of 59.2%, increasing each year by 7.5%. Any redemption of more than 40% of the Hybrid Notes must be made for all of the outstanding Hybrid Notes. The redemption of Hybrid Notes may be financed in one or more of the following three ways:
    - additional indebtedness (debt or quasi-equity) up to a maximum of £225 million;
    - share capital increase; and
    - direct market purchases of up to 5% of the outstanding Hybrid Notes in the fifth year following their issue.
- the Preliminary Restructuring Agreement specifically provides for the possibility of dividends to be paid to shareholders:
    - following the payment of a first coupon of 6% to the holders of the Hybrid Notes, subject to available cash flow, an additional 3% coupon shall be payable to holders of Hybrid Notes and a dividend of an amount equal to the amount of the additional coupon multiplied by the sum of the number of shares in issue divided by the number of shares to be issued upon conversion of the Hybrid Notes in issue at the date of payment of the additional coupon shall be payable to shareholders; and
    - by the debt structure of the group becoming "corporate" in nature. Subject to complying with the various agreements reached with its creditors, in particular concerning coverage ratios, the group will be entitled to retain its free cash flows and at the appropriate time use them in accordance with its corporate interest, such as paying dividends to its shareholders.

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Eurotunnel now intends to convince the subordinated debt holders to back this Preliminary Restructuring Agreement. In parallel Eurotunnel will seek to strengthen the financial refinancing package through inclusion of a wider group of investors and financiers. Details of the full restructuring plan and the conditions to which it is subject will be presented to shareholders at the next General Meeting. A full description will be included in the documentation provided to shareholders in connection with the Exchange Offer.

The effective implementation of the restructuring plan is subject to the satisfaction of a number of conditions precedent over the coming months. The terms of the exchange offer are subject to regulator approval and could therefore be amended. Certain conditions depend on events and parties outside the control of the Eurotunnel group which may not be satisfied or may only be satisfied in a timeframe that is incompatible with the proposed implementation of the restructuring plan. In this case, Eurotunnel would have to agree with the relevant parties the necessary changes or modifications to be made to the current plan.

The implementation of the restructuring plan is expected to be completed not later than the autumn 2006.