# NEWS

Thursday 30 August 2007

**Eurotunnel: results for the first half of 2007 for TNU (formerly ESA / EPLC)***

**Activity increasing, strong improvement in pro forma operating margin (EBITDA)**

➪ **Revenues (€373 million) increased by 7% pro forma, not taking into account the ending of the Minimum Usage Charge (MUC) paid by the Railways,** declining by 8% taking into account loss of MUC, compared to the same period in 2006:
- Shuttle revenues increased by 8%
- Railway revenues (reduced by €55 million from the MUC) increased by 6% on a comparable basis

➪ **Operating margin (EBITDA) of €208 million improved by 15% excluding the impact of the MUC:**
- Operating costs reduced by 2%
- Margin increased, excluding MUC, by 15% (-12% taking into account the impact of the MUC) with a ratio margin/revenue of 56%

➪ **Pro forma operating profit (EBIT) of €128 million increased by €44 million, although in accounting terms it decreased by €11 million by comparison to 2006**

➪ **TNU net result: loss of €32 million, compared to a loss of €105 million in 2006 (pro forma €160 million) in a transitional year**

➪ **TNU still has negative equity of €2.3 billion, and must be recapitalised.**

**Jacques Gounon,** Chairman and Chief Executive of Groupe Eurotunnel SA declared:

"*We have made very tangible progress in our operations and the company is ahead of its business plan. To fully appreciate our performance, it is important to take into account the loss of the MUC, which represented, for the first half of 2006, 14% of total revenue and which has been almost half compensated for in this first six months. All other things being equal, our revenue has increased by 7% pro forma.*

*Whilst traffic is increasing, operating costs continue nevertheless to decrease. As a result of this, the pro forma EBITDA shows substantial improvement (+15%) and the operating margin has reached 56% (+4 points pro forma).*

*The results of the first half of 2007 show a loss for TNU, much reduced compared to 2006."*

* The accounts presented here are those for TNU (formerly Eurotunnel SA / Eurotunnel P.L.C.) which was the object of a takeover by Groupe Eurotunnel SA, following the Exchange Tender Offer finalised in June 2007. The accounts for Groupe Eurotunnel SA will be prepared for the year ended 31 December 2007.

# FINANCIAL RESULTS FOR THE FIRST HALF OF 2007

**In a buoyant cross-Channel market, TNU has increased its market share for its Passenger Shuttle business as well that of its Truck activity, recording a substantial increase of 8% in its Shuttle revenues compared to the first half of 2006 at constant exchange rates, to €240 million.**
**Excluding the Minimum Usage Charge (MUC), under which TNU recorded revenues of €55 million in the first half of 2006, total revenues grew by 7% to €373 million, which combined with a further reduction of 2% in operating expenses has resulted in a significant improvement in operating margin of 15% to €208 million giving an operating margin/revenue ratio of 56%.**
**The reduction in net financial charges results from the one-off effects of the terms of the Safeguard Plan, and is not representative of the new credit agreements which are effective from 28 June 2007.**
**The net result for the first half of 2007 for TNU PLC and SA was a loss of only €32 million, compared to a loss of €105 million for the same period in 2006.**
**The total equity of TNU PLC and TNU SA remains negative, at €2.3 billion.**

**Following the Exchange Tender Offer completed in June 2007, Groupe Eurotunnel SA took control of TNU. The structure of TNU, in particular that of the Concessionaires, is unchanged.**

The 2007 interim combined accounts of TNU PLC and TNU SA (formerly Eurotunnel P.L.C. and Eurotunnel SA) have been prepared in accordance with IFRS as described in the annual combined accounts for the year ended 31 December 2006. The 2006 interim combined accounts having not been approved in view of the ongoing Safeguard Plan, had the financial elements relating to this period approved by the Board on 29 August 2007. The comparative figures in this section for the period to 30 June 2006 have been recalculated at the exchange rate used for the preparation of the 2007 interim combined accounts (£1=€1.478) to assist with the comparison between the two periods. Since the end of November 2006, revenues from the Railways have no longer benefited from the Minimum Usage Charge (MUC) which amounted to €55 million in the first half of 2006. In order to compare line by line the performance of the Group, the "pro forma" result below ("Excl. MUC") excludes the impact of this. The comparisons in the commentary below are stated including the MUC unless otherwise stated.

## Analysis of result

| **€ million** | **2007** | **2006 restated** | **2007/2006 % change** | **2006 actual** | ***PRO FORMA* *Excl. MUC 2006 restated*** | ***Excl. MUC 2007/2006 % change*** |
|---|---|---|---|---|---|---|
| Exchange rate €/£ | 1.478 | 1.478 | | 1.441 | *1.478* | |
| Shuttle services | 240 | 222 | +8% | 219 | *222* | *+8%* |
| Railways excluding MUC | 127 | 120 | -27% | 119 | *120* | *+6%* |
| MUC | - | 55 | | 54 | *-* | *-* |
| Transport activities | 367 | 397 | -8% | 392 | *342* | *+7%* |
| Non-transport activities | 6 | 7 | -14% | 7 | *7* | *-14%* |
| **Revenue** | **373** | **404** | **-8%** | **399** | ***349*** | ***+7%*** |
| Operating expenses | (165) | (168) | -2% | (166) | *(168)* | *-2%* |
| **Operating margin (EBITDA*)** | **208** | **236** | **-12%** | **233** | ***181*** | ***+15%*** |
| Depreciation | (80) | (78) | | (78) | *(78)* | |
| **Trading profit** | **128** | **158** | **-19%** | **155** | ***103*** | ***+24%*** |
| Other operating expenses | - | (19) | | (19) | *(19)* | |
| **Operating profit (EBIT**)** | **128** | **139** | | **136** | ***84*** | |
| Net cost of financing and debt service | (181) | (245) | | (242) | *(245)* | |
| Other financial income and income tax expense | 21 | 1 | | 1 | *1* | |
| **Net loss** | **(32)** | **(105)** | | **(105)** | ***(160)*** | |
| MUC | | | | | *55* | |
| **Pro forma net loss** | | | | | ***(105)*** | |
| *Operating margin / revenue* | *56%* | *58%* | *-3 pts* | *58%* | *52%* | *+4 pts* |

* *EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation.*

** *EBIT: Earnings Before Interest and Taxes.*

**Revenue**

In a buoyant cross-Channel market, the increase in volumes of cars and trucks carried by TNU (+8% and 9% respectively), generated a significant increase in Shuttle revenues of 8% compared to the same period in 2006 at constant exchange rates, to reach €240 million for the first half of 2007.

Railways revenues were protected until the end of November 2006 by the MUC, from which TNU recorded revenue of €55 million in the first half of 2006. As a result, Eurotunnel's revenues from the Railways fell by 27% to €127 million for the first half of 2007. Excluding the MUC, the pro forma Railways revenues increased by €7 million (6%) due to the increase in Eurostar traffic (+5%) and despite the fall in rail freight traffic (-14%).

Revenue from non-transport activities amounted to €6 million.

The ending of the MUC (approximately 14% of total revenue for the first half of 2006) resulted in a corresponding fall in total revenue. Excluding the MUC, pro forma revenues increased by 7% to €373 million. Total revenue fell 8% for the first half of 2007.

**Operating margin (EBITDA)**

Operating expenses decreased by 2% during the first half of 2007 compared to the same period in 2006 at constant exchange rates, the increase in staff costs (stable staffing levels) being more than compensated for by reductions in external costs. This further decrease should be appreciated in the context of the increased activity levels.

Due to the adverse effect of the loss of the MUC, EBITDA declined by 12% compared with the first half of 2006. All other things being equal, excluding the impact of the MUC, EBITDA improved 15% to €208 million, and at 56%, the ratio of operating margin to revenue was 4 points higher than for the same period of 2006 pro forma.

**Trading profit**

The depreciation charge for the first half of 2007 was €80 million, an increase of €2 million compared to the first half of 2006.

The trading profit for the first six months of 2007 was €128 million, compared to €158 million for the first half of 2006. Excluding the MUC, the pro forma trading profit improved by 24%.

**Operating profit (EBIT)**

The costs relating to the Safeguard Procedure and the financial restructuring were provided for during the second half of 2006. The provision at 30 June 2007 is judged sufficient to cover the remaining costs.

Operating profit for the first half of 2007 was €128 million compared to €139 million for the same period in 2006. Excluding the MUC, the pro forma operating profit for the first half of 2007 was €44 million higher than that for 2006 (+52%).

**Net result**

Cash balances benefited during the period of the Safeguard Procedure from the suspension of repayments of principal and of interest payments due under the old financial instruments. Consequently, the cash balance was markedly better in the first half of 2007 compared to the same period in 2006, and thus interest received on investments of cash and cash equivalents were €9 million in the first half of 2007, €7 million higher than in the first half of 2006.

The gross cost of servicing debt for the first half of 2007 was €190 million, which is broken down as follows:

- interest payable on the old financial instruments of €187 million in accordance with the terms of the Safeguard Plan,
- interest payable on the Term Loan starting from 28 June 2007 of €2 million,
- interest payable on the amended loan notes starting from 28 June 2007 of €1 million.

The gross cost of servicing debt for the first half of 2006 was €243 million.

Other financial income of €21 million was recorded for the period, including an €18 million release of provisions for depreciation and risks associated with certain financial contracts and €1 million reversal of the accrual for default interest that was accounted for at the end of 2006.

The net result for the first half of 2007 was a loss of €32 million, an improvement of €73 million compared to the loss of €105 million for the first half of 2006. Excluding the MUC the pro forma net result improved by €128 million compared to the pro forma loss of €160 million.

## Cash flow

| **€ million** | **30 June 2007** | **30 June 2006 actual** |
|---|---|---|
| **Exchange rate €/£** | **1.484** | **1.445** |
| Net cash flow from trading | 189 | 237 |
| Other operating cash flows and taxation | (33) | (17) |
| **Net cash inflow from operating activities** | **156** | **220** |
| Net cash flow from investing activities | (18) | (10) |
| Net cash flow from financing activities | (269) | (231) |
| **Decrease in cash** | **(131)** | **(21)** |

Net cash flow from trading was €189 million euros for the first half of 2007, compared to €237 million in 2006 (€240 million at the closing rate of the first half of 2007 of £1=€1.484). The significant increase in operating cash flows notably coming from receipts from Shuttle activities (€33 million) has partially compensated for the loss of the MUC (€51 million). Moreover, supplier invoices totalling €30 million from the period prior to the opening of the Safeguard Plan for which payment had been suspended, were settled in full at the end of the first half of 2007.

The increase in cash flows from investing activities (€8 million) arises mainly from the purchase of locomotives (class 92) to be used in the development of the rail freight activity, the Euroscan, and the modifications to the power supply system, which when complete, will enable greater use of the cheaper electricity generated in France.

In the first half of 2006, cash flows from financing activities corresponded to payments on the old financial instruments. In the first half of 2007, net cash flows from financing activities corresponded to the implementation of the restructuring, and are broken down as follows:

- €3,743 million for the repayment of principal on the old financial instruments,
- €305 million for the payment of accrued interest on the old financial instruments,
- €4,191 million from the drawdown of the Term Loan,
- €419 million for the loan to EGP and for payments relating to the implementation of the Term Loan.

Overall, the net decrease in cash for the period was €131 million, compared to a decrease of €21 million for the same period in 2006.

## NOTES

### 1 ACTIVITIES AND IMPORTANT EVENTS

On 27 July 2007, the AGMs of Eurotunnel P.L.C. (EPLC) and Eurotunnel SA (ESA), subsidiaries of Groupe Eurotunnel SA (GET SA) since the successful completion of the Exchange Tender Offer (ETO), adopted the resolutions to change the names of EPLC and ESA to TNU PLC and TNU SA respectively.

#### 1.1 Activities

Revenues from the Railways no longer benefit from the Minimum Usage Charge (MUC) which ceased at the end of November 2006, and resulted in a loss of revenues of €55 million compared to the first half of 2006.

Excluding the MUC, TNU significantly increased its revenues and main traffic activities during the first half of 2007 compared to the same period of 2006. At €373 million, revenues were up by 7%. There was a significant increase in the number of trucks (+9%) and cars (+8%), as well as in the number of Eurostar passengers using the Tunnel (+5%).

#### 1.2 Financial restructuring

During the first half of 2007, Eurotunnel implemented the debt restructuring in accordance with the Safeguard Plan approved by the Paris Commercial Court on 15 January 2007.

**a)** The main terms of the Plan as described in the 2006 annual combined accounts and currently being implemented under the supervision of the Commissioners for the Execution of the Plan, are as follows:

- The creation of GET SA, the new holding company of the Eurotunnel Group and its UK subsidiary Eurotunnel Group UK plc (EGP).
- The successful completion of the ETO which enabled Unit holders to receive GET SA Ordinary Shares and Warrants in exchange for their Units. At 30 June 2007, GET SA held 2,368,864,450 Units, representing 93.04% of Units in circulation.

  A total of 4,307,026,273 GET SA Warrants have been issued by GET SA. Since 2 July 2007, GET SA's shares have been quoted in Paris and as a secondary listing in London.

  With effect from 30 July 2007, TNU PLC and TNU SA Units have ceased to be listed by the London Stock Exchange, and they should cease to be listed in Brussels from 30 August 2007. The Units are listed in Paris.

- The drawing of a new loan on 28 June 2007 (the Term Loan) for a total of £1,500 million and €1,965 million (a total of €4,191 million at the closing exchange rate on 30 June 2007) by France Manche SA (FM) and The Channel Tunnel Group (CTG) from a banking consortium comprising Goldman Sachs International and Deutsche Bank AG, which enabled (i) the complete refinancing of the old loans up to the Tier 2 Debt, (ii) to make cash payments to holders of the Tier 3 Debt and to note holders for a total of €354 million, (iii) to pay accrued interest on the old loans in accordance with the terms and limits set out in the Safeguard Plan, and (iv) to provide a cash surplus of approximately €100 million.
- The issue by EGP of Notes Redeemable in Shares (NRS) in GET SA for a total of €1,870 million. These NRS are automatically redeemable in GET SA Ordinary Shares between the 13th and 37th month following the date of their issue.
- Buy back of the Tier 3 Debt and of the notes on 28 June 2007 by EGP.
- Modification on 28 June 2007 of the characteristics of the Tier 3 Debt (hereafter referred to as the amended loan) and of the notes (hereafter referred to as the amended loan notes) held by EGP, notably in terms of interest rate and repayment terms.

At the date of approval of the summary interim combined accounts, the implementation of the Plan continues under the supervision of the Commissioners for the Execution of the Plan. The next step will consist notably of the recapitalisation of TNU PLC and TNU SA. These operations will be carried out, in accordance with the Safeguard Plan, by using the amended loan allowing GET SA to restore the equity of these entities, who in turn will subsequently proceed to recapitalise CTG and FM.

**b)** Consequences of the implementation of the financial restructuring on the summary combined interim accounts:

- **Impact on the debt**

  At 30 June 2007, the combined financial liabilities of the TNU PLC/SA Group amounted to €9,620 million after the drawdown of the Term Loan and the repayment of the old financial instruments down to Tier 2, compared to €9,392 million at 31 December 2006. The amended loans totalling €5,496 million are owed to EGP (subsidiary of GET SA), €2,687 million of which will be used for the recapitalisation of TNU PLC and TNU SA.

  Eurotunnel has made a loan of €354 million to EGP, enabling EGP to make the cash payments to holders of the Tier 3 Debt and the notes. The Term Loan has been classified as a non-current financial liability. The amended loan (formerly the Tier 3 Debt) has remained as a current financial liability in view of the anticipated recapitalisation operations, while the amended loan notes (formerly the PLNs, Stabilisation Notes and Resettable Bonds) have been accounted for as non-current financial liabilities.

- **Forecast cash flows**

  Cash flow forecasts covering an 18-month period prepared at the end of July 2007 confirm that the TNU PLC/SA Group can meet its obligations such as they are known at this date. Furthermore, the new credit agreements allow for a line of credit of €75 million to be made available, should the need arise, to cover the operational requirements of the Group.

- **Negative equity**

  At 30 June 2007, the equity of TNU PLC, TNU SA, CTG and FM remains negative. As indicated above, the recapitalisation operations are currently being studied and will be carried out in the coming months in accordance with the terms of the Safeguard Plan and in the conditions established by the holding company GET SA.

**c) Going concern**

The implementation of the financial restructuring enabled the Board to approve the summary interim combined accounts on 29 August 2007 on a going concern basis. The status as a going concern depends directly on the completion of the implementation of the financial restructuring resulting from the Safeguard Plan ratified by the Paris Commercial Court on 15 January 2007.

### 1.3 Legal procedures

Certain legal procedures that have been instigated against Eurotunnel relating to the Safeguard Procedure continue. They are not considered likely to challenge the validity, the continuation and the completion of the Safeguard Plan. Should the outcome of certain of these procedures be unfavourable, they could result in the payment of damages and interest. Eurotunnel remains confident of the outcome of these litigations, and for this reason, has not forecast that any payments will be made in relation to them.

### 1.4 Notice to Warrantholders regarding VT1 and VT2

In relation to the notice to Warrantholders regarding VT1 and VT2 at 30 June 2007 as defined on page 171 of the Registration Document (as certified by the Financial Services Authority on 20 March 2007 and by the French *Autorité des marches financiers* on 21 March 2007), the Lump Sums recorded in relation to the previous financial year with their value and the date on which they were realised are as follows:

- VT1 – a subsidy of €1.7 million for the replacement of the Euroscan.