



Letter to Groupe Eurotunnel SA shareholders



Dear shareholder,

Total confusion prevails in relation to SeaFrance at the moment: no viable offer was received by the Paris commercial court within the timescale provided despite all the best efforts of French national and local public authorities and elected representatives from all parties. Such efforts would have been much appreciated by Eurotunnel's foundation shareholders and staff in 2005.

We are not without concern for the social aspects but neither are we convinced that the current uncertainty will serve the staff of the ferry operator. On 19 December, the Administrative Receivers who have all the relevant information recommended that business should cease but the court rejected this and proposed instead that the buy-out plan (which one?) be considered on 3 January 2012.

The arithmetic is quite straightforward: SeaFrance, set to lose €230m this year, was ordered by the European Commission to repay €70m of illegal state aid. The ships are worth €225m, with the Berlioz alone being purchased in 2005 for €98m. There are only two ways to look at it: either the buy-out offer is low, and a new form of disguised state aid is involved, or it is substantial and the return on investment is problematic. For our part, our vigilance is not directed against SeaFrance, we simply aim to protect our 3,000 staff members against a potential injustice.

Don't let anyone suggest that we are somehow responsible for SeaFrance's collapse when it is quite easy to see what has happened. The union who put forward a buy-out proposal themselves explained that the unit price for each crossing would need to increase by €50 for SeaFrance to break even. This gives an idea of the price war which has raged on the Short Straits and in consequence, the likelihood of future price increases.

Even if we allow for very slow growth in Western Europe, **our market share strategy and pricing policy** are confirmed as the tools which enable us to be profitable.

Admittedly, the **start of passenger rail traffic from Germany has been postponed** to 2015. Deutsche Bahn who clearly restated its intention to launch these new services now has to deal with delays in its supplier, Siemens, providing new trains. In any event, they have an excuse considering the hostile reaction they faced on the French side. Despite the very detailed technical submissions to the IGC, two years on from initial contacts, Deutsche Bahn still does not know if their trains are to be authorised to travel through the Tunnel.

I remain totally confident as to the positive outcome, all the more so as the time delay may help relax the tensions which seem to have crystallised around this matter.

Furthermore, should the hurdles be unjustified, I will not fail to remind the Governments, should they have lost sight of it, of the text of **Article 27.2 of the Concession** which provides that the IGC and the Safety Authority must take the necessary steps to facilitate the implementation of the Concession giving "due consideration to the reasonable commercial objectives of the Concessionaires, including the avoidance of unnecessary costs and delays."

This being said, this timely delay gives us time to finalise the installation of **GSM-R**, the first phase of the European interoperability system (ERTMS). The importance of this simplification is obvious when you think that services to Amsterdam and Frankfurt, will require Deutsche Bahn to go over 6 separate networks (UK, Eurotunnel, French, Belgian, Dutch and German).

This interoperability is also a challenge for **cross-Channel rail freight**. We hope that the TSI (Technical Specifications for Interoperability) **transport system standards** are adopted quickly and applied to the Tunnel which will mean standard rolling stock can go through. With this in mind, we have already obtained authorisation for Modalhor wagons which are used on French rail freight motorways.

Beyond the Tunnel, we have also **obtained authorisation for Class 92 locomotives** to travel on the high-speed line between Folkestone and London.

In the same way, **the CAREX project** – to transfer express airfreight to high-speed freight trains – has reached an important milestone with the signature on 9 December of an **agreement identifying 370 acres** near the Roissy-Charles-de-Gaulle airport in Paris, on which the future terminal would be situated.

Finally, our rail freight business, Europorte, is developing as planned in France and in the UK. You will be able to judge for yourself when we announce our results at the end of January.

Despite a difficult economic context, all the steps we have taken are moving us forward in a coherent manner towards a single aim: to bolster our position so creating value.

I take this opportunity to wish you all the best for the festive season and a very happy new year for 2012.

Yours faithfully,

A handwritten signature in black ink, appearing to be "JG", written in a cursive style.

Jacques Gounon,
Chairman and Chief Executive Officer

New energy saving plan

In this key area which is linked to Eurotunnel's environmental commitment and its management of operating costs, many ambitious projects have already been launched: sourcing electricity from France, wind turbines, hybrid motorisation...

Eurotunnel continues to seize all opportunities which enable it to pursue this policy: one such opportunity comes from the new European energy efficiency directive approved on 22nd June this year. Amongst other things, this provides that between now and 2014 energy suppliers have to save 1.5% on sales by introducing energy saving or efficiency measures with their customers and, in addition, that companies will have to audit their energy consumption to identify sources of potential savings. Eurotunnel has already carried out part of this work with its supplier in the context of the French "Energy Efficiency Certificates*" which become of broader European application by way of the June Directive.



Energy efficiency certificates are incentives and Eurotunnel hopes to have some investments subsidised with these new tools being put in place by Europe. As an example, an ongoing project involves improving the circulation of air in the rail tunnels so as to lower air resistance and facilitate the movement of shuttles, thereby reducing Eurotunnel's electricity consumption. A 1% reduction on a multi-million bill is not a negligible savings. The recent increase to 32 wagons for Truck Shuttles has increased transport capacity by 7% for only 2% more energy.

Eurotunnel is working on the renewal of its Carbon Trust Standard certification which requires further reduction in greenhouse gas emissions, and thus a reduction in our energy consumption. All these initiatives matter to investors and our existing shareholders. Customers of Eurotunnel also care about its carbon footprint. French regulations provide that in 2013, hauliers will have an obligation to inform their customers as to the CO2 emissions resulting from the services supplied; Eurotunnel is already working with some of its clients to implement this.

* The energy efficiency certificate scheme was created in 2005 and is one of the key French policy tools for controlling energy demand. The initiative is based on an obligation to make energy savings imposed on energy suppliers by the public authorities. They are thereby encouraged to actively promote energy efficiency with their customers.

FlexiPlus goes green

When we talk about FlexiPlus, Eurotunnel Le Shuttle's premium service, the first thing that comes to mind is the dedicated check-in, priority boarding and **total travel flexibility**. But each year, more than 100,000 customers enjoy the **exclusive facilities** offered in the FlexiPlus lounge.

In addition to **free Wi-Fi access**, complimentary **newspapers and magazines**, FlexiPlus customers can also enjoy delicious **home-made refreshments**. The range includes baguettes, salads and wraps, not forgetting the water mouth watering chocolate éclairs and other typical French patisseries. Eurotunnel and its partners are constantly looking at ways to expand and improve the menu. Thus, recently, a **new range of organic food** has been introduced to complement the existing range.

All meals along with **bamboo cutlery** are **presented in beautiful jute bags made from natural materials** which are **recyclable** and can be reused by customers.



Eurotunnel is geared up for winter

Eurotunnel is the **only cross-Channel operator operating 24 hours-a-day, 365 days-a-year**. Come rain or shine, customers rely on our Shuttle service. The last three winters have been marked by **heavy snowfalls** which significantly disrupted operations, despite the various actions put in place by all the teams. In order to minimise the impact of the snow, **the staff has rallied** to increase **preventive actions**, develop operating strategies and organize themselves in the most efficient manner possible to strengthen the teams in the event of a snow alert.

New procedures have been developed to **better manage Passengers Shuttles** should the need arise and to clear the **snow from Truck Shuttles** in the yard. Snow also disrupts vehicle movements on the terminals. To avoid major problems, the **fleet of snow-clearing equipment** has been strengthened, **greater quantities of salt stocked**, **priority snow-clearing routes established** to cater for various scenarios and an operating strategy especially for winter hazards has been devised.



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