

Eurotunnel on Track

September 2012



Letter to Groupe Eurotunnel SA
shareholders



Dear Shareholder,

We are now coming to the end of a **great summer for cross-Channel traffic** after what has been an **excellent first half** of the year for the Group.

We knew that the London Olympic Games would be a major event for us and we were fully geared up for it: we brought back into service the **9th passenger shuttle**, we **increased the Shuttle speed** (160 kph) and **frequency of departures** (up to one every ten minutes) and the **number of staff** who **welcome our customers**.

This enabled us to deliver an impressive **quality of service** to our customers and to **beat traffic records**: we recently announced that almost 75,000 passenger vehicles had been carried in one week and this record has been beaten last week with over **80,000 vehicles!**

At the end of July/beginning of August, we recorded an increase of 16% in bookings from France to the UK. Last weekend (1st/2nd September) saw the greatest number of passenger vehicles travel onboard our shuttles from France to the UK almost reaching for two consecutive days the record number from the UK to France set over the Jubilee weekend in June (10,000 vehicles)!

Beyond the Olympic Games, and indeed the **Paralympic Games** which have just started, we noted a shift this summer in the way our British customers organised their summer break: many of them postponed from July to August, no doubt to be able to follow the Games. Thus, on **Saturday 11 August** (after the Games) an **all-time traffic record** was achieved with **15,152 cars** boarding our shuttles in one day, in both directions, the highest since the opening of the Tunnel. The ease with which we were able to manage these traffic peaks illustrates the potential of the Tunnel and our capacity to rise to challenges, border controls authorities ending up being the most pressed.

A change has also occurred in the manner in which people choose to holiday with a clear move towards the car judging by the **number of new customers**. Knowing as we do that our **customer loyalty is second to none** – after experiencing the Tunnel, customers do not want to travel any other way – this clearly makes for an interesting outlook for future traffic.

All this comes after an **excellent first half** of the year. You will find overleaf the key figures. You only need to know that in a continuing economic crisis and in very competitive markets **revenue increased** by 14% and the **EBITDA passed the €200 million mark** at €205 million.

We continue to **invest** in order to be in the best position to **deliver performance**: I am referring to locomotives for Europorte and, in the Tunnel, communications systems in line with European GSM-R standards which have enabled us to achieve a unique first in technological terms: make **3G telephony available 100 metres below sea level!*** The advantages for our customers are obvious in our modern world

but the ability to provide real-time traffic information to our customers via SMS in operation is also much appreciated.

Looking after our customers does not mean we forget our number one priority: you, our shareholders. On 25 May, you received a **dividend doubled** on prior years, representing **€44 million**. And you know that, thanks to our recurring cash-flows, we intend to pursue our current dividend policy.

In parallel, we continue to **buy back shares for cancellation** (€11 million in the first half of the year) which in turn increases the value of your share of our company.

This overview would not be complete without mentioning the **acquisition of the SeaFrance assets on 2 July**. The Rodin and the Berlioz – both able to carry cars and trucks – are very modern and easy to manoeuvre which is useful in the Dover Straits. They have reasonable capacity, much lower than that of P&O super-ferries, with 700 cars and 100 trucks being roughly equivalent to 3 passenger shuttles and 3 truck shuttles (or half-an-hour of Eurotunnel operations). These ships were sent to Dunkirk for maintenance and licence to operate was granted by the authorities on 15 August. The Nord-Pas-de-Calais freight ferry is much older and will be used as required.

The ships have been leased to an **independent commercial company operating under the name "MyFerryLink"** and for which we have no responsibility. The first sailing took place on 20 August and ticket sales started on the same day. We wish this **new company** the best of luck as it **reintroduces competition** in the world of cross-Channel ferries which had quickly got used to the disappearance of SeaFrance.

This is the odd thing; the cross-Channel market is more and more split between two distinct offerings: our shuttle system with speedy and frequent departures and the ferries with slower and less frequent departures. A detailed analysis of the market shares of the different competitors show that in the first half of 2012 the Tunnel only slightly benefitted from what would have been SeaFrance traffic as people used to crossing by ferry chose to travel in the same manner. That is why MyFerryLink management were able to say in the media that they were very much hoping to see former SeaFrance clients travelling with them again; it is difficult to see what would stop them doing so.

For our part, we continue to believe in Eurotunnel's ability to offer a renewed, reliable and modern service and we are working towards this everyday.

Yours sincerely,

A handwritten signature in black ink, appearing to be "J. Gounon". The signature is fluid and stylized, with a long horizontal stroke at the end.

Jacques Gounon,
Chairman and Chief Executive Officer

*This is only available in the south rail tunnel at the moment but it will soon to be available in both rail tunnels.

Focus on the half-year results: strong performance as a whole*

Consolidated revenues for the first half of 2012 totalled **€473 million**, an increase of €60 million (14%) compared to the first half of 2011. This increase reflects organic growth from the activities of the Fixed Link (€33 million) and Europorte (€27 million).

Operating costs increased by €45 million, €28 million of which resulted from increased Europorte activity. In the first half of 2011, the Group accounted for non-recurrent income totalling €29 million in respect of insurance indemnities following the 2008 fire, of which €9 million in other income related to operating losses and €20 million in other operating income related to rolling stock damage. Excluding the effect of these items, the **operating margin improved** by 8% to €205 million and the **operating profit improved** by €14 million to €129 million.

The net **cost of financing and debt service** amounted to €126 million, the **reduction of €9 million** (7%) reflecting the effect of the decrease in inflation rates on the index-linked tranche of the debt.

For the first half of the year, with a profit of €5 million, **Groupe Eurotunnel SA's consolidated net result is stable** compared to the first half of 2011 (restated at a constant exchange rate). On an equivalent basis excluding the insurance indemnities accounted for in 2011, the net result improved by €29 million.

The **free cash flow** generated in the first half of 2012 amounted to €45 million, compared to €61 million in the first half of 2011 which included receipts of €66 million relating to insurance indemnities. At 30 June 2012, the Group's held **balances of cash or cash equivalents of €267 million** (€276 million at 31 December 2011) after €61 million of capital expenditure (including a deposit of €6.5 million paid for the acquisition of the SeaFrance assets), the payment of dividends of €44 million, €18 million paid for the acquisition of floating rate notes and €11 million spent on the share buyback programme. On 2 July 2012, Groupe Eurotunnel paid the remaining balance of €58.5 million for the acquisition of the SeaFrance assets.

*For detailed information, please read the full announcement released on 23 July 2012 available on our website www.eurotunnelgroup.com.

Groupe Eurotunnel goes over to Euronext London

As of 19 July 2012, in a constant effort to meet shareholders' expectations and to ensure maximum and easy access to the Group's capital, in particular for Anglo-Saxon investors, Groupe Eurotunnel SA shares ceased to be traded on the London Stock Exchange and are now admitted to trading on **NYSE Euronext's** trading platform in London. Choosing a single trading platform means a single order book at a single price (in Euro)*. Furthermore, the use of a single service provider for both London and Paris listings should enable Groupe Eurotunnel to make some savings and improve liquidity.

*The share price is available on our website www.eurotunnelgroup.com.



The Olympic Torch in the Tunnel

Despite uncertain weather, more than 500 members of staff together with families and friends came to witness the Olympic Torch travel through the Eurotunnel site on 18 July, 61st day of the Olympic Torch Relay for the London 2012 Games. Its visit on our site was spectacular: the Torch entered the service tunnel to rejoin the rail tunnel, travel on a freight wagon and then reach the ventilation plant at Samphire Hoe, the wonderful nature reserve site which had received its 8th Green Flag only the day before *! From there, under the applause of all present, it carried on towards London. Celebrations continued with numerous activities for all at Samphire Hoe organised by staff and volunteers. An amazing day for all those involved!



*Please see our announcement of 17 July available on our website www.eurotunnelgroup.com.

For the second year running, Eurotunnel will open its doors in France as part of the European National Heritage Days and will give the public a chance to go behind the scenes in the Channel Tunnel and its installations in Coquelles (France) on Saturday 15 September 2012.

90-minute guided tours (in French only) will take place onboard coaches. It is essential to register by midday 6 September 2012 in order to secure your place on the tour. For more information, please go to the French section of our website

www.eurotunnelgroup.com

Change of address?

If you hold your shares in registered form with BNP Paribas Securities Services or in the form of CDIs via Computershare Investor Services PLC, don't forget to notify any change in your personal information, in particular any change of postal or email address. Information on how to contact them is available on our website www.eurotunnelgroup.com.