

# Eurotunnel on Track

May 2013



Letter to Groupe Eurotunnel SA  
shareholders



Dear shareholder,

A big thank-you for your **almost unanimous support for the strategy being followed**, all the resolutions put forward at the general meeting were passed by a huge majority.

The most striking result<sup>1</sup> **at 98.8% is for the 50% increase in the dividend**. This clearly conveys the direction you wish us to take with regards to the management of our cash-flows, in the constant balancing we must operate between distribution, share buybacks and investments. Since the initial dividend, in total for all dividends, **more than €156M** has been paid out. We have reiterated our wish to progressively increase distributions to reach two-thirds of the free cash flows generated (€133M this year).

The presentations during the general meeting gave us the opportunity to touch on several important themes for the future of our company, and to provide an update on their current status:

- **Europorte**: rail freight is destined to develop across Europe and we have an excellent position both in France and in the United Kingdom where our organic growth rests on the quality of our service offering. We have invested in a homogenous modern locomotive fleet to optimise train management and reduce maintenance costs. We now intend to refinance all or part of this asset; the aim being for the return on investment to exceed the cost of capital.

- **MyFerryLink**: the business is efficient and we are pleased that we leased out the ships to the SCOP which, as an independent entity, operates its business very well and is lauded by its customers. Nonetheless, there remains the threat of a negative decision by the UK Competition Commission which would reduce the work done to nothing and would crystallise the current losses for our company without any hope of recouping them. Beyond the obvious injustice, such a decision would be incomprehensible when MyFerryLink, despite its success, is far from being a real worry for the giants who operate in the maritime market. In any case, we will appeal any decision that is not in our best interest, but we hope, in the spirit of the rules of the Common Market, that Governments will come together to find a common position acceptable to all parties.

- **ElecLink**: this deals with the installation and operation of a 1,000MW electricity interconnection (direct current) between France and the United Kingdom via the Channel Tunnel. Agreements have been entered into in respect of this project, set up jointly with Star Capital Partners, with both national electricity transmission network – *Réseau de Transport d'Electricité* (RTE) and the National Grid. We are in the process of preparing a submission to the appropriate regulators. It is financed by a reasonable capital base and a specific debt typical of project financing. The aim is for operations to start in 2016.

- **Fixed Link**: the general meeting was an opportunity to review the **excellent 2012 results** for the operator of the Tunnel, whether in **terms of traffic or in financial terms**. 2013 traffic is in line with expectations against an economic backdrop clearly impacted by recession. We confirmed our confidence in this year as far as our business is concerned; in particular as the price increases applied do not impact the considerable appeal of the Shuttle. We gave details of our facilities improvement projects so as to offer our customers an increased quality of service whether they are travelling by car, using the Flexiplus service<sup>2</sup> or not, or whether they are hauliers. When referring to the installation of **public telephony services** (GSM-P) in the Tunnel, 100m below sea level (a unique technical achievement world-wide) to the satisfaction of French telephone operators in

charge in the South Tunnel, we hoped that the British operators would soon make services available in the North Tunnel, which is ready and waiting for them.

The financial presentation to the general meeting was also an opportunity to update shareholders on the debt: with a gross book value of €3.8bn, its **net value is now only €3.5bn** bearing in mind the buybacks carried out and our plentiful cash flows. The 5.78% interest rate negotiated immediately prior to the sub-prime crisis remains very competitive in view of our current rating of Baa1 and the fact that our debt maturity exceeds 25 years. This may come as a surprise when all of the commentators talk about historically low rates. The explanation is in the fact that one **must not confuse** interbank daily lending rates or three-month rates, with rates for terms of 30 years. The latter will obviously make allowance for the significant risks being taken by the lender (who can vouch for the fact that rates will remain what they are for 30 years?). It is important to take into account that refinancing involves additional costs which can be very significant (penalties, termination of hedging contracts...). I therefore confirmed that, as we are not under any obligation to refinance in the short-term, we remain in the favourable position of being able to seize opportunities as they arise, as we have already done.

On a totally different note, I expressed again my hope that the IGC would come to a quick and positive decision on Deutsche Bahn's request to use the Tunnel, so that we may welcome millions of additional passengers. Without wishing to imply there may be a link (!), I note that Eurostar has lodged a claim with the IGC to contest the 2014 tolls which may be applied to Deutsche Bahn. I explained that the tolls through the Tunnel are fixed by the Railway Usage Contract (RUC) entered into by SNCF and BRB in 1987 (and thus the States which own 100% of Eurostar), which runs until 2052, and which would naturally be applied to Deutsche Bahn. In 2014, Eurostar's monopoly is not threatened and this business, which is very profitable nonetheless (results of more than €100M in 2012), is not prejudiced. Thus it has no standing in this matter. Baffling...

The debate at the meeting was very constructive and enabled additional points to be clarified such as travel privileges granted to shareholders, or the impact of future mega-trucks on Eurotunnel shuttles. A video was shown of the replacement of the diamond crossover in the Tunnel carried out in 24 hours without interrupting train circulation. This very spectacular film, very much representative of the unique know-how of our teams in this respect, was much appreciated. This is something operators on normal railway lines can only dream of when they are regularly hindered by maintenance works. You may go and view it on the home page of our corporate website [www.eurotunnelgroup.com](http://www.eurotunnelgroup.com) together with the webcast of the presentations.

All we need to do now is carry on as we are doing. And again, thank you for your support.

Yours faithfully,

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

<sup>1</sup> Voting results by resolution are available in the general meeting section of our website.

<sup>2</sup> See overleaf for improvements to this service.

## Dividend payment

The ex-dividend date on Euronext Paris will be 3 June 2013 and payment will be made on 6 June 2013 directly into your bank account whether you are a registered or bearer shareholder. In order to avoid unnecessary processing costs, the dividend will be paid by bank transfer, in Euros or Sterling, to shareholders registered with BNP Paribas and in Sterling only to holders of CDI.

As a matter of French tax law, please note that the whole of the dividend is eligible for the 40% rebate where individuals are resident in France for tax purposes, unless they have opted for the 21% levy. If you are not an individual who is tax resident in France, you should seek your own advice for your personal circumstances.



## Annual reports

The business review for the 2012 financial year is available on our website [www.eurotunnelgroup.com](http://www.eurotunnelgroup.com)

Our Group CSR report will shortly be available on our website.

## GB Railfreight makes history!



GB Railfreight, the British subsidiary of Europorte, made history on Thursday 28 March 2013 when one of its class 66 locomotives hauled the first official through-train from London Victoria onto the Bluebell Railway at East Grinstead in Sussex. The locomotive hauling the inaugural service was then named after the heritage railway at Horsted Keynes by John Smith, the managing director of GB Railfreight.

The reconnection of the Bluebell heritage railway line to the national network has taken years of dedication and fundraising by a group of determined volunteers. It required the clearance of huge amounts of material - including a mountain of domestic waste deposited in a cutting over 40 years ago.

GBRf's innovative thinking and delivery meant that longer wagon trains than originally planned were run, thereby completing the clearance work more economically. Each GBRf train shifted the equivalent of around 100 lorry-loads of rubbish. With around 80 trains in the overall programme of works, the rail operation saved the roads of Mid-Sussex from approximately 8,000 potentially damaging lorry journeys.

## Flexiplus – complete flexibility with added relaxation

A new look outside and inside: the Flexiplus lounges have had a makeover. To create an even better experience for the 100,000 customers who stop there each year for a short while before heading to their dedicated boarding lane.

Business travellers – who represent approximately 60% of customers – particularly appreciate being able to connect to the internet and read the international press during this time-out in their private lounge. Families tend to be more visible during holiday periods and enjoy the variety of fresh products and delicious hot and cold drinks available each day in the lounges. Children are not forgotten, receiving a toy in addition to their snack box and having a special play area to relax in before continuing their journey.

The other new feature for 2013 is the new signage on each of the terminals to guide Flexiplus customers through each stage of their journey from arrival at check-in through to boarding the next departing shuttle.

But the innovation does not stop there. Two new lounges will be opening on the terminals next summer. They will accommodate over a hundred people and offer new services; they will also welcome passengers in high vehicles (over 1.85 m) and motorcyclists (who cannot currently access the lounges for safety reasons).



## 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](http://www.eurotunnelgroup.com).