

EUROTUNNEL ON TRACK

LETTER TO GROUPE EUROTUNNEL SE SHAREHOLDERS



22 MAY 2017



SPECIAL EDITION ON REFINANCING

Dear Shareholder,

Your Group has just completed the refinancing of a part of its debt on excellent terms. We launched this operation, not because we were obliged to like others, but because, with your Board, we have considered that the right conditions were in place for alignment with the standards of its profession.

The restructuring of 2005-2007 was devised around two axes:

- A bearable debt: from €4.5Bn ten years ago, the net debt had been reduced to €3.7Bn in 2016. With a Concession that extends to 2086 and a very strong cash flow generation, the business could easily take on the weight of much higher volumes;

- The absence of interest rate risk: the 2007 debt is structured in tranches, either in fixed rates or indexed on inflation or in floating rates for the Tranche C, that was swapped into fixed rates via the hedging contracts put in place.

However, as a counterweight to this absence of risk, the business has not been able to benefit from the policy of low interest rates put in place by the Central Banks since the 2008 financial crisis. In addition, the hedging contracts with a market value of €1.3Bn are expensive.

In order to achieve a partial refinancing, without taking any risks, **several pre-conditions had to be met:**

- Simplify the constraints, by reducing the number of monolines: this was done at the end of 2015;
- Draft and negotiate a new formula better adapted to cover Tranche C;
- Ensure that the markets are receptive: the uncertainty linked to the Brexit vote in June 2016 and the timing of the French elections meant we had to put back the completion of this operation to the present time.

The result is certain proof that your Group has once and for all turned its back on the past:

- The new Tranche C of €1.975Bn (see overleaf) **was 2.5 times oversubscribed**, demonstrating the confidence of lenders in the strength of the Eurotunnel Group, particularly for the 33-year maturities that could be described as *quasi-equity*;
- The split between € and £, which takes into account the proportions of our revenues and costs in these currencies, has

worked well, which proves that the lenders are not concerned by any potential Brexit impacts on our capacity to reimburse;

- The cost of the old Tranche C has been **reduced by €60M per year for the first five years at least**. Overall, it creates more than €400M value for the shareholders;

- At the same time we are increasing our liquidity by €260M, which will be able to serve to finance ElecLink, thereby saving the cost of a specific loan;

- The flexibility that this has brought, with tranches at 5, 10 and 12 years, allows us to conduct further partial refinancing on the maturity dates or even before in order to generate further savings. The first maturity is fixed at 5 years because, by then, ElecLink should be generating cash flows that could be used to this effect;

- The interest rate hedging contracts which had been imposed in 2007 have been partially lifted but are retained for the medium term to protect us against the risk of an increase in rates;

- Finally, **the annual average interest rate for our entire debt has fallen to around 4%**, which places us very well compared to the managers of motorway infrastructure such as the Italian Atlantia (3.9%) and even better than the 4.7% of the Spanish group Albertis, (Sanef, etc).

As a result of this refinancing, at an level that was unimaginable 10 years ago, we have definitely entered a corporate approach to the management of our debt, like most companies, with the continued key objective of creating value for our shareholders.

On the operational level (see overleaf), the year 2017 is looking promising:

- The Fixed Link has consolidated its market shares through a policy of increased yield. Our maritime competitors have announced a loss in the 1st quarter, which should lead them to increase their prices;

- ElecLink has started construction for the installation of the interconnector in the Tunnel. The work on the sub-stations, which has been awarded to Siemens, is proceeding according to plan;

- Europorte continues to position itself in the segments that are most interesting in terms of profitability.

One thing is certain: your Group is reaping today the results of its continuing efforts.

Yours faithfully,

Jacques Gounon
Chairman and Chief Executive Officer

In brief...



For your 2017 diary

26 May: payment of the dividend of €0.26 per ordinary share for the 2016 financial year, representing an 18% increase.

12 June: Eurotunnel Shuttle traffic figures for May 2017.

25 July: Eurotunnel Group results for the 1st half of 2017.

2 million pets transported by Le Shuttle



On 18 May, Eurotunnel Le Shuttle celebrated transporting its 2 millionth pet, proof of the success of the Pet Travel Scheme service since it opened in 2001. Today, Le Shuttle is the number one choice for pet owners travelling across the Channel, since more than one in ten clients travels with their pet on board Le Shuttle. In 2016, more than 300,000 pets crossed the Channel using Eurotunnel's service for the comfort it provides: animals can be checked in whilst remaining in their vehicle; safe exercise areas are available on the Folkestone and Coquelles terminals; and for the well-being of pets who travels with their owners. Open 24 hours a day, 365 days a year, Le Shuttle is recognised as the leading international pet transporter.

Eurotunnel Group: focus on the debt refinancing operation

Announced on 9 May, the operation to refinance a part of the Group's floating rate debt was 2.5 times oversubscribed, with the final pricing being concluded on Friday 19 May. The refinancing has enabled the Group to raise debt of €1.975Bn to fully refinance its entire Tranche C debt which is broken down as follows:

Tranche	Amount	Maturity	Coupon
C1A	£350M	12-year fixed rate	3.043%
C1B	£336.5M	33-year fixed rate	3.848%
C2A	€425M	5-year fixed rate	1.761%
C2B	€528M	10-year fixed rate	2.706%
C2C	€223M	33-year fixed rate	3.748%

This operation will then enable the Eurotunnel Group to benefit from substantial savings in the payment of its financing costs; the annual Tranche C debt service has been reduced by €60M per year. As a consequence, the average cost of the Group's debt reduces by approximately 200 bps, to below 4%.

The increase in cash of around €260M therefore generated will also ensure optimum conditions for the financing of ElecLink.

Europorte: new traffic Belgium-France

At the beginning of April 2017, Europorte France started a new 2-year contract to provide the haulage of 5 to 6 trains per week between the Vynova plants (company specialising in the production of PVC) located in Tessenderlo (Belgium) and Mazingarbe (France).

In cooperation with the freight forwarder Forwardis, Europorte France was selected as it is the only railway operator to propose a seamless end-to-end transport schedule thanks to the use of the interoperable Euro4000 TBL1+ locomotives authorised on both Belgian and French networks and to its international know-how.



Eurotunnel: new Truck Shuttles



On 28 April, the 1st of the three new third generation Truck Shuttles was inaugurated in Coquelles by Jacques Gounon, in the presence of Xavier Bertrand, President of the Hauts-de-France region.

The other two Truck Shuttles should enter commercial service before the end of the year. This €40M investment strengthens the existing fleet and will enable Eurotunnel to offer to its customers in addition to the speed of crossing an additional 20% capacity, with up to 8 departures per hour and direction.

25% of all trade in goods between the United Kingdom and continental Europe is already transported through the Channel Tunnel.

ElecLink: start of construction works in the Tunnel

The ElecLink works inside the Tunnel began during the first weekend of May with the installation of the monorail supports in some specific areas of the North Tunnel. This monorail, which will be installed along the entire length of the Tunnel, will support the electric cable and enable it to be laid. These works in the Tunnel are being achieved as planned, thanks to excellent cooperation between Eurotunnel, ElecLink and the subcontractor Balfour Beatty.

Next steps include the installing of the monorail system throughout the whole length of the North Tunnel from September 2017 and the pulling of the electric cable from April 2018 until the end of 2019. In the meantime, the construction works by Siemens of the new converter stations are progressing according to plan. As a reminder, the entry into operational service of the 1,000MW interconnector between the UK and France is scheduled at the beginning of 2020.

