EUROTUNNEL GROUP'S

INTERIM REPORT
AND COMBINED ACCOUNTS

FOR THE SIX MONTHS TO
30 JUNE 2005

CONTENTS

14/09/2005

FINANCIAL RESULT FOR THE SIX MONTHS TO 30 JUNE 2005

With effect from 1 January 2005, Eurotunnel is required to apply International Financial Reporting Standards (IFRSs) when preparing its accounts. The accounting principles now being applied by Eurotunnel, and certain departures from full compliance with IFRSs, are described in note 2 to the interim combined accounts, and the impact of new accounting principles is illustrated in note 8. For the half year ended 30 June 2005, Eurotunnel is applying the recommendation of the CNC 2004-R02 dated 27 October 2004 for the presentational format for the combined income statement and cash flow: this presentation may differ to reflect standards in force at the time of preparing the financial statements for the year ending 31 December 2005.

The comparative figures for 30 June 2004 in the table below have been restated to reflect the adoption of the new accounting principles, and are also recalculated using the exchange rate applicable for the preparation of the 2005 combined interim income statement of £1=€1.468 in order to assist comparison with the 2005 figures. The commentary following the table below discusses 2005 performance in comparison with 2004 equivalents translated at the constant exchange rate.

The combined interim accounts have been prepared in the context of two uncertainties relating to the validity of the going concern principle and the value of assets as described in note 1, and according to the accounting principles described in note 2 of the combined interim accounts.

The table and commentary below should be read in conjunction with the full combined interim accounts.

Analysis of result £ million	**2005 Actual**	**2004 Restated[1] & recalculated @**	**2005/2004 % change[2]**	**2004 Restated[1]**
Exchange rate €/£	**1.468**	**1.468**		**1.496**
Shuttle services	146	138	+6 %	137
Railways	117	116	+0 %	115
Transport activities	**263**	**254**	+3 %	**252**
Non-transport activities	5	9	-42 %	9
Operating revenue	**268**	**263**	+2 %	**261**
Operating costs	(127)	(131)	-3 %	(130)
Operating margin	**141**	**132**	+7 %	**131**
Depreciation and provisions	(56)	(62)		(62)
Trading profit	**85**	**70**	+21 %	**69**
Non-trading charges	(11)	(8)	+40 %	(8)
Operating profit	**74**	**62**	+19 %	**61**
Net interest charges[3]	(161)	(167)	-4 %	(166)
Net loss	**(87)**	**(105)**	-18 %	**(105)**

[1] Prepared on the basis of the accounting principles described in note 2.1 of the interim accounts at 30 June 2005.
[2] Variances are calculated using underlying figures.
[3] Includes net cost of financing and debt service, other financial income and charges and taxation.

Operating revenue

Shuttle services revenues were up 6% to £146 million mainly due to higher truck shuttle volumes and yields.

Railways revenue remained stable at £117 million and remains protected until the end of November 2006 by payments under the provisions of the Minimum Usage Charge (MUC) in the Railway Usage Contract, which amounted to £36 million in the first half of 2005.

Non-transport activities revenues amounted to £5 million during the period, down £4 million compared to the same period in 2004, partly as a result of a reduction in land sales.

Operating revenue for the first half of 2005 was £268 million, an improvement of 2% compared to the first half of 2004 at constant exchange rates.

Operating profit

Operating costs reduced by 3% compared to the same period in 2004, despite marked increases in electricity and maintenance costs, due to reductions in staff costs, marketing and advertising and insurance premiums. The full benefit of the cost reductions arising from the DARE project is not expected before the first half of 2006.

The cost of security to the Group was approximately £5 million.

Depreciation charges and provisions have reduced by £6 million compared to the same period in 2004, mainly due to the impairment charge made at the end of 2004.

Non-trading charges amounted to £11 million in the first half of 2005, an increase of £3 million compared to the same period in 2004, and related to external costs associated with refinancing and to costs relating to the termination of certain contracts.

Operating profit improved by £12 million (19%) to £74 million for the period due to increased revenues (£5 million), reduced operating costs (£4 million) and reduced depreciation and provision charges (£6 million) despite the increase in non-trading charges (£3 million).

Net result

Net interest charges, including other financial income and charges, were £161 million for the first half of 2005, a decrease of 4% compared to the same period in 2004. Hedging charges included within net interest charges significantly offset the benefit of lower interest rates.

The net loss improved by £18 million to £87 million for the first half of 2005.

Cash flow

£ million	**30 June 2005**	**30 June 2004**
Exchange rate €/£	1.483	1.491
Net cash flow from trading	**140**	**124**
Net cash flow from investing activities	(3)	(16)
Net cash flow after investing activities[1]	**137**	**108**

Net cash flow from trading for the first half of 2005 was £140 million, compared to £124 million for the same period in 2004. This £16 million increase compared to the same period in 2004 is in part due to an improved operating margin, and in part to a reduction in working capital.

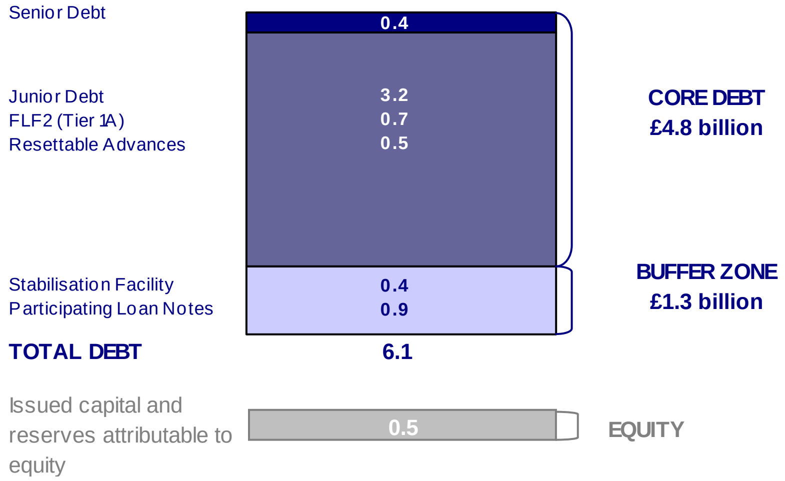
Net cash flow from investing activities decreased significantly to £3 million due to reduced expenditure and to cash generated by sales of land. Net cash flow after investing activities amounted to £137 million in the first half of 2005, an increase of £29 million compared to the same period in 2004.

Cover of contractual interest after investing activities was 97% for the first half of 2005.

[1] Cash flow before non trading cash flows, taxation and financing activities.

FINANCING

Financing at 30 June 2005 nominal value (in £ billion)



Eurotunnel's funding falls into three main components – Core Debt, a Buffer Zone, and issued capital and reserves attributable to equity.

The Core Debt totalling £4.8 billion comprises £0.4 billion of Senior and 4th Tranche Debt, £3.2 billion of Junior Debt, £0.7 billion of FLF2 debt (Tier 1A), and £0.5 billion of Resettable Advances.

No debt repayments under the Credit Agreements are due before mid-2006. In the absence of any significant modification to the debt covenants, total debt repayments over the period 2006 to 2009 would total approximately £267 million, starting with £4 million in 2006, increasing to £159 million in 2009.

The Buffer Zone of £1.3 billion includes £0.4 billion drawings under the Stabilisation Facility. The Stabilisation Advances carry 0% interest until December 2005. In order to convert the Stabilisation Advances and Notes into Units in accordance with the provisions of the 1998 restructuring, Eurotunnel has the possibility to propose to its shareholders to vote on the conversion before the end of 2005[1]. This zone also includes £0.9 billion of Participating Loan Notes which carry 1% fixed interest until 2006.

The third component of the financing structure is represented by issued capital and reserves attributable to equity, which at 30 June 2005 totalled £0.5 billion under IFRS (as described in note 2 of the combined interim accounts).

[1] Based on the £526 million Stabilisation Advances and Notes that were outstanding on 30 June 2005 and the current Credit Agreements, an additional financial charge of approximately £24 million a year would be incurred by the Group from 1 January 2006 on the basis of current interest rates in the event that the Stabilisation Advances and Notes are not converted into Units. The conversion of the Stabilisation Advances and Notes would lead to the creation of 451 million new Units at a fixed conversion rate of £1.17 (at a euro/sterling exchange of €1.483). This conversion of the Stabilisation Advances and Notes would represent approximately 15% of the total number of Units in circulation. Fully diluted share capital on this basis would be 2,997 million Units (including the exercise of stock options).

TRANSITION TO IFRS

IFRS adjustments are presented in two categories: reclassifications which transfer a revenue or cost or net assets or liabilities respectively between captions in the income statement or balance sheet without affecting the net result or net assets, and revaluations which impact the result or net assets for the period. More detailed explanations of the changes in accounting standards and their effects on Eurotunnel's financial statements are included in notes 2 and 8 to the interim combined accounts.

Reclassifications

Under French GAAP, other income was made up of two main elements: release of provisions and cost transfers. Under IFRS, these are netted off in operating costs (£8 million in the first half of 2004).

In accordance with IFRS, the exceptional result (which amounted to a loss of £8 million in the first half of 2004) is now accounted for either under non-trading charges or under other financial income and charges.

In accordance with IFRS, exchange gains and losses (which result principally from the revaluation of current accounts between Group companies and amounted to a gain of £2 million in the first half of 2004) are reclassified under other financial income and charges.

Revaluations

The table below summarises the effect of the IFRS adjustments on the income statements for the first half and the full year of 2004.

Reconciliation table for income statements for 6 months to 30 June 2004 and year to 31 December 2004 In £ million @ £1=	1st half of 2004 1.496	2004 full year 1.466
Net loss for 2004 under French GAAP	**(82)**	**(570)**
Effect of restatements		
Adjustment of interest rate hedging contracts to market value	1	13
Accounting for financial charges at their effective rate of interest	(23)	(47)
Stock options	(0)	(1)
Retirement liabilities	-	(0)
	(23)	(35)
Net loss for 2004 restated[1]	**(105)**	**(605)**

[1] Prepared on the basis of the accounting principles described in note 2.1 of the combined interim accounts.

The net effect of these changes on the combined result for the first half of 2004 on a comparable basis is £23 million, adjusting the loss for the period from £82 million to £105 million.

The net effect of these changes on the combined result for the 2004 full year on a comparable basis is £35 million, adjusting the loss for the period from £570 million to £605 million.

The table below summarises the effect of the IFRS adjustments on issued capital and reserves attributable to equity in the balance sheets at 1 January 2004, 30 June 2004 and 31 December 2004.

Reconciliation table for issued capital and reserves attributable to equity at £000s	1 January 2004	30 June 2004	31 December 2004
Issued capital and reserves attributable to equity under French GAAP	**1,099**	**1,168**	**528**
Effect of restatements			
Adjustment of interest rate hedging contracts to market value: effect on retained earnings	(58)	(57)	(45)
Adjustment of interest rate hedging contracts to market value: effect on issued capital and reserves attributable to equity	(116)	(82)	(112)
Accounting for financial charges at their effective rate of interest	117	94	70
Retirement liabilities	(18)	(18)	(19)
Exchange adjustment reserve	-	(0)	(0)
Issued capital and reserves attributable to equity restated[1]	**1,024**	**1,104**	**423**

[1] Prepared on the basis of the accounting principles described in note 2.1 of the combined interim accounts.

REVIEW OF ACTIVITY IN THE FIRST HALF OF 2005

Changes to senior management

On 18 February 2005, Eurotunnel's Joint Board appointed Jacques Gounon as its Chairman, in replacement of Jacques Maillot. Over 82,000 shareholders voted at the AGM on 17 June 2005, which confirmed the appointments of Jacques Gounon and Henri Rouanet as directors. Jacques Gounon was appointed Chairman and Chief Executive of the Group following the resignation of Jean-Louis Raymond as Chief Executive. On 17 August, Jean-Pierre Trotignon was appointed Chief Operating Officer.

Shuttle Services

Truck shuttles

Eurotunnel transported 703,363 trucks in the first half of 2005, an increase of 9% compared with the first half of 2004, aided by the disruptions to operations at the Port of Calais. The average yield per vehicle transported also increased during the first half of 2005 contributing to an increase in revenue from the truck shuttle business.

Passenger shuttles

Eurotunnel transported 951,561 cars in the first half of 2005, an increase of 1% compared to the first half of 2004. The progression recorded in the first quarter of 2005 did not continue into the second quarter; first quarter traffic benefited from the operational difficulties at the Port of Calais, and the fact that Easter fell in the first quarter of 2005.

Eurotunnel also transported 39,831 coaches in the first half of 2005, a 34% increase on the corresponding period in 2004. Coach operators continue to be attracted to the efficiency and frequency of the service offered by Eurotunnel.

	H1 2005	H1 2004	% change
Truck shuttles	703,363 trucks	646,468 trucks	+ 9%
Passenger shuttles	951,561 cars* 39,831 coaches	944,832 cars* 29,834 coaches	+ 1% + 34%

* including motorcycles, cars, vehicles with trailers, caravans and campervans

Railways

The Channel Tunnel is also used by rail services not operated by Eurotunnel: Eurostar for high-speed passenger services on London-Paris/Brussels, and EWS and SNCF for international rail freight services.

Eurostar

The number of passengers carried through the Channel Tunnel by Eurostar increased by 8% in the first half of 2005, confirming the upward trend following the opening of the first section of the UK's high-speed line in September 2003.

Rail freight

The volume of rail freight transported through the Channel Tunnel fell by 13% to 847,716 tonnes in the first half of 2005.

The level of through-rail traffic using the Channel Tunnel currently has no impact on Eurotunnel's revenues due to the Minimum Usage Charge arrangements, which continue until November 2006.

	H1 2005	H1 2004	% change
Eurostar	3,675,508 passengers*	3,406,698 passengers*	+ 8%
Rail freight (EWS/SNCF)	847,716 tonnes	978,717 tonnes	- 13%

* The passenger number given is for Eurostar passengers who travelled through the Channel Tunnel, and excludes passengers between Paris-Calais and Brussels-Lille.

INTERIM COMBINED FINANCIAL STATEMENTS[1]

Income statement £000	**6 months to 30 June 2005**	*6 months to 30 June 2004	*Year to 31 December 2004
Operating revenue	**267,986**	260,530	538,123
Materials and services	**74,232**	76,756	141,245
Employee benefit expense	**52,730**	52,571	104,719
Depreciation	**45,026**	50,805	100,258
Provisions	**10,714**	10,760	22,192
Trading profit	**85,284**	69,638	169,709
Impairment	**-**	-	395,000
Non trading charges	**11,007**	8,042	47,806
Operating profit / (loss)	**74,277**	61,596	(273,097)
Income from cash and cash equivalents	**2,734**	2,579	5,359
Cost of servicing debt (gross)	**169,061**	168,409	341,620
Net cost of financing and debt service	**166,327**	165,830	336,261
Other financial income and (charges)	**4,969**	(642)	4,343
Taxation	**31**	23	23
Result			
Loss for the period	**(87,112)**	(104,899)	(605,038)
Loss per Unit	**(3.4p)**	(4.1p)	(23.8p)
Fully diluted loss per Unit	**(3.4p)**	(4.1p)	(23.8p)
Exchange rate €/£ for the period	**1.468**	1.496	1.466

* Reconciliations between the 2004 income statements published under French GAAP and the income statements restated under IFRS according to the principles described in note 2.1, are shown in note 8.

Balance Sheet £000	**30 June 2005**	30 June 2004 *	31 December 2004 *
ASSETS			
Property, plant and equipment			
Concession fixed assets	**6,895,625**	7,381,924	6,933,599
Other fixed assets	**-**	1,964	-
Non-current financial assets			
Shares	**2,127**	2,115	2,224
Other financial assets	**125,156**	485,412	162,061
Other non-current assets	**-**	-	2,645
Total non-current assets	**7,022,908**	7,871,415	7,100,529
Inventories	**6,977**	7,118	7,185
Trade receivables	**40,149**	40,876	41,014
Other receivables	**22,097**	23,003	21,915
Current financial debtors	**18,409**	43,755	22,062
Interest rate derivatives	**-**	-	-
Cash and cash equivalents	**174,149**	175,471	181,224
Total current assets	**261,781**	290,223	273,400
Total assets	**7,284,689**	8,161,638	7,373,929
ISSUED CAPITAL, RESERVES ATTRIBUTABLE TO EQUITY, AND LIABILITIES			
Issued share capital	**285,400**	285,400	285,400
Share premium account	**2,368,389**	2,368,389	2,368,389
IFRS restatement reserves	**(124,456)**	(81,140)	(109,933)
Other reserves	**3,483**	3,483	3,483
Retained earnings	**(2 200 119)**	(1 595 081)	(1 595 081)
Loss for the period	**(87 112)**	(104 899)	(605 038)
Cumulative translation reserve	**212,640**	227,639	75,607
Total issued capital and reserves attributable to equity	**458,225**	1,103,791	422,827
Provisions > 1 year	**127,504**	118,470	126,837
Financial liabilities	**6,078,258**	6,005,269	6,185,945
Other financial liabilities	**108,155**	469,040	145,375
Trade and other payables	**97,333**	97,556	99,416
Total non-current liabilities	**6,411,250**	6,690,335	6,557,573
Provisions < 1 year	**39,347**	1,101	36,615
Financial liabilities	**102,458**	94,539	98,094
Other financial liabilities	**18,409**	43,755	22,062
Interest rate derivatives	**152,357**	121,828	140,358
Trade payables	**79,517**	71,859	76,456
Other payables	**23,126**	34,430	19,944
Total current liabilities	**415,214**	367,512	393,529
Total issued capital, reserves attributable to equity, and liabilities	**7,284,689**	8,161,638	7,373,929
Exchange rate €/£	**1.483**	1.491	1.418

* Reconciliations between the 2004 balance sheets published under French GAAP and the balance sheets restated under IFRS according to the principles described in note 2.1, are shown in note 8.

[1] Prepared on the basis of accounting principles described in note 2.1.

Cash flow statement £000	6 months to 30 June 2005	[1]6 months to 30 June 2004	[1]Year to 31 December 2004
Trading profit before depreciation and provisions	**141,024**	131,203	292,159
Exchange adjustment [2]	**(546)**	167	3,834
Decrease in inventories	**37**	1,522	1,648
(Increase) / decrease in trading debtors	**(6,285)**	(6,096)	6,467
Increase / (decrease) in trading creditors	**12,285**	3,666	(7,984)
Release of provisions	**(6,933)**	(6,423)	(12,812)
Net cash inflow from trading	**139,582**	124,039	283,312
Non-trading cash flows	**(7,759)**	(4,355)	(13,835)
Taxation	**(23)**	(23)	(24)
Net cash inflow from operating activities	**131,800**	119,661	269,453
Payments to acquire fixed assets	**(10,329)**	(17,180)	(23,784)
Sale of property, plant and equipment	**7,626**	1,191	4,850
Net cash outflow from investing activities	**(2,703)**	(15,989)	(18,934)
Interest received on cash and cash equivalents	**2,867**	2,463	4,395
Interest paid on bank debt	**(109,569)**	(130,441)	(249,011)
Net interest paid on hedging instruments	**(23,196)**	(6,843)	(36,044)
Other interest paid	**(85)**	(243)	(581)
Debt repayments	**(2,750)**	(774)	(724)
Net cash outflow from financing activities	**(132,733)**	(135,838)	(281,965)
Decrease in cash in period	**(3,636)**	(32,166)	(31,446)
Exchange rate €/£	**1.483**	1.491	1.418

[1] Reconciliations between the 2004 cash flow statements published under French GAAP and the cash flow statements restated under IFRS according to the principles described in note 2.1, are shown in note 8.

[2] The adjustment relates to the restatement of the elements of the profit and loss account at the exchange rate ruling at the period end.

NOTES

1 Key events

The two main elements of the Group's strategy are:

- the implementation of project DARE, both for the truck and passenger services, and for the cost reductions, and
- the negotiations with creditors in accordance within the framework of the waiver obtained in order to renegotiate the Credit Agreements.

1.1 Continued implementation of project DARE

The implementation of project DARE began in November 2004, and a provision of £36 million was made in the 2004 accounts for the consequences of this plan on staffing levels and for the early termination of certain subcontracts.

The new Truck Shuttle strategy was introduced at the beginning of January 2005, whereby priority access is given to customers under contract who provide in advance a daily forecast of traffic. This enables Eurotunnel to better align capacity to customers' requirements, and the reduction of capacity has consequently substantially improved load factors for the truck shuttles. In addition to this, Eurotunnel has taken back direct control over the commercial activity previously sub-contracted to Transferry in order to give Eurotunnel the opportunity to offer an even better quality of service to all its customers across the whole of Europe. With effect from 16 August 2005, the contract with its agent for the commercial operation of the brand and services of EurotunnelPlus was terminated.

For the Passenger Shuttle service, a new pricing policy was introduced at the beginning of June 2005 for the car business. This included the introduction of a more transparent booking module incorporating fares based on one-way crossings, standard fares which are not based on length of stay, and the introduction of FlexiPlus fares with free amendments, dedicated check-in and priority boarding. Passenger shuttle capacity is progressively being reduced during the course of 2005 in order to reduce surplus capacity and improve load factors and thus reduce costs.

In relation to the impact on staffing levels that results from project DARE, negotiations with UK and French staff representatives have resulted in agreements based on negotiated voluntary departures. Currently it is thought that the departures that will result from these agreements will be approximately in line with the objectives contained within the DARE plan. In practice the voluntary departures which began in June, will continue until April 2006.

1.2 Forecast cash position

The financial consequences of the forecasts updated in the light of the latest results and the current outlook for the Group including the consequences of project DARE, are as follows:

- During 2005 the cash flow position remains protected by the mechanism by which interest that cannot be paid in cash can be settled by way of Stabilisation Advances up to a limit of £60 million. Taking into account either financial or operational risks, especially those associated with the implementation of DARE, the cash flow position remains subject to a number of uncertainties. On the basis of the latest operating forecasts available, the amount of un-used Stabilisation Advances should provide sufficient cash to the end of 2005, at which time the level of available cash is projected to be equal to the Permitted Float of £25 million (this is the maximum amount of cash that may be held by the Group as defined in the Credit Agreements).
- In 2006 the Group will no longer benefit from the Stabilisation Advances, rendering the cash flow position more vulnerable particularly at the end of July and October 2006 because of the interest payments due under the current Credit Agreements. Furthermore, Railways revenue will no longer be protected after November 2006; payments under the provisions of the Minimum Usage Charge (MUC) in the Railway Usage Contract for the first 11 months of 2006 will have an estimated effect on cash flow amounting to approximately £65 million.
- From the first half of 2007 Eurotunnel will not be able to meet its contractual debt repayments.
- The cash flow forecasts are based on assumptions that the Group considers to be both reasonable and realistic. The effect of the conversion of the Stabilisation Advances and Notes existing at 30 June 2005 would be to reduce annual interest charges by approximately £24 million from January 2006, based on current interest rates. Furthermore, significant

disruptions to the operations of the Group or events that are unforeseeable or unquantifiable at the date of the accounts (for example relating to on-going disputes) could accelerate the date at which the Group would be unable to meet its financial obligations.

1.3 Financial restructuring

Eurotunnel has obtained a waiver from its Lenders, valid up to 31 January 2006, which defines the conditions under which the Group can undertake debt restructuring negotiations with its creditors. In particular, the waiver required a proposal of a restructuring plan by no later than 15 July 2005, as well as the establishment of a structured means of communication between Eurotunnel and its creditors. The waiver can be terminated at any time should either party not meet its respective responsibilities. In accordance with the timetable, Eurotunnel presented a business plan during June, and on the 13 July, presented its initial reflections for restructuring its debt to the Ad Hoc Committee which represents the majority of Eurotunnel's creditors.

In order to convert the Stabilisation Advances and Notes into Units in accordance with the provisions of the 1998 restructuring, Eurotunnel has the possibility to propose to its shareholders to vote on the conversion before the end of 2005. The consequences of such a conversion, which are being examined as part of the current debt restructuring, are described in the Group's interim report.

Within the Credit Agreements there is an option available for putting into place an additional line of credit as described in the 2004 annual accounts. In addition, should an Event of Default occur, the finance agreements also provide, under certain conditions, for a standstill period during which time the negotiation of a restructuring plan can take place whilst enabling the Group to continue to conduct its business normally.

1.4 Uncertainties

The Group is subject to two uncertainties: the ability to continue as a going concern and the carrying value at which the Group's assets are recorded in the accounts.

a) *Going concern*

The going concern basis is dependent on the Group's ability to put in place a refinancing plan or, if not, to obtain an agreement from the Lenders within the existing arrangements in the second half of 2006 at the latest.

The Group believes that the measures described under 1.3 above, which are intended to provide a satisfactory solution to the financing requirements of the Group, can be put in place before the date at which the Group will be unable to meet its financial obligations.

The application of the going concern assumption in the 30 June 2005 interim Combined Accounts has been based on the assumptions described above.

b) *Impairment*

An impairment charge of £1.3 billion was accounted for in the 2003 accounts, which was based on assumptions for forecast operating cash flows, the future level of the Group's debt over the life of the Concession as well as for market interest rates; this corresponded to an implicit discount rate of 7%.

Eurotunnel updated its impairment calculation as at 31 December 2004, which led to an additional impairment charge of £395 million; this corresponded to an implicit discount rate of 7.2%.

The value in use was calculated in the context of the going concern uncertainty and on the basis of operating cash flows which assume no changes to existing operational and financing contracts assuming, for the purposes of these valuations only, the validity of the going concern principle. In addition, these valuations are based on a reduction of the level of debt by £1.3 billion and an equivalent increase in capital. Taking into account the increasing uncertainties that the Group is facing, Eurotunnel considered it appropriate, at 31 December 2004, to use values in the upper ranges for the market risk premium and the asset "beta" ratios.

The operational performance of the Group in the first half of 2005 and the level of interest rates would not require a modification to the value in use of assets.

The Group is currently working on a refinancing plan the consequences of which on the level of indebtedness may differ from the underlying assumptions used at 31 December 2004.

The Group has not revised its financial projections, which is normally carried out during the second half of the year as a part of the preparation of its medium term plan.

Relatively small changes in the assumptions used would lead to material changes in the value in use. By way of example, a variation of 0.10% in the implicit discount rate would correspond to a change in the value in use of the fixed assets of approximately £150 million.

1.5 Railways dispute

Under the Railways Usage Contract dated 29 July 1987 between the Railways (SNCF and BRB) and Eurotunnel, the Railways are required to pay a contribution to the operating costs of Eurotunnel in each year.

On 21 November 2001, the Railways initiated arbitration proceedings under the auspices of the International Chamber of Commerce, aimed at reducing the amount of this contribution, firstly for the years 1997 and 1998, and secondly for the years 1999 to 2002. The amount claimed by the Railways for all of these years together is estimated to be a maximum of £100 million.

In a first award made on 26 April 2002, the Arbitration Tribunal ordered the Railways to pay to Eurotunnel the full amount of the provisional contribution to its 2002 operating costs.

The Arbitration Tribunal, in a second partial award made on 30 January 2003, rejected the Railways' claim regarding the operating costs contribution for 1997 and 1998 on the basis that it was time barred.

The Arbitration Tribunal, in a third partial award rendered on 4 May 2005:
- rejected the Railways' claim regarding the operating costs contribution for 2000 on the basis that it was time barred;
- rejected the Railways' claims on allegations of breach of contract by Eurotunnel;
- set out a number of clarifications on the interpretation of Usage Contract provisions regarding cost allocations, and on the practice of the parties in this respect.

The determination of the final amount of the operating costs contribution for non time barred years 1999, 2001 and 2002 will be carried out within the scope of the expert's mission as set out in the Usage Contract. The Arbitration Tribunal will remain constituted and will render a final award upon completion of the expertise, in which it will pronounce any potential condemnations against Eurotunnel and/or SNCF and BRB.

Eurotunnel remains confident in the outcome of these proceedings and has therefore not changed its position from previous years; consequently no provision has been made in these interim Combined Accounts or in the Group's financial projections.

1.6 Other disputes

The termination of the contract between Eurotunnel and Transferry has resulted in a contractual dispute.

2 Basis of preparation and presentation, and accounting policies

Basis of preparation and presentation

2.1 The Eurotunnel Group complies with the European Union regulation 1606/2002 of 19 July 2002 relating to the application from 1 January 2005 of the set of accounting standards issued by the IASB (International Accounting Standards Board), which is applicable to all European Union listed companies. The international accounting standards incorporate IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), as well as interpretations thereof. With the exception of certain aspects of IFRS applicable to concession fixed assets and provisions related to these assets (see note 8.1), the combined interim financial statement have been prepared under existing IFRS accounting and valuation principles which are expected to be applicable at 31 December 2005 and in accordance with the recommendations of the AMF (Autorité des Marchés Financiers, the French securities regulator) dated 10 February 2004 as well as with the additional information they published during January and June 2005.

In the absence of the adoption by the IFRIC of the three studies into the interpretation and application of concession contracts, Eurotunnel has continued to apply its existing accounting policies in accordance with French GAAP for depreciation of concession fixed assets and for provisions for renewals and large scale maintenance (see note 8.1), for the purposes of its interim accounts. As such, it is too early to consider that the accounting principles currently applied will be compatible with IFRS applicable at 31 December 2005. Furthermore, when publishing its first IFRS accounts for the year ended 31 December 2005, Eurotunnel may be required to adjust its opening balance sheet to take account of existing standards on fixed assets and provisions, and of any new interpretations.

In addition, the Eurotunnel Group has adopted the option for first application of IAS32 and 39 relating to financial instruments at 1 January 2004. However, the Group has not applied IAS34 at 30 June 2005 and as a consequence has applied the recommendation of the CNC 99-R01 relating to the principles of preparation for interim accounts. Nevertheless, the Group has applied the recommendation CNC 2004-R02 dated 27 October 2004 for the presentational format for the income statement, the cash flow and the table of movements in issued capital and reserves attributable to equity. This presentation may differ to reflect standards in force at the time of preparing the financial statement for the year ending 31 December 2005.

The combined accounts, which up until 31 December 2004 were prepared under French GAAP as described in the 2004 annual accounts, constituted the Eurotunnel SA Group (ESA) consolidated accounts according to French law. The interim combined accounts at 30 June 2005, prepared in accordance with the principles described below, also constitute the consolidated interim accounts of ESA according to the same French law. The standard IAS27 on consolidated accounts does not deal specifically with combined accounts. The Group has decided to continue to publish its consolidated accounts as combined accounts. These interim accounts do not constitute statutory accounts within the meaning of Section 240 of the UK Companies Act 1985.

The combined income statement for the first half of 2005 has been prepared in accordance with IFRS presented in this document is compared with the income statements for the first half of 2004 and for the year to 31 December 2004 which have been restated. The balance sheet at 30 June 2005 is compared to the balance sheets at 30 June 2004 and 31 December 2004, also restated.

In order to allow both shareholders and the wider financial community to understand the consequences of this significant transition, and to follow the recommendations of the CESR (Committee of European Securities Regulators) and the AMF, this document also contains:

- Reconciliations between French GAAP and the principles described below for the combined income statements and cash flows for the 6 months to 30 June 2004 and the year to 31 December 2004, for the balance sheet at 30 June 2004 and 31 December 2004, and for the issued capital and reserves attributable to equity at 1 January 2004, 30 June 2004 and 31 December 2004.
- Notes explaining the changes in accounting standards which affect Eurotunnel's financial statements and the restatements that have been made.

As indicated in note 1, the going concern basis is dependent on the Group's ability to put in place a refinancing plan or if not to obtain an agreement from the Lenders within the existing arrangements in the second half of 2006 at the latest. If such plans were not successful and the Group's ability to trade as a going concern was not assured, certain adjustments would need to be made to the accounts. Those adjustments would relate to the impairment of assets to their net realisable value and the recognition of contingent liabilities. Such amounts cannot be measured at present. Within the French and British legal frameworks, the Lenders may seek to exercise the right to substitution included in the Concession Agreement and their securities over assets set out in the Credit Agreements.

The transition to IFRS is taking place in the context of an urgent need to restructure the debt before 2007 and the uncertainty surrounding the changes that will be made to the amount, nature and characteristics of this debt. The main consequence of this is that there is no immediate recognition of future gains, as they cannot be recognised due to the significant contractual modifications that are expected to occur in the accounting periods after 2006.

2.2 The Eurotunnel Group's interim accounts are prepared as at 30 June. Companies acquired or formed during the period are consolidated as from their date of acquisition or formation. Four subsidiaries of ESA were not consolidated as they remained dormant or were not material during the period. These companies had no off balance sheet liabilities.

2.3 Transactions between the members of the Eurotunnel Group have been eliminated.

2.4 The accounts of the ESA Group have been converted into £ as follows:

- share capital, share premium account, retained reserves brought forward, Concession fixed assets and depreciation at historical rates;
- other assets and liabilities at the rate ruling at the balance sheet date; and
- profit and loss account items, with the exception of depreciation, at an average rate for the period.

Exchange differences arising from the application of the above are included in the exchange adjustment reserve in the balance sheet.

The closing and average €/£ exchange rates used to prepare the Combined Accounts are as follows:

€/£	30 June 2005	30 June 2004	31 December 2004
Closing rate	1.483	1.491	1.418
Average rate	1.468	1.496	1.466

Accounting policies

2.5 Cost and revenue sharing

The Concession requires that the Eurotunnel Group shall share equally the cost price of the Project and all revenues and costs relating to the operation of the Fixed Link between the UK and French companies.

- Concession fixed assets: all costs and revenues arising either directly or indirectly from the design, financing and construction of the Project are capitalised and shared between CTG and FM, and shown as fixed assets. Adjustments are made within fixed assets to equalise the cost between the Concessionaires.

- Operating revenues and costs: all revenues and costs arising from the operation of the Concession are accounted for in the profit and loss account of the Partnership and shared equally between the Concessionaires. Revenues and costs arising in Eurotunnel Group companies which do not relate to the operation of the Concession are not subject to these sharing arrangements.

2.6 Equity issue costs

Equity issue costs arising from the increase in share capital have been deducted from the share premium account, with the exception of those which occurred during the construction phase, which were capitalised in accordance with the principles set out above.

2.7 Fixed assets and depreciation

Since 2003 the Group has applied the methodology of IAS36 which requires the net book value of assets to be compared to discounted future operating cash flows.

Tangible assets are depreciated on a systematic basis in order to write down the costs of assets over their expected useful lives as follows:

Tunnels	Life of Concession
Terminals and related land	10 years – life of Concession
Fixed equipment and machinery	5 years – life of Concession
Rolling stock	5–60 years
Freehold land	not depreciated
Office equipment	3–10 years

The expected useful lives of the assets are kept under review and revised when necessary, according to experience.

Non-renewable Concession fixed assets depreciated over the life of the Concession are depreciated using a unit of throughput method based on revenue. The annual depreciation is calculated on the net book value and is a function of the proportion of the actual revenue for the year to the total estimated revenue from the commencement of the year to the end of the Concession, adjusted for inflation. As an indication, if the Group were to adopt a straight line basis for non-renewable assets, it would increase the 2005 annual depreciation charges by approximately £24 million.

Renewable depreciation is calculated on a straight line basis.

The initial purchase cost of certain fixed assets (for example track), which require regular renewal during the course of the Concession, is depreciated using the method applied to non-renewable Concession fixed assets. Renewal expenditure on these assets is charged to the income statement as incurred.

As all fixed assets will be written down to £nil at the end of the Concession, depreciation of the final renewal cost of renewable assets will be based on the residual duration of the Concession.

2.8 Provisions

Provision for renewal of fixed assets - Provisions for renewals are based upon the present value of the difference between the purchase or production cost and the estimated cost of the assets at the time of their renewal.

Provision for large scale maintenance - The provision for large scale maintenance, which covers the major expected maintenance costs other than regular maintenance and repairs expenditure, is based upon a specific maintenance programme by asset categories.

Provision for retirement liabilities - The Group provides for its contractual obligations for retirement indemnities of employees under French contracts, and for the defined benefit retirement schemes of employees under UK contracts operated by the Eurotunnel PLC Group, the assets of which are held separately from those of the Group. The current service cost of the period, determined by the projected unit of credit method, is accounted for in operating costs. Actuarial differences are dealt with using the "corridor" approach, with any excess outside the corridor being amortised over the average remaining working lives of the beneficiaries, and are shown in financial charges.

Provision for restructuring and similar costs - The Group provides for costs of restructuring, when detailed restructuring plans are approved, the features of the plans have been announced and implementation has commenced.

2.9 Financial instruments

Financial assets include cash and cash equivalents, trade receivables and the positive valuation of derivatives. Financial liabilities include borrowings, trade payables and the negative valuation of derivatives. Financial assets and liabilities are classified within current assets or liabilities in the situation where the residual maturity is less than 12 months.

a) Trade receivables and payables

Trade receivables and payables are measured at amortised cost.

b) Borrowings

Borrowings are measured at amortised cost. The amortised cost at the initial recognition date of the financial liability is equal to the consideration in cash received less transaction costs. Subsequently, the amortised cost is adjusted for the amortisation of the difference between the initial amount and the maturity amount according to the effective interest method.

The interest expense is recognised at a constant interest rate over the expected maturity of financial liabilities according to the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the borrowing. The effective interest rate is calculated according to the forecast cash flows to be paid on each series of the financial debt. The calculation includes transaction costs and all other premiums or discounts.

c) Derivatives

Under IAS39, all derivatives should be recognised on the balance sheet and measured at fair value. Hedge accounting is permitted only when strict documentation and effectiveness testing requirements are met.

For the purpose of interest rate risk hedges, Eurotunnel carries the following derivative instruments: purchased collars, purchased caps and a swap transaction.

All options entered into by Eurotunnel are designed to partially hedge Eurotunnel against the increase in interest to be paid on the Junior Debt during the floating rate period from 2004 to 2008.

Hedging options that meet the hedging criteria set forth by IAS39 are accounted for according to the cash flow hedge model. Gains and losses on qualifying hedging options are recorded in a separate component of equity, excluding the ineffective portion and the time value of options which are recorded in the income statement for the reporting period.

The outstanding swap transaction is designed to convert a portion of the interest expense from fixed to floating during 2004 and 2005. The swap transaction is designated as a fair value hedge of financial liabilities. Changes in market-value of the hedging swap are recorded in the income statement for the reporting period. Equal and opposite changes in the fair value of the hedged risk adjust the carrying amount of the hedged financial liability through the income statement for the reporting period.

2.10 Foreign exchange

Transactions in foreign currencies are converted into the reporting currency of each individual company at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies other than those mentioned in notes 2.4 are translated at the rate ruling at the balance sheet date. Exchange differences are dealt with in the income statement.

2.11 Inventories

In respect of properties, cost comprises the purchase price of property, development costs, and, where appropriate, a proportion of attributable financing costs during the development period. Stocks are stated at the lower of cost and net realisable value and include non repairable spares. Repairable spare parts are included in the fixed asset category to which they relate. Slow moving stock items are subject to a provision for obsolescence.

2.12 Stock options

Share options are accounted for by the Group to its staff members in accordance with IFRS2. The options are valued at the date on which they are granted using the Binomial model. Any variations in value occurring after the grant date are not taken into account. The value is charged to employee benefit expenses on a linear basis between the date of the grant and the maturity date (the vesting period), with an equal and opposite entry directly to issued capital and reserves attributable to equity.

3 Loss per Unit

pence	**6 months to 30 June 2005**	6 months to 30 June 2004	Year to 31 December 2004
Basic	**(3.4)**	(4.1)	(23.8)
Fully diluted	**(3.4)**	(4.1)	(23.8)

The basic loss per Unit for the six months is calculated using the weighted average number of Units in issue during the period of 2,546,114,213 (30 June 2004: 2,546,110,049) and the loss for the period of £87,112,000 (30 June 2004: loss of £104,899,000).

The fully diluted loss per Unit is calculated in accordance with IAS33, whereby the potential conversion of Stabilisation Notes and Advances into Units and the exercise of share options are not to be taken into account.

4 Movements in issued capital and reserves attributable to equity

£000	Capital	Reserves attributable to capital	Retained earnings and combined results	Results directly input to equity	Total
At 1 January 2004	**285,398**	**2,371,870**	**(1,595,081)**	**(38,616)**	**1,023,571**
Increase in capital	2	2			4
Result for the period			(104,899)		(104,899)
Valuation of hedging contracts				421	421
Share options				34,071	34,071
Translation adjustments				150,623	150,623
At 30 June 2004	**285,400**	**2,371,872**	**(1,699,980)**	**146,499**	**1,103,791**
Increase in capital					0
Result for the period			(500,139)		(500,139)
Valuation of hedging contracts				(29,495)	(29,495)
Share options				702	702
Translation adjustments				(152,032)	(152,032)
At 31 December 2004	**285,400**	**2,371,872**	**(2,200,119)**	**(34,326)**	**422,827**
Increase in capital					0
Result for the period			(87,112)		(87,112)
Valuation of hedging contracts				(14,916)	(14,916)
Share options				0	0
Translation adjustments				137,426	137,426
At 30 June 2005	**285,400**	**2,371,872**	**(2,287,231)**	**88,184**	**458,225**

During the first half of 2005 no share options were granted, and no share options were exercised.

5 Financial liabilities

£000	31 December 2004 restated for IFRS	31 December 2004 restated & recalculated *	Repayment of debt	Settlement of interest **	Loans due 2006	Effective rate adjustment	**30 June 2005 as reported**	30 June 2004 restated for IFRS
Participating Loan Notes	874,078	854,332					**854,332**	852,021
EDL, Senior and 4th Tranche Debt	374,123	366,042	(2,750)		(1,910)		**361,382**	365,096
FLF 2 (Tier 1A)	716,700	716,700				5,850	**722,550**	710,850
Junior Debt	3,247,008	3,166,093				4,169	**3,170,262**	3,152,464
Resettable Advances	467,615	453,932				1,338	**455,270**	450,993
Stabilisation Advances and Notes	506,421	494,825		7,917		11,720	**514,462**	473,845
Total non-current financial liabilities	6,185,945	6,051,924	(2,750)	7,917	(1,910)	23,077	**6,078,258**	6,005,269
Accrued interest:								
Loan Notes	1,481	1,448		4,272			**5,720**	5,704
Loans	96,613	95,198		(370)	1,910		**96,738**	88,827
Overdrafts	-						**-**	8
Total current financial liabilities	98,094	96,646	0	3,902	1,910	0	**102,458**	94,539
Total	6,284,039	6,148,570	(2,750)	11,819	0	23,077	**6,180,716**	6,099,808

* The debt at 31 December 2004 has been recalculated at the exchange rate of 30 June 2005 in order to facilitate comparison.

** Interest includes accrued interest during the period less interest paid in cash or settled using the Stabilisation Facility.

In January 2005, £4.0 million plus €5.8 million of Stabilisation Advances were created in respect of interest due on Resettable Advances which could not be paid from available cash flow. All interest due on the Junior Debt at 25 January 2005 (£44.9million plus €46.1 million) was paid in cash. £2.2 million and €30.2 million was paid in respect of the floor hedging contracts.

In July 2005, £4.0 million plus €5.8 million of Stabilisation Advances were created in respect of interest due on Resettable Advances which could not be paid from free cash flow. All interest due on the Junior Debt at 25 July 2005 (£43.3 million plus €45.4 million) was paid in cash. £3.2 million and €30.0 million was paid in respect of the floor hedging contracts.

6 Other financial debtors and creditors

The Eurotunnel Group includes leasing companies in the UK, which had debt outstanding at 30 June 2005 of £127 million (30 June 2004: £513 million). This debt is fully secured on an equivalent amount of lease receivables due to the companies. Through these transactions Eurotunnel has been able to obtain immediate value in cash for a proportion of its tax losses in the UK by the future surrendering of such losses by way of group relief to the leasing companies. Included in interest receivable for the 6 months to 30 June 2005 is an amount of £4 million (30 June 2004: £14 million) arising in the leasing companies. This is matched by an equivalent amount in interest payable. The significant reduction since 30 June 2004 in other financial debtors and creditors and associated interest results from lease terminations and the putting of receivables on leasing transactions completed in previous years.

7 Non trading revenues and (charges)

A cost of £11 million was incurred in the first half of 2005 relating principally to external costs associated with refinancing and to the termination of certain contracts.

8 TRANSITION TO IFRS[1]

Reconciliation table for income statements for 6 months to 30 June 2004 and year to 31 December 2004	Notes	1st half of 2004 £000	2004 full year £000
Net loss for 2004 under French GAAP		**(82,185)**	**(569,733)**
Effect of restatements			
Adjustment of interest rate hedging contracts to market value	*8.7*	725	13,269
Accounting for financial charges at their effective rate of interest	*8.7*	(23,018)	(46,993)
Stock options	*8.5*	(421)	(1,123)
Retirement liabilities	*8.4*	-	(458)
Net loss for 2004 restated[1]		**(104,899)**	**(605,038)**

[1] Prepared on the basis of the accounting principles described in note 2.1.

Reconciliation table for issued capital and reserves attributable to equity at £000s	Notes	1 January 2004	30 June 2004	31 December 2004
Issued capital and reserves attributable to equity under French GAAP		**1,099,187**	**1,167,894**	**528,241**
Effect of restatements				
Adjustment of interest rate hedging contracts to market value: effect on retained earnings	*8.7*	(58,094)	(57,369)	(44,825)
Adjustment of interest rate hedging contracts to market value: effect on issued capital and reserves attributable to equity	*8.7*	(116,313)	(82,242)	(111,737)
Accounting for financial charges at their effective rate of interest	*8.7*	117,033	94,015	70,040
Retirement liabilities	*8.4*	(18,242)	(18,242)	(18,700)
Exchange adjustment reserve		-	(265)	(192)
Issued capital and reserves attributable to equity restated[1]		**1,023,571**	**1,103,791**	**422,827**

[1] Prepared on the basis of the accounting principles described in note 2.1.

MAIN IFRS STANDARDS THAT AFFECT THE EUROTUNNEL GROUP'S COMBINED ACCOUNTS

8.1 Concession fixed assets

Until IFRIC issues definitive guidance for concession fixed assets, the implementation of which would not be possible before 1 January 2006, Eurotunnel has decided for its Combined Accounts in IFRS at 30 June 2005, to continue with the accounting principles previously applied in accordance with French standards.

Therefore, the following principles have been maintained:

- the unit of throughput method for depreciating concession fixed assets,
- the provision for renewal of fixed assets,
- the provision for large scale maintenance.

8.2 Property, plant and equipment (IAS16)

For its opening IFRS balance sheet at 1 January 2004, Eurotunnel has elected to apply the "deemed cost" option under IFRS1 for its valuation of property, plant and equipment.

This "deemed cost" is the "economic value in use" which corresponds to the net book value after depreciation at the 31 December 2003 as previously published, calculated in accordance with IAS36. Equity issue costs and their depreciation that were capitalised during the construction period have not been retreated.

Fixed asset and component lives which were reviewed in 2004, are unaffected by the transition to IFRS.

8.3 Depreciation of assets (IAS36)

Eurotunnel has applied the principles of IAS36 since 2003 and has made impairment charges in the 2003 and 2004 accounts.

8.4 Retirement benefits (IAS19 & IFRS1)

In accordance with the option under IFRS1, Eurotunnel has accounted in its opening IFRS balance sheet for the whole of the actuarial differences as at 1 January 2004, with a corresponding reduction in issued capital and reserves attributable to equity. The net deficit accounted for at this date is £18,242,000.

Actuarial differences arising since 1 January 2004 are dealt with according to the "corridor" method over the average remaining working lives of the beneficiaries. The effect of any such amortisation would be shown in financial charges rather than in operating charges, in accordance with the option in IAS19.

In 2004 an additional charge of £458,000 was accounted for in respect of current service costs for the period. No adjustments for actuarial differences were made.

8.5 Stock options (IFRS2)

In accordance with the provisions of IFRS2, only plans agreed after 7 November 2002 for which the rights are not yet vested at 1 January 2005 have been valued and accounted for in employee benefit expenses. The application of this standard has no effect on the Group's total issued capital and reserves attributable to equity.

8.6 Basis of consolidation (SIC12)

The special purpose vehicles Fixed-Link Finance BV (FLF) and Tunnel Junior Debt Holdings Limited, set up in connection with the repackaging of £1.1 billion of Junior Debt completed in 2001, were not previously consolidated in the Group accounts in accordance with French GAAP. The consolidation of these two entities in accordance with IFRS would increase the Group's issued capital and reserves attributable to equity by approximately £120 million at 1 January 2004 and decrease the Junior Debt by the same amount. However, as this benefit could only be realised after the complete reimbursement of the FLF debt from the bond holders, Eurotunnel, with the prospect of a significant restructuring, has not modified the amount of its Junior Debt as it does not consider itself to have control over these entities.

Therefore, the Eurotunnel Group has not consolidated FLF and TJDH. In EPLC these entities have been consolidated since 2001 in accordance with UK GAAP, and the profit from the operation has been recognised.

The special purpose vehicles Fixed-Link Finance 2 BV (FLF2) and Tunnel Stabilisation and Resettable Advances Limited, set up in connection with the debt buyback and refinancing in 2002, have been consolidated, but have no impact on the opening balance sheet at 1 January 2004.

8.7 Derivatives and financial instruments (IAS32 & IAS39)

a) Accounting for the 1997 financial restructuring

In accordance with the transition provisions as at 1 January 2004 as detailed in IFRS1, Eurotunnel applies prospectively the derecognition rules of IAS39 for transactions occurring on or after 1 January 2004.

Consequently, the 1997 financial restructuring is carried over in the IFRS financial statement according to the derecognition principles that were adopted under French GAAP.

b) Effective interest rate

The effective interest rate on the restructured Junior Debt has been calculated specifically in the context of the need to refinance the debt before the end of 2006. Consequently, debt issue costs have been amortised so as to be fully depreciated at 31 December 2006.

The effective interest rate has been calculated using a fixed coupon rate of 1% for the Participating Loan Notes, and for the Stabilisation Advances and Notes, using an estimated market rate up to the end of the Stabilisation Period.

c) Derivative instruments

Rate instruments at 1 January 2004 have been treated as hedging instruments, and have been valued at their fair value. The effect of this valuation has been accounted for in issued capital and reserves attributable to equity. The effective element will be recognised in the income statement at the same rate as the interest payments on the hedged debt.

EFFECT OF THE TRANSITION TO IFRS ON THE FINANCIAL STATEMENTS

Income statement for the 6 months to June 2004

Presentation under French GAAP £000s	French GAAP	Reclassifications	*Notes*	Revaluations	IFRS[1]	Presentation under IFRS £000s
Turnover						
Operating revenue	260,530				260,530	**Operating revenue**
Other income	8,525	(8,525)			0	Other operating income
Total turnover	269,055	(8,525)				
Operating expenditure						
Materials and services (net)	84,883	(8,127)			76,756	Materials and services
Staff costs	52,231	(81)	*8.5*	421	52,571	Employee benefit expense
Depreciation	50,805				50,805	Depreciation
Provisions	10,848	(88)			10,760	Provisions
Other operating charges	229	(229)			0	Other net operating income and (expenses)
Total operating expenditure	198,996	(8,525)				
Operating profit	**70,059**	**0**			**69,638**	**Trading profit**
						Impairment
		8,042			8,042	Other non trading charges
					61,596	**Operating profit**
Financial income						
Interest receivable and similar income	16,553	(13,974)			2,579	Income from cash and cash equivalents
Profit on disposal of investments	244	(244)				
Exchange differences	2,151	(2,151)				
Total financial income	18,948	(16,369)				
Financial charges						
Interest payable and similar charges	162,776	(16,031)	*8.7*	23,018 (1,354)	168,409	Cost of servicing debt (gross)
Exchange differences	351	(351)				
Total financial charges	163,127	(16,382)				
					165,830	**Net cost of financing and debt service**
Financial result	**(144,179)**	**13**				
		(13)	*8.7*	(629)	(642)	Other financial income and (charges)
Exceptional result	(8,042)	8,042				
Taxation	23				23	Taxation
Result						**Result**
Loss for the period	**(82,185)**	**0**		**(22,714)**	**(104,899)**	**Loss for the period**
Loss per Unit	(3.2p)				(4.1p)	Loss per Unit
Full diluted loss per Unit	(2.8p)				(4.1p)	Full diluted loss per Unit
€/£ exchange rate for the period	1.496				1.496	€/£ exchange rate for the period

[1] Prepared on the basis of the accounting principles described in note 2.1.

Combined balance sheet at 30 June 2004

Presentation under French GAAP £000s	French GAAP	Reclassifications	Notes	Revaluations	IFRS[1]	Presentation under IFRS £000s
ASSETS						**ASSETS**
Tangible fixed assets						**Property, plant and equipment**
Concession fixed assets	7,381,924				7,381,924	Concession fixed assets
Other fixed assets	1,964				1,964	Other fixed assets
Total tangible fixed assets	7,383,888					
Financial fixed assets						**Non-current financial assets**
Shares	2,115				2,115	Shares
Others	16,372	469,040			485,412	Other financial assets
						Other non-current assets
Total fixed assets	7,402,375					
					7,871,415	Total non-current assets
Stocks	7,118				7,118	Inventories
Trade debtors	40,876				40,876	Trade receivables
Other debtors	15,569	11,146	8.7	(3,712)	23,003	Other receivables
Other financial debtors	512,795	(469,040)			43,755	Current financial debtors
		38,182	8.7	(38,182)		Interest rate derivatives
Investments and liquid funds	175,471				175,471	Cash and cash equivalents
Total current assets	751,829				290,223	Total current assets
Prepaid expenses	49,328	(49,328)				
Total assets	**8,203,532**	**0**		**(41,894)**	**8,161,638**	**Total assets**
SHAREHOLDERS' FUNDS AND LIABILITIES						**ISSUED CAPITAL, RESERVES ATTRIBUTABLE TO EQUITY, AND LIABILITIES**
Issued share capital	285,400				285,400	Issued share capital
Share premium account	2,368,389				2,368,389	Share premium account
			8.5	1,102	(81,140)	IFRS restatement reserves
			8.7	(82,242)		
Other reserve	3,483				3,483	Other reserves
Profit and loss account reserve	(1,635,097)		8.5	(681)	(1,595,081)	Retained earnings
			8.4	(18,242)		
			8.7	117,033		
			8.7	(58,094)		
Loss for the year	(82,185)		8.5	(421)	(104,899)	Loss for the year
			8.7	(23,018)		
			8.7	725		
Exchange adjustment reserve	227,904			(265)	227,639	Cumulative translation reserve
Total shareholders' funds	1,167,894				1,103,791	Total issued capital and reserves attributable to equity
Provisions	101,329	(1,101)	8.4	18,242	118,470	Provisions > 1 year
Loan notes	1,009,324	(1,009,324)				
Loans	5,088,328	1,009,324	8.7	(92,383)	6,005,269	Financial liabilities
Accrued interest	94,531	(94,531)				
		469,040			469,040	Other financial liabilities
		97,556			97,556	Trade and other payables
					6,690,335	Total non-current liabilities
		1,101			1,101	Provisions < 1 year
Overdrafts	8	94,531			94,539	Financial liabilities
Other financial creditors	512,795	(469,040)			43,755	Other financial liabilities
		25,478	8.7	96,350	121,828	Interest rate derivatives
Other creditors	200,885	(129,026)			71,859	Trade payables
		34,430			34,430	Other payables
Total creditors	6,905,871				367,512	Total current liabilities
Deferred income	28,438	(28,438)				
Total shareholders' funds and liabilities	**8,203,532**	**0**		**(41,894)**	**8,161,638**	**Total issued capital, reserves attributable to equity and liabilities**
€/£ exchange rate	1.491				1.491	€/£ exchange rate

[1] Prepared on the basis of the accounting principles described in note 2.1.

Cash flow statement for the 6 months to June 2004

Presentation under French GAAP £000s	French GAAP	Reclassifications	IFRS[1]	Presentation under IFRS £000s
Profit before depreciation, provisions, interest and tax	131,712	121		
		(421)		
		(209)	131,203	Trading profit before depreciation and provisions
Exchange adjustment[2]	167	0	167	Exchange adjustment[2]
Decrease / (increase) in stocks	1,522	0	1,522	Decrease in inventories
(Increase) / decrease in debtors	(5,975)	(121)	(6,096)	(Increase) / decrease in trading debtors
(Decrease) / increase in creditors	3,245	421	3,666	Increase / (decrease) in trading creditors
Release of provisions	(6 632)	209	(6,423)	Release of provisions
			124,039	Net cash inflow from trading
		(4,355)	(4,355)	Non-trading cash flows
		(23)	(23)	Taxation
Net cash inflow from operating activities	**124,039**	**(4,378)**	**119,661**	**Net cash inflow from operating activities**
Taxation	(23)	23	0	
		(17,180)	(17,180)	Payments to acquire fixed assets
Capital Expenditure	(15,989)	17,180	1,191	Sale of property, plant and equipment
		0	**(15,989)**	**Net cash outflow from investing activities**
Other non-operating cash flows	(4,355)	4,355		
Returns on investments and servicing of finance	(135,064)	135,064	0	
		2,463	2,463	Interest received on cash and cash equivalents
		(130,441)	(130,441)	Interest paid on bank debt
		(6,843)	(6,843)	Net interest paid on hedging instruments
		(243)	(243)	Other interest paid
		(774)	(774)	Debt repayments
		(135,838)	**(135,838)**	**Net cash outflow from financing activities**
Cash (outflow) / inflow before financing	**(31,392)**			
Financing	(774)	774	0	
Decrease in cash in period	**(32,166)**	**0**	**(32,166)**	**Decrease in cash in period**
Exchange rate €/£	1.491		1.491	

[1] Prepared on the basis of the accounting principles described in note 2.1.

[2] The adjustment relates to the restatement of the elements of the profit and loss account at the exchange rate ruling at the period end.

Income statement for the year to December 2004

Presentation under French GAAP £000s	French GAAP	Reclassifications	Notes	Revaluations	IFRS¹	Presentation under IFRS £000s
Turnover						
Operating revenue	538,123				538,123	**Operating revenue**
Other income	17,050	(17,050)			0	Other operating income
Total turnover	555,173	(17,050)				
Operating expenditure						
Materials and services (net)	157,394	(16,149)			141,245	Materials and services
Staff costs	103,678	(82)	8.5	1,123	104,719	Employee benefit expense
Depreciation	100,258				100,258	Depreciation
Provisions	22,003	(269)	8.4	458	22,192	Provisions
Other operating charges	550	(550)			0	Other net operating income and (expenses)
Total operating expenditure	383,883	(17,050)				
Operating profit	**171,290**	**0**			**169,709**	**Trading profit**
		395,000			395,000	Impairment
		47,806			47,806	Other non trading charges
					(273,097)	**Operating profit**
Financial income						
Interest receivable and similar income	31,641	(26,282)			5,359	Income from cash and cash equivalents
Profit on disposal of investments	286	(286)				
Exchange differences	1,037	(1,037)				
Total financial income	32,964	(27,605)				
Financial charges						
Interest payable and similar charges	330,087	(29,414)	8.7	46,993	341,620	Cost of servicing debt (gross)
			8.7	(6,046)		
Exchange differences	1,071	(1,071)				
Total financial charges	331,158	(30,485)				
					336,261	**Net cost of financing and debt service**
Financial result	**(298,194)**	**2,880**				
		(2,880)	8.7	7,223	4,343	Other financial income and (charges)
Exceptional result	(442,806)	442,806				
Taxation	23				23	Taxation
Result						**Result**
Loss for the year	**(569,733)**	**0**		**(35,305)**	**(605,038)**	**Loss for the year**
Loss per Unit	(22.4p)				(23.8p)	Loss per Unit
Full diluted loss per Unit	(19.1p)				(23.8p)	Full diluted loss per Unit
€/£ exchange rate for the year	1.466				1.466	€/£ exchange rate for the year

¹ Prepared on the basis of the accounting principles described in note 2.1.

Combined balance sheet at 31 December 2004

Presentation under French GAAP £000s	French GAAP	Reclassifications	Notes	Revaluations	IFRS¹	Presentation under IFRS £000s
ASSETS						**ASSETS**
Tangible fixed assets						**Property, plant and equipment**
Concession fixed assets	6,933,599				6,933,599	Concession fixed assets
Other fixed assets						Other fixed assets
Total tangible fixed assets	6,933,599					
Financial fixed assets						**Non-current financial assets**
Shares	2,224				2,224	Shares
Others	16,686	145,375			162,061	Other financial assets
		2,645			2,645	Other non-current assets
Total fixed assets	6,952,509					
					7,100,529	Total non-current assets
Stocks	7,185				7,185	Inventories
Trade debtors	41,014				41,014	Trade receivables
Other debtors	26,246	(572)	8.7	(3,759)	21,915	Other receivables
Other financial debtors	167,437	(145,375)			22,062	Current financial debtors
		34,472	8.7	(34,472)		Interest rate derivatives
Investments and liquid funds	181,224				181,224	Cash and cash equivalents
Total current assets	423,106				273,400	Total current assets
Prepaid expenses	36,545	(36,545)				
Total assets	**7,412,160**	**0**		**(38,231)**	**7,373,929**	**Total assets**
SHAREHOLDERS' FUNDS AND LIABILITIES						**ISSUED CAPITAL, RESERVES ATTRIBUTABLE TO EQUITY, AND LIABILITIES**
Issued share capital	285,400				285,400	Issued share capital
Share premium account	2,368,389				2,368,389	Share premium account
			8.5	1,804	(109,933)	IFRS restatement reserves
			8.7	(111,737)		
Other reserve	3,483				3,483	Other reserves
Profit and loss account reserve	(1,635,097)		8.5	(681)	(1,595,081)	Retained earnings
			8.4	(18,242)		
			8.7	117,033		
			8.7	(58,094)		
Loss for the year	(569,733)		8.5	(1,123)	(605,038)	Loss for the year
			8.4	(458)		
			8.7	(46,993)		
			8.7	13,269		
Exchange adjustment reserve	75,799			(192)	75,607	Cumulative translation reserve
Total shareholders' funds	528,241				422,827	Total issued capital and reserves attributable to equity
Provisions	144,752	(36,615)	8.4	18,700	126,837	Provisions > 1 year
Loan notes	1,035,464	(1,035,464)				
Loans	5,220,057	1,035,464	8.7	(69,576)	6,185,945	Financial liabilities
Accrued interest	98,094	(98,094)				
		145,375			145,375	Other financial liabilities
		99,416			99,416	Trade and other payables
					6,557,573	Total non-current liabilities
		36,615			36,615	Provisions < 1 year
Overdrafts		98,094			98,094	Financial liabilities
Other financial creditors	167,437	(145,375)			22,062	Other financial liabilities
		22,299	8.7	118,059	140,358	Interest rate derivatives
Other creditors	204,404	(127,948)			76,456	Trade payables
		19,944			19,944	Other payables
Total creditors	6,725,456				393,529	Total current liabilities
Deferred income	13,711	(13,711)				
Total shareholders' funds and liabilities	**7,412,160**	**0**		**(38,231)**	**7,373,929**	**Total issued capital, reserves attributable to equity and liabilities**
€/£ exchange rate	1.418				1.418	€/£ exchange rate

¹ Prepared on the basis of the accounting principles described in note 2.1.

Cash flow statement for the year to 31 December 2004

Presentation under French GAAP £000s	French GAAP	Reclassifications	IFRS[1]	Presentation under IFRS £000s
Profit before depreciation, provisions, interest and tax	293,551	31		
		559		
		(1,139)		
		(843)	292,159	Trading profit before depreciation and provisions
Exchange adjustment[2]	3,865	(31)	3,834	Exchange adjustment[2]
Decrease / (increase) in stocks	1,648	0	1,648	Decrease in inventories
(Increase) / decrease in debtors	7,026	(559)	6,467	(Increase) / decrease in trading debtors
(Decrease) / increase in creditors	(9,123)	1,139	(7,984)	Increase / (decrease) in trading creditors
Release of provisions	(13,655)	843	(12,812)	Release of provisions
			283,312	Net cash inflow from trading
		(13,835)	(13,835)	Non-trading cash flows
		(24)	(24)	Taxation
Net cash inflow from operating activities	**283,312**	**(13,859)**	**269,453**	**Net cash inflow from operating activities**
Taxation	(24)	24	0	
		(23,784)	(23,784)	Payments to acquire fixed assets
Capital Expenditure	(18,934)	23,784	4,850	Sale of property, plant and equipment
		0	**(18,934)**	**Net cash outflow from investing activities**
Other non-operating cash flows	(13,835)	13,835	0	
Returns on investments and servicing of finance	(281,241)	281,241	0	
		4,395	4,395	Interest received on cash and cash equivalents
		(249,011)	(249,011)	Interest paid on bank debt
		(36,044)	(36,044)	Net interest paid on hedging instruments
		(581)	(581)	Other interest paid
		(724)	(724)	Debt repayments
		(281,965)	**(281,965)**	**Net cash outflow from financing activities**
Cash (outflow) / inflow before financing	**(30,722)**			
Financing	(724)	724	0	
Decrease in cash in period	**(31,446)**	**0**	**(31,446)**	**Decrease in cash in period**
Exchange rate €/£	1.418		1.418	

[1] Prepared on the basis of the accounting principles described in note 2.1.

[2] The adjustment relates to the restatement of the elements of the profit and loss account at the exchange rate ruling at the period end.

Commissaires aux Comptes' Report

In our capacity as "commissaires aux comptes" of Eurotunnel SA, and in accordance with Article L.232-7 of French Company Law (Code de Commerce), we have performed the following procedures:

- a review of the accompanying summary of operations and income statement as they appear in the half year combined financial statements of the Eurotunnel Group, for the six month period ended 30 June 2005.
- a verification of the information provided in the Company's interim report.

The half year combined financial statements are the responsibility of the Joint Board of Eurotunnel Group. Our responsibility is to issue a report on these financial statements based on our review.

In the process of application of IFRS, as adopted in the European Union, for the preparation of the 2005 consolidated accounts, the Eurotunnel Group interim combined accounts have been prepared for the first time, with the exception of standards affecting the accounting treatment for concessions, using IFRS accounting and measurement methods adopted in the European Union, using a half year presentation format as defined by the general rules of the AMF. They include, for the purpose of comparison, information related to the year ended 31 December 2004 and the six months ended 30 June 2004 restated using the same rules.

We conducted our review in accordance with professional standards applicable in France; these standards require that we plan and perform limited review procedures, substantially less in scope than an audit, to obtain reasonable assurance as to whether the half year combined financial statements are free from material misstatements. A review is limited primarily to inquiries of management and analytical procedures applied to financial data and thus provides less assurance than an audit.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects, the accompanying interim combined financial statements do not conform, with either the rules on presentation and disclosure of information applicable in France, or the accounting and measurement principles described in note 2.1 which result from the application of IFRS standards adopted in the European Union or the specific policies described in that note concerning the accounting treatment of concessions.

Whilst giving the conclusion given above, we draw your attention to the following:

- Note 1 which highlights that, based on the projections updated in the light of the latest results and the current outlook, the Group is facing:

  (i) A first uncertainty, relating to going concern, which is dependent upon the Group's ability to put in place a refinancing plan or, if not, to obtain an agreement from the Lenders under the existing Credit Agreement in the second half of 2006 at the latest.

  (ii) The second uncertainty, in part related to the first one, relating to the valuation of the Group's fixed assets which must be calculated, in accordance with accounting principles, using financial projections over the life of the Concession. These projections, which have been prepared in the context of the going concern uncertainty, assume the continuation of existing operational and financial contracts and a level of debt €1.9 billion (£1.3 billion) lower than the current level of debt.

  Based on these assumptions, the Group recorded in its 31 December 2004 accounts an impairment of its fixed assets of €560 million (£395 million) representing an implicit discount rate of 7.2%. In this respect and in the context of increasing uncertainties, the Group used values in the upper ranges for the market risk premium and the asset beta ratios.

  At 30 June 2005, in the context of the operational performance of the Group during the first semester and the level of interest rates, the Group has not modified its financial projections underlying the valuation of fixed assets.

  Relatively small changes in the assumptions used would lead to material changes in the value in use of the assets. As an illustration, an increase of 0.1% in the implicit discount rate corresponds to a reduction in the value in use of the assets of approximately €210 million (£160 million).

  It is our duty to draw to your attention to the fact that these financial projections over the remainder of the Concession, are by their very nature, uncertain.

- Note 2.1 which states that:

  (i) In the absence of the adoption by the IFRIC of the three studies into the interpretation and application of concession contracts, Eurotunnel has continued to apply its existing accounting policies in accordance with French GAAP for depreciation of concession fixed assets and for provisions for renewals and large scale maintenance for the preparation of its interim combined accounts. As such, it is too early to consider that the accounting principles currently applied are compatible with IFRS. Furthermore, when publishing its first IFRS accounts for the year ended 31 December 2005, Eurotunnel may be required to adjust its opening balance sheet to take account of existing standards on fixed assets and provisions, and of any new interpretations.

- Note 8.6 which states that:

  (i) The special purpose vehicles Fixed-Link Finance BV (FLF) and Tunnel Junior Debt Holdings Limited (TJDH), set up in connection with the repackaging of €1.8 billion (£1.1 billion) of Junior Debt completed in 2001, were not previously consolidated in the Group accounts in accordance with French GAAP, but that the consolidation of these two entities in accordance with IFRS would increase the Group's issued capital and reserves attributable by approximately €180 million (£120 million) at 1 January 2004, and a decrease of Junior Debt by the same amount. Nevertheless, as the benefit could only be realised after the complete reimbursement of the FLF debt from the bond lenders, Eurotunnel, with the prospect of a significant refinancing, has not modified the Junior Debt as it does not consider itself to have control over these entities. Therefore, the Eurotunnel Group has not consolidated FLF and TJDH.

- Note 2.1 which sets out that:

  (i) In the absence of specific guidance on combined accounts in the IAS27 standard on consolidated accounts, the Group has decided to continue to publish its consolidated accounts as combined accounts;

  (ii) The options used for disclosure of these interim combined financial statements which do no include all the information required in the notes by IFRS as adopted in the European Union that would give, based on IFRS standards, a true and fair view of the financial position and the result of the entities comprised under the scope of these combined accounts;

  (iii) The reasons why the comparative information which will be presented in the combined accounts at 31 December 2005 and in the interim combined accounts at 30 June 2006 may be different from the accounts as attached to this report.

We have carried out our limited review of the information contained in the Eurotunnel Group's half year combined interim report in accordance with professional standards applicable in France.

We have nothing to report with respect to the fairness of such information and its consistency with the half year consolidated financial statements.

Paris, 14 September 2005

KPMG Audit	Mazars & Guérard
Département de KPMG SA	T. de Bailliencourt
F. Odent	

Commissaires aux Comptes