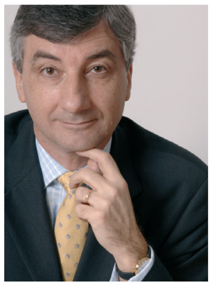
Eurotunnel on track

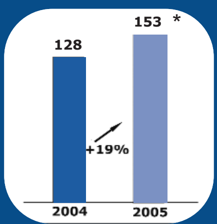
April 2006

Shareholder letter



Revenue +1%
First improvement in Shuttle Services since 2002.

Operating profit up by 19%



** Results in £m*
(Provisional results - unaudited)

Agenda

- **Mid may 2006**
  3rd waiver intermediate review
- **End May 2006**
  Annual Report posted
- **30 June 2006**
  AGM in Coquelles
- **12 July 2006**
  End of 3rd waiver

Dear Shareholder,

The financial restructuring that you are waiting to see can only be achieved if Eurotunnel's operational performance improves and continues to do so. This is why we spent 2005 implementing a profound reorganisation, based on an entirely new economic model. The priority is to improve productivity and profitability, not to continue the hunt for volumes, as was done in the past. Three important decisions have been applied:

- Matching transport capacity to customer demand and redefining the pricing policy
- Reinforcing cost control
- Adapting staffing levels to the new economic model

They have allowed us to bring an end to the constant erosion of traffic and revenues and also, more importantly, to increase our operating margin to an impressive 55%, a level which should further increase as the full effects of the reorganisation are not expected until 2006.

The commercial policy of the "New Eurotunnel" aims, above everything, to win customer loyalty and is based on our real strengths: the speed and reliability of the crossing, 24 hours a day and 365 days a year, with the best performance ratios in the railway world.

The results are plain to see: load factors in our core business, Shuttle Services, have now reached 71% for trucks (59% in 2004) and 59% for passenger (45% in 2004). The transport capacity for truck shuttles has been reduced by 15% and that of the passenger service by 30%, without any reduction in quality of service.

Of course, this operating performance is still not enough to meet the forthcoming debt reimbursements in the first half of 2007. This situation has led the auditors to implement a procedure under French law, called the Alert Procedure, which I immediately made public. Until the result of the negotiations which are about to commence is known, the Joint Board considers that it is unable to give an opinion on the continuity of operations. It has therefore extended the reporting deadline. As a consequence, only unaudited provisional operating figures have been presented.

This announcement had a very limited impact on Eurotunnel's share price, in particular thanks to the exit from the SRD (Euronext differed payment system) which took place as planned on 28 March 2006. This exit seems to me to have been particularly opportune in the current context and will help the stability of our shares.

The financial negotiations themselves are continuing within the waiver framework: according to the Credit Agreements of 1999, the company must request a "waiver" from its creditors in order to be able to negotiate with them. This requirement, which I know is incomprehensible to many of you, causes a great deal of lost time but, unfortunately, we cannot avoid it (a reminder of the major steps in the financial restructuring is over the page).

We are entering the decisive phase, when all the parties involved in this negotiation must face up to their responsibilities. This is why the Joint Board decided to delay the approval of the 2005 accounts.

We must now all work together to reap the rewards of this new dynamism.

Jacques Gounon
Chairman and Chief Executive

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To contact Shareholder Information Centre

Shareholder Information Centre
Terminal UK - Ashford Road - Folkestone - Kent CT18 8XX

shareholder.info@eurotunnel.com

www.eurotunnel.com

Tel: 08457 697 397
local rate number

Operating results
(Unaudited)

2005 a year of profound reorganisation

2005 marked a turning point in Eurotunnel's commercial fortunes. It saw the end to the continuous losses of traffic and revenue from the Shuttle Services and an improvement in productivity and profitability, helped to some extent by favourable circumstances due to the loading and unloading difficulties experienced at the port of Calais, which brought extra customers to Eurotunnel.

For the Truck Shuttles, and more particularly for the major road hauliers (60% of our customers), our sales proposition is based on an annual traffic commitment with daily forecasts supplied to us by the hauliers giving them priority crossings and guaranteed service. Eurotunnel has, amongst other improvements, brought the sales and marketing activity for other hauliers back in-house, thus reducing distribution costs and improving the relationship between the company and its customers. These measures have both contributed to the improved profitability of this activity.

For the Passenger Shuttle service, your company has developed dynamic pricing which takes account of load factors and crossing time when making a reservation. The opening of self check-in lanes has helped traffic fluidity and reduced costs. In the same way, the modernisation of the web site has greatly encouraged the purchase of tickets on-line (70% of our customers), and has reduced call centre costs by a further 20%.

Revenues from the railways remain stable. Under the Railway Usage Contract they are still protected by a minimum usage charge of £72 million until the end of November 2006.

Another key element of the reorganisation has been the reduction in costs linked to the rationalisation of purchasing policy. A thorough review of our purchasing policy has brought about a 20% reduction in the number of suppliers and a 20% reduction in the value of new orders.

The group has adapted staffing levels to the new strategy, whilst at the same time strengthening the management team through the creation of the new post of Chief Operating Officer, of a new Division for Safety and Environment, and through the restructuring of the maintenance activity, grouping infrastructure and rolling stock into one unit.

Eurotunnel's priority remains, as always, the quality of service and especially its level of safety and reliability.

First improvement in Shuttle Services since 2002

The vast commercial and operational reorganisation has allowed us to put an end to the poor results of past years and 2005 saw the first improvement in shuttle activity since 2002, with revenues increasing by 4%.
The numerous projects to rationalise procedures and to reduce costs are starting to bear fruit, bringing down operating costs at the same time as the new economic model is improving the profitability of the shuttle business.

The results are encouraging, with the operating margin growing by 4% to reach 55% of revenue, an impressive performance, and a net improvement in operating profitability (+19%), a trend which should continue in 2006 as we see the full effect of the reorganisation.

Stable revenues in the first quarter of 2006

Traffic and revenue growth in the first quarter of 2006 are difficult to compare to the same period in 2005, which was a period marked by the problems experienced at the port of Calais and by the fact that Easter was in March and not in April as this year. Eurotunnel's total revenue, including both transport and non transport activities, was £131.5 million, the same as in the first quarter of 2005.

This is a satisfying result, especially taking into consideration the new strategy which targets margins and profitability above volumes.

The major steps towards financial restructuring

A first waiver period was initiated on 20 April 2005, to allow negotiations to take place with the principal creditors, united within the Ad Hoc Committee, representing more than 50% of the Group's debt.

In June 2005, Eurotunnel presented the creditors with its new business plan and on 13 July with an outline financial restructuring scheme.

In September, the Joint Board decided not to convert the Stabilisation Notes and Advances, preferring to integrate them in a global debt restructuring.

At the end of the first waiver, on 31 January 2006, a Memorandum of Understanding (MoU), outlining the framework for a restructuring, was signed with the Ad Hoc Committee. In order to present this outline framework to other creditors, until then absent from negotiations, an extension to the waiver was arranged until 31 March.

This period also allowed those creditors to group themselves into a single committee, representative of more than 50% of the junior and subordinated debt.

The Joint Board considered that the conditions were right to enter into a third period of negotiation, which will enable all of the creditors to come together for the first time, in order to reach a consensual financial restructuring scheme.

To do this, the Joint Board requested a further period of waiver, until 12 July, with a review in mid-May.

This waiver will have two phases:
- The first is to reach a global agreement by mid-May, to allow the Joint Board to consider the resolutions that will be put to the AGM on 30 June.
- The second period, for technical issues, will run until 12 July.