

Eurotunnel on Track



Letter to shareholders



Dear Shareholder,

When I last wrote to you, we needed to achieve a number of steps within the framework of the French Safeguard Procedure.

Firstly, on 27 November we gained the approval of the creditors from the financial establishments committee. This was an extremely important decision. 28 creditors - out of the 35 present or represented - representing **72% of the Senior and Junior debt**, voted in favour of the restructuring proposals. This narrow majority* proves the significance of the efforts made by the creditors and the fact that it was not possible to ask more of them.

Next, on the same day, the committees of our major suppliers unanimously ratified the plan. This is an equally important sign of confidence which, in addition to the economies and progress we have made, strengthens our operations.

The third step was the vote by bondholders, who hold about a third of the debt. Here again **we received the majority necessary to move our restructuring plan forward**, although only by a very small majority in the Eurotunnel Finance Ltd vote. Some minority creditors who rejected the sacrifice required, continue to contest this result. **Thus, the creditors have accepted a reduction of more than £3 billion in the debt.** This is substantial and unprecedented.

The fourth and next step is **the decision by the Paris Commercial Court which has, under the framework of the Safeguard**

Procedure, the responsibility for approving the plan. Overleaf you will find an extract from the conclusion presented to the Commercial Court by the Administrateurs Judiciaires (Court appointed representatives). They clearly underline the balance that the plan represents and state that "(...) Groupe Eurotunnel should be able, in the future, to escape from the errors, in terms of traffic forecasts, which were prevalent at the time of the construction of the Tunnel, and also during the first financial restructuring in 1998. This is to say that the current forecasts appear sufficiently conservative as to be imbued with realism."

We have finalised the financing of the plan, reducing the interest payments by more than half, to less than £140 million, which can be compared to the estimated financial charges on the old debt which would have been around £320 million.

The offer approved by your Board is that put forwards by Goldman Sachs/Deutsche Bank, accompanied by Citigroup. The repayment of the capital, £52 million per year, will only begin in 2012.

The final step: the Exchange Tender Offer between Eurotunnel and the new entity, Groupe Eurotunnel. All the practicalities and technical aspects of the process will be published in a detailed prospectus, in accordance with the regulations set down by the market authorities at the time of its implementation. All this information will be communicated to you in time for you to take part.

By participating in this offer, you will exchange shares which today have no future - as a result of the meager value of our assets compared to the weight of our debts - for new shares (one for one) which will benefit from **the reduction of more than half the debt** (£2.84 billion instead of £6.2 billion).

As for the percentage that you will finally hold in the new entity, it will not be until 2010, and then as a result of the number of Obligations Remboursables en Actions (ORAs) [convertible notes], that we are able to redeem before then, that we will be able to say. The key is to understand that this plan **will at last allow the company's real potential to shine through and, as a result, its value to increase.**

For you, shareholders, what is important is not the number of shares you hold but the overall value of your investment.

Eurotunnel now has new horizons opening before it, if you, its shareholders, share this view. We will be ready, with the clear and strong conviction that we can develop this company and redeem the maximum of the ORAs over the coming three years, in order to best protect your interests.

We must continue to work together with hope and with ambition for Eurotunnel.

Happy New Year 2007.

Jacques Gounon
Chairman and Chief Executive

* The required majority was 67%.
NB: Exchange rate, £1=1.46635 €.

" News on line "

To receive Eurotunnel news updates, as well as subsequent letters to shareholders by email, register your email address at: www.eurotunnel.com/uk

To contact
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The opinion of the court appointed representatives

Extract from the report of the Administrateurs Judiciaires sent to the Paris Commercial Court on 8 December 2006:

"The elaboration of a credible Safeguard Plan (...) could be compared to the theory of the "magic square" as it required, at one and the same time to offer the so called "Senior" creditors a treatment that would satisfy their rights, whilst providing a solution for the bondholders that would be more advantageous than that which they rejected in May 2006, whilst ensuring respect for the interests of the shareholders who had contributed so much to the initial financing of the cross channel fixed link and finally ensuring that the group's indebtedness

remained compatible with its forecast cash flows. (...)The proposed Safeguard Plan, put to the creditors, constitutes a real point of equilibrium between many, often contradictory and sometimes antinomic demands.

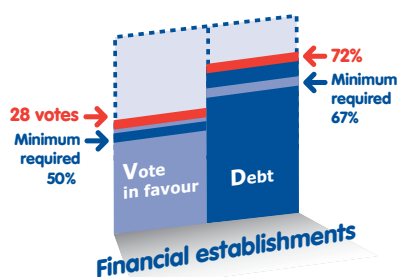
(...) the Safeguard Plan (...) presents the merits of restructuring the debt to a level compatible with the capacity of the company to reimburse, but also presents the advantage of allowing operations to continue without modification of the levels of employment or working conditions.

(...) we propose that the Commercial Court approves this plan."

Maître Emmanuel Hess and Maître Laurent Le Guernevé

Results of the creditor votes ¹

The vote by the creditor committee, 27 November

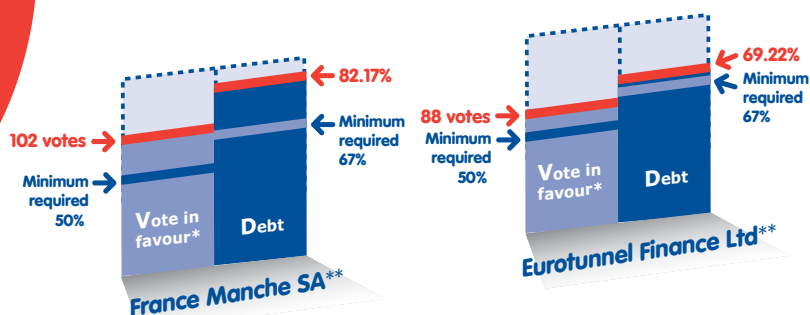


ANALYSIS

- Quorum reached with 28 votes in favour out of 53 creditors, representing 72% of the debt.

■ **A positive vote by a narrow majority: an important effort made by the creditors.**

The vote by the bondholders, on 14 December



- 102 votes in favour, representing 82.17% of bonds issued in Euros.

- 88 votes in favour, representing 69.22% of bonds issued in sterling.

■ **These results represent an average approval by the bondholders of approximately 75.7% of the bond debt.**

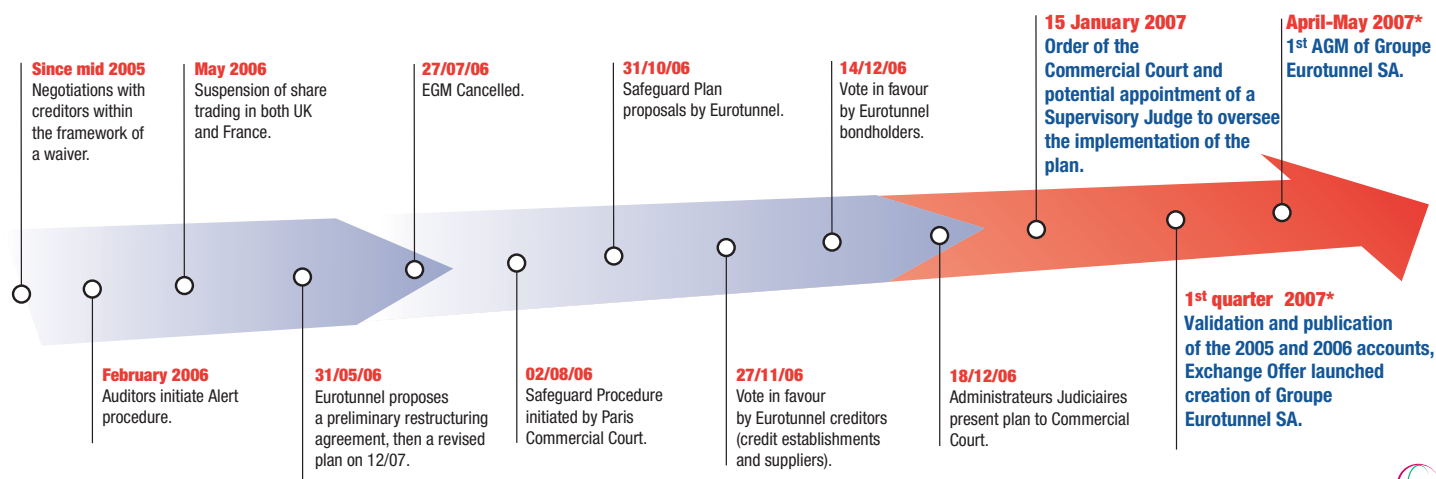
* Voters are made up of registered bondholders and bearer bondholders who identified themselves to vote.

** Bonds issued in Euros by France Manche SA and in sterling by Eurotunnel Finance Ltd.

(1) The vote was passed with the double majority of: 2/3 of the debt and 50% of the creditors.

YES
to the
Safeguard
Plan

Steps taken and forthcoming events



* Provisional dates

