

Eurotunnel on Track

January 2007



Letter to shareholders



DEAR SHAREHOLDER,

The 15th of January 2007 has now become a milestone in Eurotunnel's history.

It is the day **the Paris Commercial Court approved the Safeguard Plan** which was put forward by the company with the support of the court appointed representatives (1). It is the day upon which the colossal debt which has threatened us with the risk of substitution or even liquidation was reduced by around £3 billion. This substantial effort made by the creditors was only achieved after a long struggle and through months of tough negotiations.

You will find the main lines of the plan, which has the support of the British and French Shareholder Committees, in the following pages (2). **The objective is now to implement it as speedily as possible, through the launch of an Exchange Tender Offer** (ETO) between the new Groupe Eurotunnel and the existing entities.

A number of creditors who remain hostile to such a significant debt write-off have launched numerous lawsuits, all of which they have, so far, lost. The more reasonable amongst them (Franklin, Oaktree) have now ceased their lawsuits, but the others have not yet understood that the process cannot now be stopped. It is important to stress that the systematic opposition to the plan by some shareholders or professional litigants seeking personal publicity, serves merely as a windfall for the creditors.

However, I am not prepared to allow this decision by the court to be compromised and, over the coming months, I will continue to work with the Board to ensure the future for your company.

There is still a great deal to do:

- **Obtain certification of the 2005 accounts from the auditors** (due to the continuing lawsuits, not all of the uncertainties have been lifted). The Paris Commercial Court has granted us until 31 March 2007 to send out the notices for the corresponding general meetings, and the same for the 2006 accounts.

- **Allow the re-listing.**

- Obtain the approval of the market authorities for the prospectus relating to the Exchange Tender Offer.

- **Obtain from the authorities (Europe, the two states, local government) a new vision of the Concession** and the improvement of our economic environment. It would not be unreasonable to envisage that before 2010, and for the remaining length of the

Concession, Eurotunnel could thus generate up to approximately £305 million of extra economic value, which would enable you to take advantage of the free warrants included in the plan. Before the launch of the ETO, I will be able to give you more details of the projects involved but you should be aware that the French Customs have already agreed to pay us a £1.2 million subsidy for the renewal of the Euroscan (3) in Coquelles. The first time in the history of Eurotunnel that this has happened and a demonstration that all avenues are worth pursuing.

- Continue the recovery in the operations and continue to improve our profitability. **To this end, the 2006 results are very promising: the revenues for 2006 have increased by 5% to £568 million**, mainly due to Shuttle services, our core activity, which has recorded a 7% increase compared to 2005. During the year more than 2 million passenger vehicles and 1.3 million trucks were carried on Eurotunnel Shuttles. These results, which are above the forecasts in the business plan, allow me to be optimistic about the future.

So, dear Shareholder, no matter at what stage you chose to invest in Eurotunnel, whether at the outset (even if the "originals" are now few in number) or on the eve of the current suspension of trading, you can see that there are plenty of reasons to believe in the future of Eurotunnel.

One last comment on your investment: the stock markets like transparency and tranquillity. **With the new Eurotunnel and its reduced debt, your investment should find new horizons.** However, agitation and lawsuits destroy value. You can see how it is in your own interest therefore to support the implementation of the plan as approved by the Paris Commercial Court.

The decision of the court is applicable to all stakeholders, but, for you as shareholders, it is a just decision.

Let us remain confident for 2007. I wish you, once again, Happy New Year.

A handwritten signature in black ink, appearing to be "JG", written in a cursive style.

Jacques Gounon
Chairman and Chief Executive

(1) Court appointed representatives: *Maîtres Emmanuel Hess et Laurent Le Guernevé*. Creditors' representatives: *Maîtres Valérie Leloup-Thomas et Jean-Claude Pierrel*.

(2) The Safeguard Plan can be accessed via our website, www.eurotunnel.com. A more detailed document will be available for the launch of the ETO.

(3) Euroscan is the X-Ray machine used by the French customs as part of their security responsibilities for the control of trucks before they enter the Channel Tunnel.

The Safeguard Plan

The Plan represents the best balance possible between the expectations of the different stakeholders: shareholders, creditors, employees and suppliers.

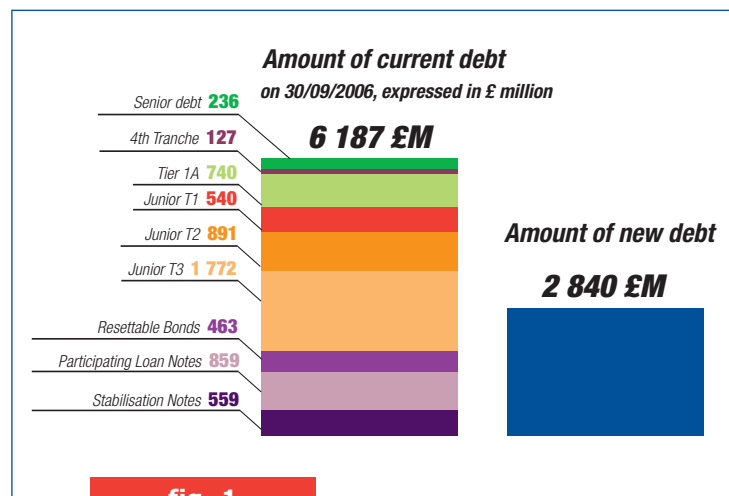
It ensures the future of the company by **four key measures**:

1

A massive reduction and simplification of the debt structure

“ The new Groupe Eurotunnel will have a substantially lower debt. For the first time in its history, Eurotunnel has the opportunity to benefit from a clean, lasting financial structure which will allow it to pursue its economic activity under the optimum conditions. ”

A SINGLE LONG TERM LOAN TO REPLACE ALL THE EXISTING LAYERS



Why a new loan?

A new Senior debt: a loan of £2.8 billion will allow Eurotunnel...

1 ... to completely refinance with one loan the historic debt in the 4th Tranche, Tier 1, Tier 1A and Tier 2;

2 ... to offer cash to creditors in Tier 3 (old Junior debt) and to bondholders in exchange for their previous rights. For Tier 3 this would be up to a maximum of £150 million, and for the bondholders, £90 million;

3 ... to pay a part of the charges relating to the restructuring and the interest on the current debt, suspended, but not written off since 2 August 2006. Safeguard does not cancel interest on the historic debt but, in order to save financial charges, the Plan has always allowed that, whilst the interest due to creditors down to Tier 2 will be paid, no interest would be due for late payment to creditors nor for the interests payable to bondholders up until 31 December 2006, nor to Tier 3 creditors from January 2007¹;

4 ... finally, if necessary, to cover the costs required to ensure the proper working of the company's operations.

¹ In 2007, the NRS held by the Tier 3 creditors and the bondholders will carry interest from the 1st January.

THE KEY POINTS OF THE NEW FINANCING AGREEMENT:

- **£2.8 billion of financing has been obtained from first rate institutions: Goldman Sachs/Deutsche Bank, with the possibility of Citigroup joining them.**
- **Several tranches of debt; all with long maturity periods and different interest rates:**
 - approximately 25% over 35 years, with interest rates linked to inflation
 - approximately 25% over 35 years at fixed interest
 - the residue over 43 years at variable rates of interest
- **The average annual interest rate will be approximately 5.5%.**
- **Annual interest charges on the financing are adapted to the company's financial capacity with a cover ratio above 1.5 (cash flow available to service the debt / service of the debt).**
- **Repayment of the capital will begin only in the 6th year** for the variable interest tranche, at a rate of £24 to £31 million per annum, and only in the 11th year for the other tranches.
- **Eurotunnel has already obtained the right to subscribe, at any time, to a new loan up to a maximum amount of £225 million principally to enable the redemption of the hybrid Notes Redeemable in Shares (NRS).**

Note: Exchange rate £1 = €1.46635

2

A realistic business plan with room to manoeuvre

“ Since June 2005, Eurotunnel has used a solid business plan as the basis for its negotiations with the creditors and as the foundation of its future financial structure. This sound plan, based on the results of operations for 2004 and 2005 was put together pragmatically. The excellent results seen in 2005 and 2006 confirm the solidity of this approach and the company's ability to do better than its objectives, thus breaking with the bad habits of the past. ”

THE BUSINESS PLAN OBJECTIVES

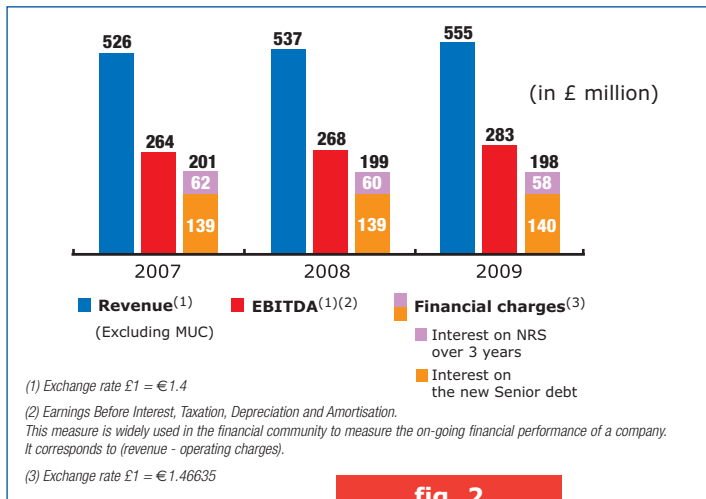


fig. 2

Financial charges the company can sustain and development perspectives

The financial charges on the old debt were estimated at £321 million for 2007; they will reduce to just £139 million in 2007, excluding the interest on the NRS, equivalent to £62 million for the first year and decreasing over the next two before disappearing.

From the 6th year, servicing the debt will cost approximately £191 million per annum, including the first repayments of the principal of around £24 to £31 million per annum.

In accordance with the company's business plan, these repayments should leave a positive cash flow, after servicing the debt which will enable the company to develop.

3

A new group starting from a clean slate

“ Groupe Eurotunnel SA (GET SA) will launch an Exchange Tender Offer for Eurotunnel SA and Eurotunnel P.L.C., in order to simplify the current structure by uniting the French and British parent companies, but without touching the current Concession. GET SA will become the pivot of the restructuring, whilst a British mirror company (Group Eurotunnel UK) will be responsible for the issue of the NRS. ”

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The first step of implementation: the ETO

At the time of the ETO, which will be the subject of a detailed prospectus, the shareholders will be offered the opportunity to exchange their shares for shares in Groupe Eurotunnel SA (1 for 1) and warrants for shares. The new structure will also offer travel privileges equivalent to the current ones. Groupe Eurotunnel SA will be listed in Paris and London.

A consolidation of the shares is still planned for after the ETO. The decision will be taken by the new company and will allow for a mechanical increase in the nominal value of each share to finally extricate the shares from the "Penny Stock" category.

A renewal of Corporate Governance

The Board of GET SA will be composed of 11 Directors, of whom 7 will be proposed by the current Eurotunnel Board and 4 will be proposed by the initial holders of the NRS. In terms of Corporate Governance, certain clearly defined important decisions will need to be taken by qualified majority of 8 out of the 11 Directors. The Directors, no matter their origins, all carry the same responsibilities in terms of Corporate Governance and will be appointed for 3 years.

FOCUS ON FREE WARRANTS

During the ETO, shareholders who subscribe will be offered the majority of the free warrants issued at the time. 55% of these warrants will be reserved for participating shareholders and 45% for bondholders.

The warrants will be exercisable from June 2011, if an increase in the value of the company has been seen in the years 2008 to 2010. This increase is foreseen as a result of the authorities lifting some costs which are currently supported by Eurotunnel. The exercise of all the warrants would represent, for current shareholders, a potential further equity participation of 11%.

“ These notes will be issued to an amount of **£1.275 billion**. Approximately 38% are uniquely redeemable in GET SA shares, and 62% are redeemable for cash over the 37 months following their issue and then by default in GET SA shares.

The NRS are financial instruments for which a listing on a regulated market will be sought. ”

redeemable by GET SA in cash (£787 million), over the 37 months following their issue, with a redemption premium of 40%. This facility has been introduced to reduce the incidence of dilution resulting from the conversion of NRS into shares; if these NRS are not redeemed for cash, they will automatically convert to shares after 37 months.

• **Regardless of whether they are redeemable in cash or in shares, GET SA will retain the option to purchase them in the open market.**

This mechanism has been conceived to allow current shareholders to retain control of the company until 2010. The final dilution, 4 years after the issue of the NRS, will be a function of the number of NRS redeemed for cash, or purchased by the company over the period. Mechanically, the more GET SA redeems NRS for cash, or purchases in the markets, the lower will be the dilution: **the part of the capital in GET SA held by current Eurotunnel shareholders will vary, in the 4th year, between 67% (if all the notes possible are redeemed for cash) and 13% (the absolute minimum if no NRS are redeemed for cash).**

The NRS will be divided between:

- Shareholders who participate in the ETO and who wish to subscribe; they will have a priority allocation of up to £60 million. Any portion not taken up will be re-allocated to the creditors within the limits of the maximum amounts to which they have rights.
- The holders of Tier 3 Debt and the bondholders, as compensation for their current debt.

How will they work?

- The NRS will carry an annual interest of 3% (Non Callable NRS) or 6% (Callable NRS) **equivalent to an average annual rate of 5%**. The annual interest charge for the NRS, if there is no redemption during the period, will be approximately £62 million in the first year, diminishing subsequently until disappearing after 3 years.
- **The conversion of the non callable NRS into ordinary shares in GET SA will take place by tranche**, 5% after 13 months, 5% after 25 months and the residue after 37 months.
- **A maximum of 62% of the notes are, under certain circumstances,**

FOCUS ON THE REDEMPTION OF NRS BY EUROTUNNEL

The purchase of NRS by Eurotunnel will be:

- either through subscription to further loans (line of credit up to £225 million);
- or by using available cash flows;
- or via one or more rights issues, to be decided by shareholders themselves when the conditions appear opportune.

This document has been produced to help shareholders familiarise themselves with the legal and financial restructuring of Eurotunnel and is only a simplified version of the key points of the Plan. A complete and detailed presentation will be sent to shareholders in the ETO Prospectus, validated by the market authorities.

To facilitate the reading of this document, figures are rounded in pounds sterling at an exchange rate of £1 = €1.46635 (unless otherwise stated).

Elsewhere, the values (exchange rates, interest rates...) presented in this document are those calculated during the approval of the financing plan by the Eurotunnel Board on 18 December 2006 on the basis of market conditions and the rates applicable at the time.

THE SAFEGUARD PLAN CAN BE ACCESSED VIA OUR WEBSITE, WWW.EUROTUNNEL.COM, WHERE THERE IS ALSO A "FAQs SECTION" AVAILABLE.

" News on line "

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