

# Eurotunnel on Track

July 2007



Letter to shareholders



“ A new **START** for our company... ”

Dear shareholders,

**You have saved Eurotunnel.** The challenge we faced was considerable: 650,000 shareholders to inform; two and a half billion Units to exchange. Your overwhelming support for the Exchange Tender Offer (with an acceptance rate of more than 93%) and thus, for the rescue of the company, draws a line under the past and gives rise to a totally new Eurotunnel group.

You now own shares in a company that:

- **has significantly reduced debts:** the debt has been halved and repayments will be covered by our operating cash flow as confirmed by the "investment grade" rating awarded by Standard & Poor's;
- **has a bright future:** the Concession for operating the Channel Tunnel runs until 2086, giving us a major advantage, unique in the world;
- **is attractive,** due to the good visibility on future performance, similar to that enjoyed by motorway and airport operators which makes them very popular in the financial markets;
- **has a constructive relationship with the public authorities,** as witnessed by the French Economy and Finance Ministry's decision to authorise Groupe Eurotunnel SA to defer indefinitely €890m of tax losses generated in 2000, 2001 and 2002. This will allow us to set these losses off against future profits, with the effect that our profits will be tax-free until the losses are used up;
- **is dynamic, with a number of growth opportunities** on which we are working constantly. The latest contract is the partnership with Port Autonome de Dunkerque that was signed on 13 June 2007 (see Focus on Operations on the last page of this document).

This is a new start for our company. A new **board of directors** has already been established, with new directors including three who have just joined the company and four who will be put forward by the initial NRS-holders.

The market authorities have decided to list the new Groupe Eurotunnel SA shares from 2 July 2007, with an initial price in continuity with the old Eurotunnel Units. We have started the process of delisting the Eurotunnel SA and Eurotunnel PLC Units from the London and Brussels markets. These companies are now mere subsidiaries of Groupe Eurotunnel SA. Firstly, we will change their names to avoid confusion. We will then recapitalise them, which will have the effect of reducing the equity of those who did not tender their Units to the offer to practically zero.

While these listings continue to exist contiguously, please be sure you are using the right code if you want to buy more shares in your company, i.e. Groupe Eurotunnel SA (GET).

We will also carry out a **consolidation of Groupe Eurotunnel SA shares in the autumn**, after allowing the share price to stabilise during the summer. Other companies such as Alstom and Rhodia have carried out similar transactions. This should enable us to shed our unenviable status as a "penny stock" and ensure that the share price better reflects the company's value.

Shareholders who took part in the ETO have also received one warrant per Unit tendered to the Offer, enabling them to subscribe to additional Groupe Eurotunnel SA shares when the warrants become exercisable in 2011.

Although these warrants are listed, their current value is naturally a fraction of the value of the shares that they will allow holders to buy in four years' time. Don't worry about it, and most importantly, if you want to receive the shares, don't sell them!

We will also seek to redeem as many NRS as possible in the next year by carrying out a capital increase, aiming to strike a balance that is satisfactory for all. The NRS are also listed, and you can buy them in the market if you wish. The offering of NRS at the time of the Exchange Tender Offer was heavily oversubscribed.

**Our prospects are excellent.** The support of the French and British Governments, following on from the support of our new lenders and the huge support of our shareholders will bolster our recovery.

Our job is now to make Groupe Eurotunnel SA a sustainably profitable company so that you, the shareholders, can finally benefit.

On behalf of the board of directors and our 2,300 staff, I thank you for your trust. Your company has now turned the corner, and I will continue to report regularly and transparently on our progress.

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

Jacques Gounon,  
Chairman and Chief Executive

# 93%

# acceptance



**The Exchange Tender Offer ended on 28 June, when the new shares were settled. The Offer received massive support from shareholders, and a new company has been born: Groupe Eurotunnel SA.**

**All Eurotunnel staff worked very hard during this period and our large-scale ETO campaign organisation allowed us to answer the questions of almost 90,000 shareholders.**

***I tendered all my shares to the ETO: what happens now?***

There is nothing else you need do. On settlement, you received the same number of Groupe Eurotunnel SA shares in your account as the number of Eurotunnel Units tendered to the Offer. You also received an identical number of warrants free of charge.

You can either keep these warrants or sell them. The shares are traded under ISIN code FR0010452433 (used to identify the shares on the stockmarket) and ticker symbol **GETS**, and the warrants are traded under ISIN code FR0010452441 and ticker symbol **GETBS**.

Only the shares and the NRS are listed in both London and Paris. The warrants are only listed in Paris.

## **FOCUS** on discount programmes

Groupe Eurotunnel SA proposes a single programme, similar to the one previously enjoyed by the majority (80%) of Eurotunnel shareholders.

This single programme offered by Groupe Eurotunnel SA is a standardised discount of 30% on the published price for up to 6 single or 3 return journeys per year.

The following are eligible:

- **Shareholders who were on Eurotunnel's share register before 15 May 2006, who tendered all of their Units to the Offer and who owned at least 1,000 shares on that date for a period of at least 3 months;**
- **All other shareholders must register with Groupe Eurotunnel SA and hold at least 30,000 shares continuously for three months to qualify.**

*N.B.: Eurotunnel travel privilege schemes remain valid for shareholders who have kept the minimum number of Units required to qualify.*

***I only tendered some of my shares to the ETO: what are my options?***

If you did not tender all of your Units, this means that you still own Eurotunnel Units, which are still listed. The old Eurotunnel Units and the new Groupe Eurotunnel SA shares are different and traded separately.

Remaining Unitholders now have a very small stake in Eurotunnel SA and PLC. In addition, these two companies will shortly be recapitalised, after which the percentage of these companies owned by Unitholders who did not tender their Units to the ETO will be significantly lower than 5%.

***What will happen to my warrants if I sell some or all of my shares before 2011?***

The warrants will become exercisable, if conditions allow, in 2011, regardless of whether you have sold shares in the meantime. The warrants can be traded in the French market (ISIN code FR0010452441, ticker symbol GETBS).

If the warrants are exercised in 2011, they will allow holders to buy Eurotunnel Group SA shares at their nominal value at the time. Nominal value is an accounting figure that is currently €0.01 for Eurotunnel Group SA. Nominal value is different from market value, which is determined by the interplay of supply and demand on the stock exchange.

***I am a registered shareholder. Do I have to contact Computershare or the new registrar BNP2S?***

You do not need to do anything. If you opted to receive CDIs, Computershare will send you a letter containing all the information relating to your account. If you chose to hold your shares on the French register BNP Paribas Securities Services will contact you shortly. Any request for information about the old Units must be sent to Computershare.

# YOUR QUESTIONS

*I have applied for NRS. When will I know how many have been allocated to me?*

The total amount of NRS reserved for individual shareholders was €88m, and the offer was oversubscribed. Successful applicants have already been notified of the amount of NRS allocated to them. NRS must be held in a securities account. NRS are listed securities, and can therefore be bought and sold in both the French and British markets.

*When will the general meetings of ESA and EPLC take place? When will the Groupe Eurotunnel SA AGM take place?*

The ESA and EPLC general meetings will take place on 27 July 2007. Notice of meetings and related documents are being sent to registered shareholders.

N.B. Since Groupe Eurotunnel SA owns 93% of ESA and EPLC, only the few minority Unitholders who did not tender their units to the ETO are concerned by these meetings.

**The AGM of Groupe Eurotunnel SA which will consider the financial statements for 2007 will take place on 27 June 2008.**

*How will the price of Eurotunnel Units move in relation to that of the new Groupe Eurotunnel SA shares?*

The price will be set by the market. It is likely that the prices of Eurotunnel Units and Eurotunnel Group SA shares will show little correlation, and that movement in the Eurotunnel Unit price will not be representative of movements in the Groupe Eurotunnel SA share price. Eventually, as stated in Chapter 4 of the ETO Registration Document, Groupe Eurotunnel SA may consider any transaction to simplify the group's structure, including a merger that would automatically lead to the disappearance of old Eurotunnel Units.

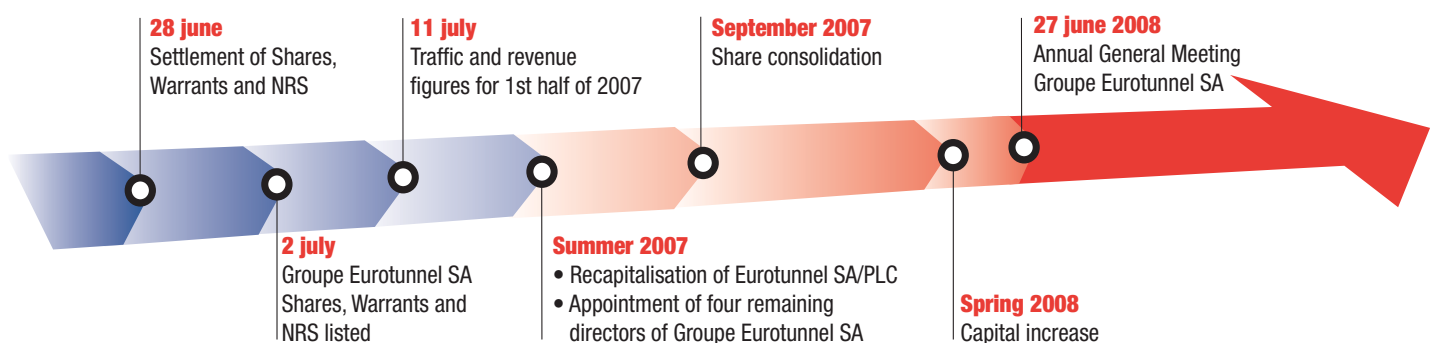
# following the ETO

*When does the new senior debt become effective?*

The new senior debt has been effective since 28 June 2007, and is fully secured. Despite a general increase in global interest rates in the last few months, Groupe Eurotunnel SA has managed to meet its original annual repayment target of around €225m.

*What were the main difficulties in this transaction?*

Throughout the ETO period, our broad based communication organisation enabled us to convey all necessary information. The success of the offer is proof of the organisation's effectiveness. The transfer of the old debt to the new structure required the signature of hundreds of legal documents, including those concerning the termination of the old loan agreements and the securing of the new agreement. A colossal task! Eurotunnel staff and advisors have put in a huge amount of work. Indeed, the ETO is only one aspect of the Safeguard Plan approved by the Commercial Court in January 2007.





A French Treasury auditor, **Pierre Bilger** currently manages Florimont Projets. He devoted his 15-year career in the French public service to dealing principally with budgetary issues. His career in industry, spanning 21 years, started in 1982 at Compagnie Générale d'Electricité (now Alcatel Lucent) of which he led the privatisation as CFO and deputy Chief Executive. He continued his career as Chairman and Chief Executive of its successor Alstom, from its IPO in 1998 until 2003. He currently chairs the Dutch-law foundation "Stichting Preference Shares Renault-Nissan" and is one of the advisors to the Management Consulting Group plc.



charity, which took over the running of a children's hospital.

**Tim Yeo** is a British MP and Chairman of the House of Commons Environmental Audit Committee.

He is a Director of ITI Energy Limited and Chairman of Univent Plc and AFC Energy plc. He was also the Founding Chairman of the Children's Trust



servant as a member of parliament for Pas-de-Calais, regional councillor and then Minister for Agriculture, Fisheries and Food from 1995 to 1997.

**Philippe Vasseur**, Chairman of Crédit Mutuel Nord Europe since May 2000, started his career as a business journalist with positions as editor of Les Echos, head of TF1's business department and head of the business editorial team at Le Figaro. He then became a public

## Eurotunnel leads an ambitious rail infrastructure R&D project.

The TTSA (Track Train System Availability) project has a budget of €6m. The project brings together manufacturers, operators and researchers. It aims to achieve major technological progress on issues concerning rail quality, welding, points design and fault detection and will look at opportunities for development and savings. For the

next three years, new products and analysis systems will be perfected and tested on the Eurotunnel network. Eurotunnel's role in the project is an acknowledgement of its expertise and a major first, since for the first time, the company will receive a public subsidy from the Fonds Interministériel de Compétitivité.

## Eurotunnel receives the 2007 technological innovation prize for its automatic truck check-in system

This award was presented at the International Transport and Logistics Exhibition in Paris in late March 2007, and acknowledges the company's constant customer service efforts. The new automatic check-in system is used by the hundreds of thousands of trucks using the Coquelles and Folkestone terminals, and reduces the average transaction time to just 45 seconds for each truck. The equipment is made up of

check-in terminals featuring touch screens providing information in nine European languages, automatic number plate readers and sensors measuring vehicle size.

**Eurotunnel is the world leader in piggy-back transport, and on 3 May carried its 12 millionth truck since its Freight Shuttles came into service in 1994.**

## Rail partnership agreement between Eurotunnel and the Port Autonome de Dunkerque (PAD)

On Wednesday 13 June 2007, Eurotunnel and PAD signed a strategic partnership agreement with the intention of developing a coordinated approach to rail freight activities. The dry and sea port infrastructure managed by the two companies transported a combined 74 million tonnes of goods in 2006,

and have extensive complimentary facilities, expertise and areas of interest. Eurotunnel is concentrating on the relaunch of rail freight as a major area of development, and PAD, with its substantial rail infrastructure, is the leading french port for forwarding sea-borne goods by rail.

### " 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](http://www.eurotunnel.com/uk)

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