

Eurotunnel on Track

October 2008



Letter to Groupe Eurotunnel SA
shareholders



Dear shareholders,

Our operating priority is to ensure the reopening of the whole of the North Tunnel by mid-February, in time to benefit from the half-term skiing holiday traffic. The project manager and works contractors we have just appointed have committed to that goal⁽¹⁾. It is an ambitious objective: it means repairing the damaged section in less than four months (it took six months in 1996) and rapidly obtaining authorisation to resume operations from the IGC and the Safety Authority.

Our staff have rallied fully: we have already completed the initial worksite installations and have initiated key procurement (e.g. the special catenary supports). Overall, the renovation budget should be below €60 million, significantly less than in 1996. As always, I will keep you informed of developments in this matter, particularly the outcome of the numerous on-going enquiries⁽²⁾. In that respect, it is worth pointing out that the cause of the fire is still unknown and that the theories put forward in its immediate aftermath appear unfounded.

Today, the capacity offered to Eurostar is very close to normal and, in the case of our Shuttles is more than half, with very high load factors. Our customers appreciated that we were able to resume commercial services only 30 hours after the fire and that we were able to reopen two-thirds of the North Tunnel in record time. Many bookings are being made and we are striving to offer our best service. Passenger safety remains our main preoccupation: we strictly comply with the rules imposed upon us by the two Governments and Eurotunnel does not have the option to modify them, much less to depart from them.

We have just published our revenue and traffic figures for the third quarter of 2008 (see overleaf). Interpreting these figures is made difficult by the fire; nonetheless, we estimate that the loss in revenue for September could be around €22 million. To evaluate the underlying trends, it is best to consider the totals for the first nine months, including the incident;

- We carried more trucks than in the same period in 2007, which shows how ahead we were;
- We carried a little fewer cars (-3%): this is not very significant, especially as July and August were very good months;
- Eurostar carries ever-increasing numbers of passengers: +14% compared to the first nine months of 2007. You will appreciate why we gave priority to this excellent partner when we resumed operations.

Revenue comparisons between this year and 2007 will only make sense when forthcoming insurance proceeds are taken into account.

The real issue is to know where we were aiming before the fire compared to the business plan published in February 2008: at the exchange rate in the plan, £1=€1.4, **we were**

aiming for revenues of €829 million (+€21 million) and EBITDA of €478 million (+€34 million). We presented our first demands to our insurers on 7 October on these very bases.

You should note that the EBITDA which will form the basis of the Warrant exercise ratio will take into account insurance proceeds. Insurance proceeds relating to operating losses and material damage (net of the €10 million excess) will be accounted for in "Other Revenues". There will be no significant impact on the calculation of the Warrant exercise ratio in 2011.

In December, we will pay the interest on our long-term loan, an amount of approximately €110 million. Groupe Eurotunnel can be satisfied it has no cash-flow issues. This is where we can truly appreciate how the reduction of the debt by half and the refinancing which occurred before the sub-prime crisis, definitively saved the company. Today, the economic crisis is global and is raging. Large financial institutions and renowned banks have failed; governments are "fire-fighting" to seek to save some of them. Some organisations, with serious liquidity issues to meet withdrawals by depositors, are selling off assets leading to a spectacular fall in share prices.

As with most comparable listed companies, we cannot escape the irrationality which has overtaken financial markets over recent weeks.

I am nevertheless certain that the quality of our infrastructure, the vitality of our group and the transparency of our results and cash-flows will quickly come to the fore once the stock market storm is over.

Our customers really trust us. This is also the real economy.

Thank you for your loyalty and support

Yours faithfully,

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

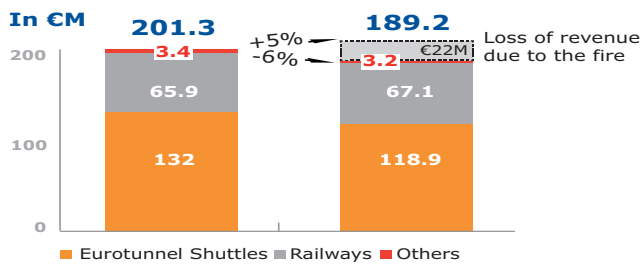
Jacques Gounon,
Chairman & Chief Executive

⁽¹⁾ Eurotunnel has called upon SETEC to act as project manager, and a group of specialist companies (Freyssinet, Eurovia, Vinci Energies, Axima...) headed by Freyssinet, a leader in the field of civil engineering.

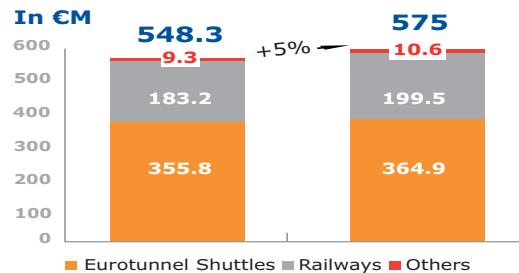
⁽²⁾ Under the authority of an examining magistrate, a judicial enquiry has been opened, which Eurotunnel has joined as a civil party. An administrative investigation is also ongoing, led by the BEATT (in France) and the RAIB (in the UK). In parallel, experts appointed by Insurers are assessing the damage. Finally, a civil procedure pursuant to which an expert assessor was appointed, will seek to establish liability so that Eurotunnel may exercise its rights.

Revenues and traffic remain very steady in the first nine months of 2008 despite the recent incident in the North Tunnel.

**Revenues*: 3rd quarter 2008
Impact of the fire**



**Revenues*: Year to end of September 2008
Increase despite the fire**



Revenues

Revenues for the third quarter of 2008, at €189.2 million, are down by only 6% at a constant exchange rate*, despite traffic restrictions in the second half of September following the fire in the North Tunnel. Without the September incident, revenues would have been approximately €210 million, an increase of around 5% compared to 2007.

For the first nine months of the year, i.e. to the end of September 2008, Eurotunnel revenues were €575 million, a 5% improvement at a constant exchange rate over the same period in 2007, despite a decline in revenues during the third quarter. Revenues from Shuttle services (€364.9 million) increased by 3% over the period. Revenues from the Railways (€199.5 million), increased by 9% compared to the same period in 2007. Other revenues were up by €1.3 million compared to the same period in 2007.

Traffic

Truck traffic, which grew by 7% in the first half of 2008, was heavily affected by the Tunnel closure. It decreased by 14% compared to the third quarter in 2007. Over the first

nine months of 2008, the traffic was equivalent to that for the same period in 2007.

Car traffic decreased by 12% in the third quarter. Over the first nine months of the year it decreased by 3% compared to the same period in 2007, due to the fire in September 2008.

Coach traffic decreased by 22% over the quarter and by 5% year on year to the end of September.

Eurostar's strong growth in the first half of 2008 (+18%) continued during the summer, when an all-time record was set with 923,151 passengers carried in July. This trend is reflected in the figures for the first nine months of the year, which show a growth of 14% compared to the same period in 2007.

Rail freight, with a 6% reduction in the number of freight trains in the third quarter of 2008 and an overall 7% reduction over the first nine months of the year, is unfortunately still not showing signs of growth.

* The exchange rate used to calculate revenues for the first nine months of 2008 and the first nine months of 2007 restated is £1 = €1.261. For the published 2007 third-quarter revenues, it was £1 = €1.435

>> The damaged Shuttle comes out of the Tunnel

As soon as the green light was given by the judicial authorities, Eurotunnel got on with the job of removing the damaged Shuttle from the North Tunnel so as to make Internal 6 accessible for renovation work as soon as practicable. On 1st October, a first third of the train was pulled out in one piece on its own wheels: observers could see for themselves that the locomotive and the club car, in which the HGV drivers travel, were intact. This is evidence of the absolute priority given by Eurotunnel to the protection of people. All parts of the Shuttle, together with Interval 6 at this stage, remain available to the police and the instructing magistrate for the purposes of the investigation.



Monday 1st October, 5 p.m. a Krupp diesel locomotive begins the removal of the damaged Shuttle from the South Tunnel.



The club-car, in which HGV drivers travel, is intact: personal safety first!



Apart from soot deposits, the loader and the first three wagons appear to be intact.



The first trucks destroyed by the fire, possibly where the disaster struck. The wagons are not deformed.

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