EXPLANATORY NOTE

Preliminary Restructuring Agreement

This note briefly summarises the main provisions of the Preliminary Restructuring Agreement executed by Eurotunnel with the members of the Ad Hoc Committee[1] on 23 May 2006 and amended on 30 May 2006 with Goldman Sachs International (***Goldman Sachs***) and Macquarie Investment Management (UK) Limited (***Macquarie***) becoming parties. This binding agreement, which is subject to a number of conditions precedent, sets out the principal terms of the financial and legal restructuring of the Eurotunnel group which is presented to you today.

The proposed restructuring is based primarily on a financing commitment from a group of financiers and investors comprised of Goldman Sachs, Barclays Bank Plc (***Barclays***) and Macquarie. This commitment may be enlarged to include other parties that wish to participate in the financing.

The principal objective of the parties to the Preliminary Restructuring Agreement was to create the conditions for the financing of the Eurotunnel group on a long-term basis, whilst taking into account the interests of the different parties to the largest extent possible. In accordance with the objectives pursued by your board of directors over previous months, the agreed structure provides a lasting solution to the problems encountered by the group almost continuously since its creation.

The restructuring is based on:

- a simplified and unified corporate structure;
- the replacement of the current "project finance" style debt structure by a "corporate" debt structure, which will enable the company to use its available cash flow, after payment of interest and repayment of debt. For example, the new debt structure could enable Eurotunnel to pay dividends to its shareholders, as appropriate and in accordance with its corporate interest; and
- a significantly reduced level of group indebtedness, the amount and duration of which would be adapted to the specificities of the tunnel concession.

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[1] The *Ad Hoc* Committee represents the majority of the co-financiers. It is composed of MBIA Assurance SA, European Investment Bank, Franklin Mutual Advisers LLC, Ambac Assurance UK Ltd, and entities affiliated with investment funds managed by Oaktree Capital Management LLC.

The implementation of the proposed restructuring is expected to take place not later than autumn 2006 and to be completed before the end of 2006.

1. Principal terms of the proposed restructuring

- The restructuring plan sets out an agreed framework to restore and stabilize Eurotunnel's financial situation and provides a balanced treatment of the interests of all relevant parties to the largest extent possible. The principal objective, to significantly reduce Eurotunnel's indebtedness, would be achieved with the proposed restructuring reducing the group indebtedness by approximately 54% from £6.20 billion[2] to £2.90 billion. This reduced level of indebtedness is considered realistic to ensure the group's future and prospects for development in light of the nature and duration of the concession and operating forecasts.

- The proposed restructuring is based on:

  - the incorporation of a new French holding company, Groupe Eurotunnel S.A. (***GETL***), which would be at the centre of the restructuring and all of the transactions required for its implementation. The existing Eurotunnel shareholders would have the opportunity to become members of this new French holding company pursuant to an exchange offer (the ***Exchange Offer***). GETL would incorporate and control a new English subsidiary, Eurotunnel Group Ltd (***ETL UK***) which would be the financing company for much of the new debt and whose board of directors would be the same as the board of directors of GETL; and

  - the simultaneous refinancing of part of the existing debt and financing of the new structure by a group of investors and financiers comprised of Goldman Sachs, Barclays, Macquarie and possibly Axa Private Equity or other investors and financiers that might express an interest in participating in the refinancing.

- The key features of the restructuring plan are as follows:

  - the incorporation of GETL. An application would be made for the shares of GETL to be listed in London and Paris. The share capital of GETL would be comprised of ordinary shares and one preferred share. The preferred share would be held by a company controlled by the investors having subscribed for hybrid notes. The hybrid notes would be subordinated bonds mandatorily convertible into GETL shares and would carry specific governance rights but no specific economic rights;

  - the launch by GETL of the Exchange Offer in the UK and France pursuant to which the holders of Eurotunnel PLC and Eurotunnel SA Units would be offered in exchange for their tendered Units new shares issued by GETL with warrants to subscribe for additional GETL shares, exercisable in June 2011 in the circumstances described below, in the event of additional value crystallising in GETL prior to such date.

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2 For ease of reference, the amounts referred to in this Explanatory Note have been rounded and presented in £ sterling. The exchange rate used is 1.4619 euro/£. The final amounts will be calculated by reference to the actual exchange rate.

GETL shares issued pursuant to the Exchange Offer would also entitle their holders to benefit from preferential transport tariffs on shuttle services equivalent to those to which holders of Eurotunnel PLC and Eurotunnel SA Units are currently entitled. The minimum acceptance condition for the Exchange Offer would be 60%, subject to regulatory approval;

- the funding of a new Senior facility of an aggregate amount of £1.81 billion granted to France Manche SA and to Eurotunnel Finance Ltd, enabling these subsidiaries to refinance the Senior Debt, in particular the Fourth Tranche, and Tier 1 and Tier 2 of the Junior Debt. Tier 1A (£740 million) would be excluded from this refinancing and would remain in place under its current terms;

- the issue by ETL UK of a mezzanine debt of an aggregate amount of up to £350 million, the proceeds of which would be used in part to refinance part of the current Junior Tier 3 Debt and to compromise the bonds (comprised of Participating Loan Notes, Stabilisation Notes and Resettable Bonds). Any remaining proceeds of the mezzanine debt would be used as working capital by the group, including to pay costs incurred in connection with the implementation of the restructuring;

- the issue of hybrid notes, being bonds convertible into ordinary shares of GETL, which would be subordinated to all other Eurotunnel group financial indebtedness. An application will be made for the hybrid notes to be listed on a regulated market in order to make them available to institutional and retail investors. The issue of the hybrid notes would be underwritten by the new investors and principally subscribed by the holders of the Tier 3 Junior Debt in exchange for their debt of an aggregate amount of £1.78 billion (a payment of £100 million in cash would also be made to the holders of the Tier 3 Junior Debt). The aggregate nominal amount of the hybrid notes would be £1 billion or the equivalent of this amount in euros. The issue would be denominated in pounds sterling or in euros and would be divided into three tranches which would convert into ordinary shares of GETL on their respective maturity dates, unless previously redeemed by the issuer in accordance with the procedure described below. The mandatory conversion of a first tranche of £500 million would occur on the third anniversary of its issue, the mandatory conversion of a second tranche of £250 million would occur on the fourth anniversary of its issue and the mandatory conversion of a third tranche of £250 million would occur on the fifth anniversary of its issue. The hybrid notes would all be issued on the same date and may be redeemed, or in certain circumstances bought back, at the discretion of Eurotunnel, without the requirement that the holders consent to such redemption. The redemption price would be equal to the nominal value of the hybrid notes plus a redemption premium of 59.2%, increasing each year by 7.5%; and

- the implementation of a claw back mechanism for holders of Eurotunnel PLC and Eurotunnel SA Units who tender their Units to the Tender Offer, in the form of warrants to subscribe for GETL shares. The purpose of this mechanism would be to reduce the dilution to such shareholders of GETL of the conversion of the hybrid notes in the event of (i) certain events occurring prior to 30 June 2008 that have a positive impact on the enterprise value of the Eurotunnel group; or

(ii) any increase in the Eurotunnel group's EBITDA prior to 2011 compared to the projected level currently used in the Eurotunnel group's business plan for the period from 2008 to 2010. The mechanism would enable shareholders (to whom 95% of the warrants would be issued) and to a lesser extent the holders of Stabilisation Notes, Resettable Bonds and Participation Loan Notes (to whom 5% of the warrants would be issued) to benefit in 2011 from any increase in the value of GETL resulting from the occurrence of any of these events or from any such increase in the Eurotunnel group's EBITDA.

The proposed restructuring plan provides for an extension of the maturity profile of most of the group's indebtedness to be more in line with the duration of the concession, and for the possibility for it to be refinanced, subject in certain cases (in particular its fixed rate debt) to the payment of an early redemption premium, enabling the group to benefit from any improvement in market conditions and in the group's credit rating following implementation of the restructuring.

2. Restructuring of the Eurotunnel group indebtedness

The restructuring of the Eurotunnel group indebtedness concerns approximately £6.2 billion, estimated to be the level of the group's debt as at 31 October 2006 (which is the target closing date of the implementation of the restructuring).

Estimated Principal Indebtedness as at 31/10/06	**£m**	**Restructured Debt (1)**	**£m**
Senior Debt	364	New Senior Debt	1,810
Tier 1A (FLF2)	740	Tier 1A	740
Junior Debt		Mezzanine Debt	350
Tier 1	541		**2,900**
Tier 2	892		
Tier 3	1,775		
Subordinated Debt			
Participating Notes	860		
Stabilisation Notes	560		
Resettable Bonds	464		
	6,196		

(1) In addition to the restructured debt set out in this table, the hybrid notes of an aggregate principal amount of £1 billion would be issued for a term of 3 to 5 years and mandatorily converted into GETL shares on their respective maturity dates.

The restructuring of the Eurotunnel group indebtedness:

- would provide for the redemption in full of the principal amount of the Senior Debt including the Fourth Tranche Debt (£364 million), the Tier 1 Junior Debt (£541 million) and the Tier 2 Junior Debt (£892 million), in each case including accrued interest.

- would include the substitution of £1.78 billion of Tier 3 Junior Debt for the hybrid notes referred to above for an aggregate principal amount of £1 billion that the holders of the Tier 3 Junior Debt may elect to receive in the form of a cash payment of the principal amount of such entitlement. A payment in cash of an aggregate amount of £100 million will also be made to all of the holders of the Tier 3 Junior Debt, regardless of the elections made by them in respect of the hybrid notes;

- would not concern the Tier 1A Debt (FLF2) which would remain in place under its current terms. This would not affect the short term financial stability of the group as the first repayments of principal of this debt would not be due until 2026; and

- would provide for a mezzanine debt, the principal amount of which would be repayable on the seventh anniversary of its issue and the unpaid interest of which would be capitalized. The company has the option to repay the mezzanine debt from the end of the second year without penalties.

3. Dilution and Claw-back of shareholders

The conversion of the hybrid notes into ordinary shares of GETL would entitle their holders to 86.96% of the share capital of GETL on a fully diluted basis, on the basis that all of the holders of Eurotunnel PLC and Eurotunnel SA Units tender their Units to the Exchange Offer. However, this potential dilution of holders of Units may be limited by the two mechanisms described below:

- the holders of Units who tender their Units to the Exchange Offer would receive warrants for free to subscribe for ordinary shares of GETL (on the basis of one warrant per share). These historic Eurotunnel investors would be the only shareholders to benefit from part of the increase in value of GETL that is crystallised prior to 2011. The warrants would be exercisable in 2011 to subscribe for a maximum of 1.9 shares per warrant (on the basis of an acceptance level of the Exchange Offer of 100%) at an exercise price per GETL share equal to the nominal value of each GETL share (1 euro cent, being less than the fair market value of the shares) and for a number of shares proportionate to the increase in value (the maximum amount of 1.9 shares per warrant corresponds to a theoretical increase in value of £300 million resulting from the events or the increase in the EBITDA set out in sub-paragraphs (i) and (ii) of the final bullet point on the key features of the restructuring plan in Section 1. “Principal terms of the proposed restructuring” above);

- the hybrid notes may be redeemed prior to their respective redemption dates in part for a minimum amount of £50 million and up to 40% of the hybrid notes, at the entire discretion of the Eurotunnel group, without the requirement that the holders consent to such redemption, subject to the payment of an initial redemption premium of 59.2%, increasing each year by 7.5%. Any redemption of more than 40% of the hybrid notes would require the Eurotunnel group to redeem all of the outstanding hybrid notes and would be carried out at the same redemption price. The redemption of hybrid notes may be financed in one or more of the following ways:

  - use of its free cash flows;

  - additional indebtedness up to a maximum of £225 million (by way of new debt, the issue of equity-linked securities or quasi-equity); or

  - share capital increase; and

- regarding the third tranche of hybrid notes, the issuer may make direct market purchases (at the prevailing market price) of up to 5% of the number of hybrid notes outstanding with effect from the fifth anniversary of their issue date.

  For purely illustrative purposes, if (i) there were to be an acceptance level of the Exchange Offer of 100% and a grouping of 40 current Eurotunnel PLC and Eurotunnel SA Units for one GETL share; (ii) a theoretical increase in the value of GETL by £100 million were to be crystallised prior to 2011; (iii) all of the warrants to subscribe for GETL shares were exercised; (iv) the Eurotunnel group were to redeem 40% of the aggregate principal amount of the hybrid notes prior to the third anniversary of their issue date; and (v) such redemption were to be financed in part by £225 million of new debt and the balance by a share capital increase at a price per GETL share of €6.8, the conversion of the outstanding hybrid notes into GETL shares would represent approximately 53% of the share capital of GETL. This percentage would be further reduced if additional value were to be crystallised within the Eurotunnel group or if a greater percentage of hybrid notes were to be redeemed or bought back.

- Furthermore, the Preliminary Restructuring Agreement specifically provides for the possibility of dividends to be paid to shareholders:

  - following a first interest payment of 6% per annum to hybrid noteholders and, subject to available cash flow, an additional interest payment of 3% per annum is provided for to hybrid noteholders. If such an additional interest payment is made, a dividend payment calculated by reference to the amount of the additional interest and to the number of GETL shares in issue compared to the number of GETL shares to be issued upon conversion of the hybrid notes in issue on the date of payment of the additional interest shall be payable to GETL shareholders. For purely illustrative purposes, if an additional interest payment of £30 million (€43.85 million) is made, a dividend of approximately £4.5 million (€6.58 million) would be paid to GETL shareholders if the ratio between the number of GETL shares in issue and the number of GETL shares to be issued upon conversion of the hybrid notes was approximately 13/87; and

  - as the debt structure of the Eurotunnel group would become “corporate” in nature, subject to complying with the various agreements reached with its creditors (in particular concerning the coverage ratios pursuant to these agreements), GETL would retain the free use of its cash flow and would be able to use it at the relevant time, and after payment of amounts due in respect of its indebtedness, as appropriate in accordance with its corporate interest, such as paying dividends to its shareholders.

  - Following the redemption or conversion of all of the hybrid notes, and subject to the point raised above, the management of the Eurotunnel group intends to maximize the distribution of dividends.

GETL	
Assumption – 100% of Units tendered to the Exchange Offer	**Interest in the share capital of GETL held by the Unit holders having tendered their Units to the Exchange Offer**
GETL ordinary shares prior to the conversion of the hybrid notes	100%
Following the conversion of all the hybrid notes into shares after 5 years, excluding any exercise of the warrants and without any early redemption of the hybrid notes	13.04%
Following the exercise of the warrants and an increase in the value of GETL by £100 million	19.60%
Following the exercise of the warrants and an increase in the value of GETL by £100 million and the redemption or buy-back and cancellation of 40% of the hybrid notes	47%(*)
Following the redemption or buy-back and cancellation of 100% of the hybrid notes	100%

(*) Based on the assumptions set out in the third bullet point in Section 3. " Dilution and Claw-back of shareholders" above and based on the shareholders of GETL exercising their preferential subscription rights in full. If this was not the case, this percentage would also include new shareholders having subscribed for shares at the time of the share capital increase.

Eurotunnel's ability to pay dividends and the amount of any such dividends would depend on the level of the operating results of the Eurotunnel group in the coming years.

Eurotunnel has invited the holders of Participating Loan Notes, Stabilisation Notes and Resettable Bonds to join the proposed restructuring of the Eurotunnel group and has entered into discussions with them in this respect. Reaching an agreement with these creditors is the key to achieving a negotiated settlement with all of the interested parties. In addition, Eurotunnel will seek to improve the financial terms of the refinancing through contacts with a wider group of investors and financiers.

Holders of Eurotunnel PLC and Eurotunnel SA Units will be provided with full information of the proposed restructuring in documentation that will be provided to them in connection with the Exchange Offer. As a consequence, they will be in a position to analyse and assess the various features of this restructuring before deciding whether to tender their Units to the Exchange Offer. The success of the Tender Offer is essential for the implementation of this restructuring.

The effective implementation of this restructuring plan is subject to the satisfaction of a number of conditions precedent over the coming months. The conditions of the

Exchange Offer will depend on the market authorities and could accordingly be amended and there can be no certainty as to the terms of any exchange offer. Among the conditions that will have to be satisfied for the restructuring to be implemented, certain conditions depend on events or parties outside the control of the Eurotunnel group which may not be satisfied or may only be satisfied in a timeframe that is incompatible with the implementation of the proposed restructuring plan. In this case, Eurotunnel would have to agree with the relevant parties the necessary changes or modifications to be made to the current plan.

The resolutions relating to the restructuring seek the in principle approval of the shareholders of Eurotunnel PLC and Eurotunnel SA on the restructuring plan as described in this document. This description reflects the current status of negotiations relating to the proposed restructuring and its implementation, and may be updated or amended prior to the shareholders meetings of Eurotunnel PLC and Eurotunnel SA that have been convened for 27 July 2006.

If a majority of the shareholders of Eurotunnel PLC and Eurotunnel SA approve the resolutions relating to the restructuring plan, the Joint Board will pursue the implementation of the restructuring plan as described in this document, subject to such changes as may be required or deemed advisable. As soon as reasonably practicable following such approval by the shareholders of Eurotunnel PLC and Eurotunnel SA, it is intended that a tender offer be launched by GETL, to exchange the Eurotunnel PLC and Eurotunnel SA Units for GETL shares. In connection with the tender offer, and prior to having to decide whether to tender their Eurotunnel PLC and Eurotunnel SA Units, the Unitholders will be provided with full details of the finalised restructuring plan. If less than 60% of the shareholders of Eurotunnel PLC and Eurotunnel SA tender their Units to the tender offer, the restructuring described in the prospectus in relation to the offer and to the listing of GETL shares will not be implemented.

Among the conditions referred to above and in addition to the condition of the success of the Exchange Offer, it is important in particular to note the following:

- **the finalisation of an agreement with the bondholders, as to their satisfactory treatment, taking account of the relevant economic and legal environment;**
- **the approval by the relevant market authorities of the terms and conditions of the Exchange Offer;**
- **the confirmation from the French and UK governments that the new structure complies with the concession agreements;**
- **the implementation of certain administrative or judiciary proceedings necessary to implement the refinancing or the debt assignments provided for in the Preliminary Restructuring Agreement;**
- **the finalisation of all the agreements in relation to the proposed restructuring.**

The implementation of the restructuring plan is expected to take place not later than autumn 2006 and, subject to unforeseen circumstances, to be completed before the end of 2006.