

Eurotunnel on Track

December 2013



Letter to Groupe Eurotunnel SA
shareholders

Special edition



Dear shareholder,

Our plea has been heard: the Competition Appeal Tribunal (CAT) reviewed the decision of the Competition Commission (CC) of 6 June and the CAT **unanimously quashed that decision** which envisaged preventing MyFerryLink from docking in the Port of Dover within six months.

It is a real source of **satisfaction** in many ways:

- **For the consumer:** MyFerryLink is now an operator recognized for the quality of its offering and its service. It is not possible to explain its success in any other way, despite all the hurdles put in the way of its development, not to be forgotten – an unknown brand that started trading at the end of the summer period 2012, a referral to the CC from the Office of Fair Trading as early as October and a preliminary negative decision of the CC in February 2013. All this could easily have put off customers. Despite all this, traffic steadily grew (see overleaf), in line with published targets.

- **For the employees of the SCOP and their management:** all of them must be saluted; they had lost their job and they got together and invested in a cooperative structure. As ship-owner, the Group can only rejoice in having opted to trust the operation of its ships to such a sub-contractor, whose efficiency is beyond doubt. I would also like to add that, faced with a constant barrage of questions as to their chance of survival, they coped admirably and never succumbed to the temptation to protest or strike. Another reason to say that MyFerryLink has nothing to do with the now defunct SeaFrance company.

- **For the evolution of the Dover Strait market:** next to the historical leader P&O, and thanks to the disappearance of SeaFrance, a new entrant DFDS has arrived with force. It is on the heels of P&O with a 25% share of the freight market, the most important segment. Together, these two major operators control over 50% of the market, the Fixed Link itself being at its best historical level of 38.5% after an exceptional year in 2012. It is thus difficult to see how MyFerryLink, with its 9 to 10% market share achieved starting from scratch, could do anything other than **bring true competition to this duopoly which dominates the market**. It is usual to read public declarations by DFDS complaining of the “pressure on prices”! Are they struggling from their being competition?

The decision taken by the CAT **gives MyFerryLink some visibility**, and this enables us to come back to the current general context.

When Le Shuttle came into service, everyone thought that ferries would disappear. It is far from what happened, for two fundamental reasons: on the one hand, maritime operators have made remarkable progress in terms of productivity – most recently with P&O's super-ferries – and on the other, the **maritime sector is aided, not to say subsidised**, by the Authorities. And I don't

even mention the reduced social charges for seamen; ferries do not pay the actual costs of the port infrastructure they use. Proof of this can be found in the project to extend the Port of Calais: the concessionaire, even with subsidies of up to €200 million, is unable to put in place independent finance precisely because port charges are too low. It has to rely on a **full guarantee by the Nord Pas-de-Calais region, which in itself is surely illegal** as the Port, with its public service delegation, must shoulder part of the risk.

In these conditions, there is no reason why the Group, which does not receive any public support, should not be present on this very specific market. Admittedly the turnover is marginal (5 to 6%) and this start-up business is currently losing money but the current path it is on will enable these losses to be reduced significantly by 2015. With a 10% market share, our investment in purchasing the three ships has created value. In the long term view which we take it therefore makes sense to be involved.

The **next step** is for the file to go back to the Commission as the CAT considers the form rather than the substance. The real change is that now the CC should be in a position to **include in its reasoning the true manner in which the market operates**, when in the summer of 2012 it could do nothing other than reason on the basis of DFDS's reckonings and peremptory declarations.

It is now over two years since SeaFrance ceased trading (November 2011), the company being liquidated at the beginning of 2012. It is over 15 months since MyFerryLink started up. DFDS is in the process of supplanting P&O as the first maritime operator in the Dover Strait.

Clearly, the deal has changed. The Commission is made up of qualified independent individuals, who I am sure will be keen to take into account all these developments.

So, let us wish MyFerryLink a safe journey.

Yours faithfully,

Jacques Gounon
Chairman and Chief Executive Officer

Key dates



Rodin

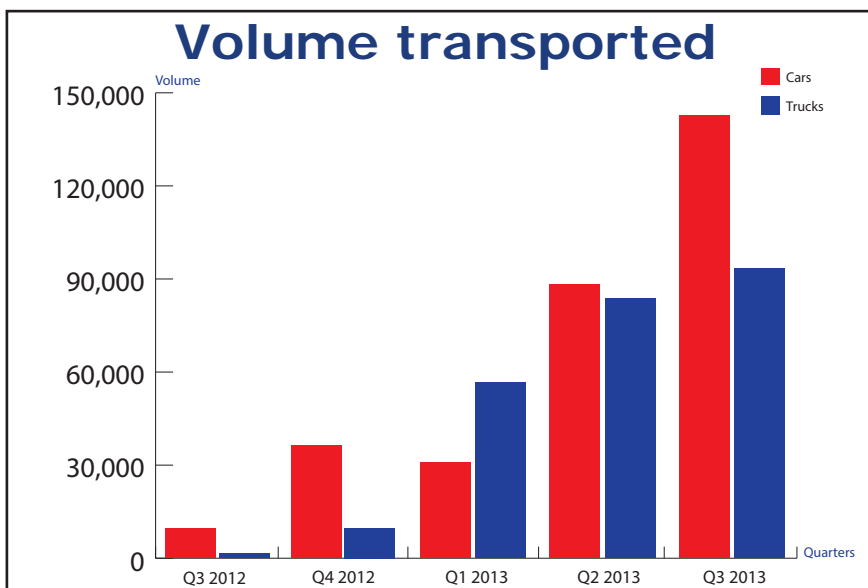
2 July 2012 Acquisition by auction of the three ships: Rodin, Berlioz and Nord-Pas-de-Calais.

20 August 2012 The Rodin and The Berlioz are leased to an independent operating company, the SCOP SeaFrance. Start of commercial activity.

End of 2012 The Nord-Pas-de-Calais becomes operational.

31 July 2013 Market share of the car segment reaches 8.2%.

31 August 2013 Market share of the truck segment reaches 10.9%.



Berlioz

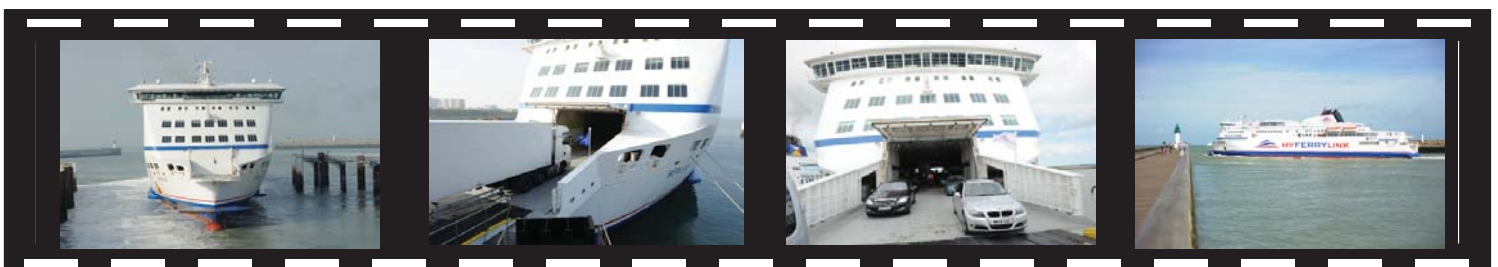


A **serious alternative** on the Dover Strait for retail customers and hauliers in the freight segment.

A company that made its mark despite a complex commercial context, faced by two mighty operators, P&O and DFDS, with twice as many scheduled departures.

A sustained **quality of service** based on staff commitment and acclaimed by customers.

- 9,000 crossings with well-liked regularity.
- 1,200,000 passengers carried since launch of the service.



Change of address ?

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