

EUROTUNNEL ON TRACK

LETTER TO GROUPE EUROTUNNEL SE SHAREHOLDERS

13 JANUARY 2015

Dear Shareholder,

The Competition and Markets Authority in the UK has decided to reduce competition on the Short Straits by prohibiting us from operating a maritime service out of Dover and by confirming that there should only be 2 ferry operators, not 3. How can this make any sense at all, when the overall market is growing, when our competitors have far from negligible market shares for trucks (29% for P&O; 24% for DFDS), and when the available capacity has just suffered a further reduction: the Molière, the ferry which we did not take on, has just been bought by Stena and is currently operating in the Irish Sea.

It is all the more illogical as MyFerryLink is an operating and commercial success. Having begun operations on 20 August 2012, with no customer base (SeaFrance having ceased operations 9 months previously), the young company kept to its strategy, despite the barriers that were put in its way: in 2014 it carried almost 400,000 trucks, 350,000 cars and 1.5 million passengers. Today it is a decent, well-run business.

The motive given by the competition authorities is that essentially we acquired the business of SeaFrance. We won our first appeal, but the Competition and Markets Authority (CMA) maintained its position. A second appeal recognised the validity of our arguments, but that was not sufficient to overturn the CMA's decision. **In these circumstances, the only reasonable approach is to try to sell MyFerryLink,** which we have announced.

Paradoxically, **this is a positive outcome for the Fixed Link:** there will be a **reduction in competition from the ferries** in a "Calais 2015" port which will become too big following an enormous €880 million investment which will inevitably result in an increase in harbour charges.

To make the most of this situation, **we have decided to continue to invest:** following on from **Terminal 2015**, which I have already written to you about, we have just placed a **€40M order for 3 new Truck Shuttles**, equivalent to about a hundred new wagons, with a former subsidiary of Deutsche Bahn. This will increase our capacity by 20% and enable us to provide up to 8 departures per hour!

These investments are all the more necessary in the light of the **new records we set at the end of last year:** more than 19,000 vehicles (cars, trucks and coaches) carried in one day, on 19 December 2014, and almost **220,000 vehicles** between then and Sunday 4 January, inclusive.

As for the **railway network**, that is to say Eurostar and the rail freight trains which use our infrastructure in return for an access charge, **the situation is also very satisfactory.**

We will publish our full traffic and revenue figures for 2014 on 22 January and I will explain them in detail to you in the next newsletter.

We have recently published the access charges for the rail network that we will apply in 2016. They remain stable for rail freight trains and increase below inflation for high-speed passenger trains. They reflect the quality of our management and our ever increasing productivity (compared this to the 6% increase in track access charges in France this year!).

We are in the process of renewing the agreement signed with Eurostar in 2005 which sets the access conditions as defined in the Railway Usage Contract. This is a sign of the **mutual confidence** between the two partners that we are, which will enable us to continue to work together to ensure **the best traffic growth.**

For **rail freight**, Europorte and GB Railfreight have also fulfilled their contract, in growing markets, including in France, which is new. There will again be more information about this on 22 January.

The European countries which are most successful in modal shift from road to rail know how to create a competitive advantage: in Germany, the share of goods transported by rail is above 40%, whilst in France it is below 10%. Clearly **Europorte has some significant opportunities ahead.** An independent study (see overleaf) has identified 12 levers which would increase rail freight recovery in France.

Lastly, let us also take a quick look at the past year: between 1st January and 31 December 2014, the share price increased by more than 40% and our market capitalisation has now reached almost €6 billion. We know that we should never take anything for granted, especially given the tragic events in Paris just a few days ago, but this is a sign of the quality of the results achieved and encourages us to continue.

In light of all of this, I wish you, and those who are dear to you, an excellent year in 2015.

Yours faithfully,



Jacques Gounon
Chairman and Chief Executive Officer

In brief...

The Tunnel on the red carpet at the Emmys

British actor Stephen Dillane won the Best Actor category at the International Emmy Awards, held in New York on 24 November, for his role in the Anglo-French series "The Tunnel", which was co-produced and broadcast by Sky Atlantic and Canal+ at the end of 2013. The Channel Tunnel and some of its staff featured at the heart of this police drama, which was also nominated in the Best Drama Series category.



6,800 trucks

carried on Truck Shuttles in one day, on 11 December, the highest traffic of 2014!



The Opal Coast International Railway Training Centre (CIFFCO) celebrated 10 years of accreditation as a centre authorised to conduct training in railway skills such as those of a train driver.



The Eurotunnel Group was awarded a prize at the *Trophées de la Communication*, on 28 November in France, for the quality of communication surrounding the events for Eurotunnel's 20th Anniversary celebrations.

An Education Shelter for Samphire Hoe

On 28 November, Eurotunnel inaugurated the new Samphire Hoe Education Shelter, an eco-friendly education centre built in partnership with the Up On The Downs Landscape Partnership Scheme and the White Cliffs Countryside Partnership, who manage the Samphire Hoe nature reserve on a daily basis. The shelter provides a comfortable, year-round



location for schools and other groups in a 60m² classroom and a 40m² exhibition space. It will be a welcome addition to the many exhibitions and workshops on awareness of environmental responsibility and the nature of Samphire Hoe that are organised.



Co-financed by Eurotunnel and the Heritage Lottery Fund, the Education Shelter was built using environmentally friendly construction criteria. It is wood framed and the exterior for the back is clad using recycled railway sleepers from the Eurotunnel terminal in France and larch for the front. The shelter will be heated by wood-fired stoves. Eurotunnel Group has again delivered a benefit to the local community.

Bringing a competitive advantage to France by developing rail freight

An independent study into the long-term competitiveness of rail freight in France, published in November 2014 by Asterès, the specialist economic consulting group, has set out 12 recommendations, amongst which the most important are:

- Improve path management at a national level to respond to demand from private operators by bringing the time needed to allocate a path into line with the economy.
- Ensure better visibility for manager and operator by developing a guarantee scheme to give visibility for the year ahead.
- Create incentive schemes to make maintenance and repairs more efficient by:
 - reducing overbooking of paths for works possessions by instigating financial sanctions when planned possessions are not used.
 - improving productivity for maintenance teams and SNCF Infra works through internal competition.
- Be vigilant with regard to the competition by aligning SNCF Freight working conditions with those of the private sector (and not the other way round).
- Europe, the State, the regions: apply a subsidiarity principle to investment through:
 - the creation of EU specific resources to develop the main European rail freight corridors and multi-modal platforms at key junctions of the European network.
 - by giving the regions scope for financial manoeuvre to support rail freight to benefit the local economy and for sustainable development.
- Local railway operators and local authorities: reinvigorate the feeder network by:
 - encouraging the growth of local operators to bring down operating costs and thereby ensure the survival of the feeder network.
 - transfer responsibility for the feeder network to local authorities and private companies, who have credible projects to revitalise the network.

For further information, you can read the entire report (French version only) on the [Rail freight development](#) page on the Europorte website.

Change of postal or email address?

If you hold your shares in registered form with BNP Paribas Securities Services or in the form of CDIs via Computershare Investor Services PLC, don't forget to notify them of any change in your personal information.