

# EUROTUNNEL ON TRACK

LETTER TO GROUPE EUROTUNNEL SE SHAREHOLDERS



24 JUNE 2016



Dear Shareholder,

**The United Kingdom has just chosen to leave the European Union** with a vote for Brexit. Initial reactions seem disordered since it is so difficult to assess the medium and long term consequences for both the United Kingdom and Continental Europe. However, it should be emphasised that the exit process will lead to lengthy negotiations, which should enable a switch from an emotional to a rational level.

As the British say: "Keep calm and carry on!"

**With regard to the Channel Tunnel,** I said publicly in December 2015 that there was a strong possibility that *Leave* would win. We have analysed in

detail our business flows and have come to the conclusion that we do not anticipate any impact on our activity:

- The United Kingdom has never belonged to either the Schengen area or the euro zone: no change;
- London, which represents the core target for Eurostar and ourselves, is europhile and will remain in close contact with Europe;
- During the 22 years that the Tunnel has been in operation, sterling has experienced significant fluctuations against the euro without hindering the general trend of growth for our traffic;
- The migrants have not disrupted our operations for many months, as the enhanced security measures have proven to be effective and will be further strengthened. It should also be noted that our border area does not fall within the remit of the Le Touquet agreement but under articles 1 and 4 of the Treaty of Canterbury and their application in the Sangatte Protocol signed on 25 November 1991. All have been in place for a long time.

In short, and notwithstanding the speculators, **the necessity, attractivity and competitiveness that our business model is based on** are such that we will get through this geopolitical crisis without difficulty and therefore overall, we **do not see any reason for changing our EBITDA objectives for 2016 and 2017.**

On another subject, **the French 2014 railway reform** is now being completed with the legislation that will regulate this activity. This marks the completion of a complex process which started in 2011 with the "Assises du Ferroviaire". As well as the reconstitution of the SNCF Group, one of the objectives sought by the national operator has been to actually try to limit the decline in its market share.

We have taken an active role in the drafting of the **joint agreement which will regulate the sector** and the result is satisfactory for us:

- The unfounded claims such as of social dumping, even though completely groundless, will no longer cause concern amongst customers;

- Europorte has been able to negotiate new labour agreements in line with the new rules. Its economic model remains unaffected;

- In contrast, the French SNCF has signed a collective works agreement which does not eliminate its internal rigidities and which raises its production costs, particularly at night;

- **The difference in productivity with Fret SNCF therefore remains considerable and to our benefit** and the profitable growth of Europorte is not compromised in any way.

**Europorte** is and will remain the leading private operator in France, after the two national operators SNCF and DB (Deutsch Bahn), in a context which is stable and clearly defined for the coming years. This is therefore very good news.

Elsewhere, we salute **the inauguration of the Saint-Gothard tunnel** which, at 57-km in length, becomes the longest rail tunnel in the world. It consists of two tubes (compared to three for the Channel Tunnel), linked every 325m by a cross-passage. The budget of €11 billion was respected. Compared to the investment in the Fixed Link which, in today's money equates to €15 billion, of which €5 billion are financing costs (at a time when interest charges were very different to those of today), this amount gives credibility to the value of our assets, especially as the Channel Tunnel still remains the longest undersea tunnel in the world.

And there is now also the intention to construct a 19-km long **immersed rail and road tunnel between Germany and Denmark** for entry into service in 2027, which confirms the return of tunnels as a means of crossing major natural obstacles.

We hope that **the Lyon-Turin tunnel** project will come to fruition soon. With a direct high-speed connection between Turin and Lyon, there are significant opportunities for increased international freight and passenger traffic between Italy and the United Kingdom which would be of great interest to us.

**Infrastructures are a determining factor that drive economic development** and increase exchanges. We have a unique expertise in this field and we are providing a service to millions of passengers and citizens and to thousands of transporters. This is not going to change.

Yours faithfully,

**Jacques Gounon**  
Chairman and Chief Executive Officer

# In brief...



**20 July:** Results of the Eurotunnel Group for the 1<sup>st</sup> half of 2016

**More than 130,000 trucks** were transported each month for 7 months (from November 2015 to May 2016), an outstanding operational performance.



## Eurotunnel Le Shuttle Freight at Multimodal 2016



The commercial team for Le Shuttle Freight exhibited once again at the NEC in Birmingham, the UK's leading logistics and transport event attended by around 10,000 industry professionals. From 10 to 12 May 2016, our teams took the opportunity to meet with prospective customers and to strengthen business relations with existing customers. This event was also the perfect occasion to highlight the development of Terminal 2015 and to present details of the numerous new security measures at the Coquelles site, a major benefit for our haulier customers.

## Follow us and our videos on social networks



[@LeShuttle](#)  
[@TruckShuttle](#)  
[@GroupEurotunnel](#)  
[@GB Railfreight](#)



[Eurotunnel Le Shuttle](#)  
[GB Railfreight](#)



[Eurotunnel Le Shuttle](#)  
[Eurotunnel Freight](#)



## Eurostar latest news

On 31 May, Eurostar launched a new digital hub for its best fares: called *Eurostar Snap* and available through Facebook, the new service offers one-way tickets between London and Paris or Brussels for £25. One condition: flexibility, as Eurostar will confirm the exact time of the train only 48 hours

before travel. Regarding traffic, the Eurostar London-Marseille route via the Channel Tunnel in 6h30 celebrated its first anniversary with more than 182,000 bookings since its launch on 1<sup>st</sup> May 2015. Eurostar has also reported strong forward bookings during the Euro 2016 football tournament. Last but not least, on 28 April, a new e320 Eurostar train travelled on the Dutch network which marked the start of a comprehensive testing programme prior to the launch of the new London-Amsterdam route with a journey time of around 4 hours which is expected to start at the end of 2017.

## An award for the Group's Share Incentive Plan



Implemented in 2015 by the Eurotunnel Group for the employees of the Concession in Folkestone and those of GB Railfreight subsidiary, the Share Incentive Plan has won the award for the Best employee share scheme at the Employee Benefits Awards held in June 2016 in London. This plan, which mirrors the French Group savings plan, represents a further step towards greater harmonisation of its British and French staff as well as of its employees and shareholders. In 2016, the Share Incentive Plan now enables British employees to invest in GET shares with a matching contribution by the company to £450 and then a 25% contribution up to £1,800 per year.



## The Eurotunnel Group on screen

The Channel Tunnel has recently been at the centre of two television programmes: the first one by BBC South East Today on the rerailing campaign in the Tunnel which ensures the highest level of safety; the second broadcast was Le monde de Jamy on France 3, dedicated to safety on holiday routes with reports on the speed of a Eurostar journey between Paris and London and directly from the Safe stations installed in the railway tunnels.

## Eurotunnel Le Shuttle celebrates HM The Queen's birthday



From 10 to 12 June, to pay tribute to HM The Queen for her 90<sup>th</sup> birthday, Le Shuttle customers brushed shoulders with look-alikes of Queen Elizabeth II, Prince Philip and Henry the Corgi. Events organised by the Eurotunnel Le Shuttle commercial team included two videos, which created a social media buzz, featured the royal couple escorted by 30 classic cars decorated with bunting, balloons and crowns before boarding a Eurotunnel Shuttle to France!

## Eurotunnel Group praised for its CSR policy



In June 2016, a benchmark assessment carried out on Corporate Social Responsibility (CSR) by Generali Investments has ranked the Eurotunnel Group as number one amongst the best companies in the infrastructure management business, taking into consideration quantitative criteria of social, environment and governance issues. This analysis highlights that the Eurotunnel Group's business model is in line with today and tomorrow's major issues of green mobility. Eurotunnel Group's recent performance contributed to achieving this high score, in particular our safety management and the working conditions of employees.