

EUROTUNNEL ON TRACK

LETTER TO GROUPE EUROTUNNEL SE SHAREHOLDERS

19 OCTOBER 2016

Dear Shareholder,

This has been an **excellent summer and an excellent September**. You will find the **key figures for the third quarter of 2016** overleaf, along with the cumulative view for the first 9 months. Once again **we have broken all our previous records**. We have had no disruption from migrant activity, something that was not the case for the port of Calais, and the forthcoming removal of the "Jungle" will only strengthen this position. Only Eurostar has suffered from the aftermath of the attacks in Paris and Brussels, but the resilience of their traffic, the

end-of-year celebrations and the opening, announced for the end of 2017, of the route to Amsterdam should lead to a rapid return to growth.

What is interesting in this 3rd quarter is that it comes after the surprise vote by the United Kingdom, on 23 June, to leave the EU – Brexit. In the lead up to the referendum, commentators took great delight in predicting the worst kind of catastrophes and some are making profits by speculating in the fall of our share price. I said at the time that **Brexit would not impact our activity**. These figures confirm this: Le Shuttle, the spearhead of the cross-Channel market, has seen **its revenues grow by 12%, truck traffic by 14% and cars by 2%**.

The forecasters all confirm that **the United Kingdom will still be in growth in 2017**, by 1.1% according to the IMF. The London Stock Exchange proves the point, as the FTSE has grown by more than 10% since the referendum. So why should this mean that what is good for British business is not good for Eurotunnel, which is, after all, 50% British? As for the fall in **sterling**, beyond the fact that this supports British exports and will automatically attract inbound tourism to London and elsewhere, we should not forget that it will also have a beneficial impact on our debt: **a variation of -10% in the value of sterling against the euro equates to a reduction in our debt of almost €200 million** and only -€20 million in net result terms, with no impact on the distribution of dividends. On top of this, in more than 20 years of exchange rate variation, we have never seen a correlation with traffic

volumes. The very good figures from Brittany Ferries on the Brittany and Western Channel routes prove that the market is very active everywhere.

The Channel Tunnel is a **vital physical link between the United Kingdom and continental Europe**. It will not be undermined by circumstances and will remain a preferred route for trade regardless of the nature of international agreements. It is on this basis that we maintain our objectives, particularly the goal of transporting 2 million trucks per year in 2020, and without taking into account **ElecLink**, which should bring, according to analysts, around €100 million of additional EBITDA by the same date!

The other big news is **the sale of our British rail freight subsidiary, GB Railfreight (GBRf)**. We have reached agreement with a potential purchaser, which we will present to staff representatives on 26 October. Following the economic crisis in 2008, we felt that we needed to find vectors for growth within our skill zones, and rail freight fitted the bill.

In a short time, **we have doubled GBRf revenues and significantly increased its profitability** in a UK market which has long been open to healthy and efficient private sector competition. In the current circumstances, GBRf's growth would, sooner or later, have led to the acquisition of a competitor... Our strategy, however, consists of reserving our major investments for the activities of our Concession.

The French rail freight market is a different beast: **Europorte France will remain within the Group** and will continue with its development, absorbing the additional costs generated by the 2014 rail reforms.

The sale of GBRf, when completed, will generate substantial added value, **with a return on investment in the order of 28%**.

We continue to move forward with, once again, the best results ever achieved in the history of our company. We look towards the end of the year in the hope that we will continue the record breaking run.

Yours faithfully,



Jacques Gounon
Chairman and Chief Executive Officer

In brief...



Date for your diary in 2017

1st March: 2016 annual results

Renewal of Europorte's safety certificate

On 7 October, Europorte France obtained from the French railway safety authority (EPSF) the renewal of its safety certificate for a five-year period (until October 2021) authorising the company to pursue its rail freight transport services, including dangerous goods, on the national railway network. Due to the quality of its track record and the dossier submitted, this renewal reflects the daily performance of Europorte France to run rail freight trains in all safety.

The Eurotunnel Group, partner of the World Forum for a Responsible Economy



Earlier in October, the Eurotunnel Group partnered with the World Forum for a Responsible Economy 2016 chaired by Philippe Vasseur, Board Director of Groupe Eurotunnel and chairman of the Réseau Alliances with whom the Group is associated. In line with the theme "Companies: what purpose do they serve?", the Group presented during this event its expertise in adjusting to the changes of today's businesses, alongside many French and international companies.



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Focus on traffic and revenue figures Third quarter

Group revenues grew by 4% at constant exchange rate to €320.3M.

Fixed Link Concession

- Truck Shuttle traffic rose sharply by 14% (400,450 trucks transported) and Le Shuttle for Passengers grew by 2% (882,358 cars transported)
- 10 % decrease in Eurostar traffic with 2.6 million Eurostar passengers through the Channel Tunnel
- Increase of 12% in Shuttle revenue to €178.6M and of 7% in the Fixed Link Concession revenue to €256.9M.

Europorte: rail freight

- Decrease in revenue (-7%) impacted directly by the reduction in the transport of cereals in France and in the transport of coal in the UK due to the increase in the carbon tax.

First nine months of 2016 (1st January to 30th September)

Total Group revenues show a +3% increase to €902.1M.

Fixed Link Concession

- 1.2 million trucks transported on Shuttles (+12%) in a market up 5.3%
- More than 2 million cars transported on Le Shuttle (+1%) in a market down by 2.3%
- 7.5 million Eurostar passengers through the Channel Tunnel (-5%); impact of the Paris and Brussels attacks
- 1,327 rail freight trains through the Tunnel (-33%); impacted by the migrant crisis in 2015
- +10% increase in Shuttle revenue and +5% in the Fixed Link Concession revenue.

Europorte: rail freight

- 5% decrease in revenues.

Revenue

for the first nine months

In €M (January-September)

2016

902

+3%

2015

879

More information in the

[press release](#) published on

19 October 2016 on the

Group's website

Le Shuttle for passengers

In thousands (number of cars carried)

9 months 2016

2,045

+1%

9 months 2015

2,024

Truck Shuttle

In thousands (number of trucks carried)

9 months 2016

1,230

+12%

9 months 2015

1,102

Eurostar - In thousands

(number of Eurostar passengers through the Tunnel)

9 months 2016

7,548

-5%

9 months 2015

7,987

Rail freight trains

(number of trains through the Tunnel)

9 months 2016

1,327

-33%

9 months 2015

1,995

All comparisons with 2015 are at the average exchange rate for the first 9 months of 2016: £1 = €1.237



Summer 2016: a service offer further improved for Le Shuttle customers and in particular those of the Flexiplus premium service

The Channel Tunnel goes fully digital with GSM-R



On 29 September, Eurotunnel inaugurated the new Channel Tunnel track-to-train railway telecommunications network, GSM-R (*Global System for Mobile Communications - Railways*). This six-year project represents a €48M investment which is part of an ongoing strategy of infrastructure development and modernisation. On both sides of the Channel, at 100m below sea level, the GSM-R system enables the optimisation of railway traffic in complete safety thanks to the high-performance digital technology used in 17 European countries. GSM-R allows voice and data communications between staff working for maintenance, Shuttle crew, terminal operations, security and emergency services. The new functionalities also enable contacting of groups of trains in conference mode and connection with the GSM-R network of HS1 and SNCF. With GSM-R, Eurotunnel paves the way for the development of European railway traffic. To find out more, watch [the online video on GSM-R](#).



Two new awards for Samphire Hoe

At the end of July, the Samphire Hoe reserve owned by the Eurotunnel Group in Kent, received its 12th consecutive Green Flag which rewards the most outstanding nature reserves in the UK for their environmental quality. In September, Samphire Hoe has also won a gold medal at the UK South and South-East in Bloom Awards in the Country parks category. Hosting many species of flora and fauna, Samphire Hoe is visited by more than 80,000 people each year.