

EUROTUNNEL ON TRACK

LETTER TO GROUPE EUROTUNNEL SE SHAREHOLDERS

24 JANUARY 2017



Dear Shareholder,

Many indicators might have led you to be concerned that 2016 would be a difficult year: terrorist attacks, migrant pressure, Brexit, increase in interest rates, inflation, weakness of the pound... It is true that many of these things happened, but our Group has navigated through these events without impact and has even **achieved a number of important successes**:

- Europorte: in November the **sale of GB Railfreight**, our British rail freight subsidiary, for a very good price. **Europorte France**, which suffered from the SNCF strikes in the spring, reacted rapidly to bring production costs under control and to refocus;

- **All-time traffic record** for the Truck Shuttle, with 1,641,638 trucks transported. Our market share grew to 39.2% for the year;

- **Out-performing** the Passenger Shuttle market with 2,610,242 cars transported and a car market share of 55% for 2016;

- **The highly effective protection** of the site to ensure the total security of traffic flows with the new Security Control Centre (see overleaf) as the centre piece;

- **Eurostar** exceeded 10 million passengers, with an **upturn of traffic** at the end of the year.

All of this has enabled a **significant 4% growth in like-for-like revenue, to €1.023 billion**, that is to say excluding GBRf (which had made €130M in revenue for the first ten months of the year) and at a constant exchange rate (£1=€1.216).

On this last point, it is important to note that **sterling** has returned to a "normal" rate of exchange, more like those that we have seen since 2010, with the exception of 2015 which was an oddity (with an exchange rate of £1=€1.375 against c.€1.20 for the other years).

At the same time, **economic growth in the UK** remains at a very satisfactory level to support our traffic, with forecasts of around 1.5% for 2017.

Overall, **Brexit** has not created the upset that some forecasted. Of course we monitor the progress of this issue very carefully, but the most recent assertions by Theresa May are reassuring for the **preservation of our interests** regarding the two points that are key for us:

- **Trade** between the UK and continental Europe is so vital that no one is considering impeding it;

- The operation of the **border**, according to Theresa May must be "**frictionless**", as fluid as it is today.

We have already been working for some time on projects to automate elements of border controls: "e-Gates" or "**Smart-Border**". Eurotunnel was amongst the first, several years ago to introduce Automatic Number Plate Recognition (ANPR) technology and we will shortly be trialling biometric recognition.

The increase in long rates has had no impact on our debt, as we have already changed our variable rates into fixed. It is actually the opposite, as the market value of the hedging of the rate will decrease, which will make any refinancing of Tranche C easier. As for inflation, it improves our "pricing power" and will generate additional revenue.

The Channel Tunnel Fixed Link occupies a **unique position with high value-added trade flows**. Its business model is sound, the staff are motivated and the company has an extraordinary capacity for anticipation and reaction, which it has demonstrated on many occasions.

We are preparing for our future growth by investing: **three new Truck Shuttles** to increase frequency and capacity; two new FlexiPlus buildings, in Folkestone and Coquelles, just before boarding to expand the service, and many other projects to ensure the availability of the Tunnel at its excellent level.

We are building on the existing business through **investment** that will bring future profits, like **ElecLink**. Taking control of this entity has given us the ability to accelerate delivery and to start the initial works. The cold weather that has recently hit Western Europe has demonstrated just how much need there is for electricity supply and how dependent we are on electric interconnectors between different countries. We will be productive in this field for the winter of 2019-2020, thereby adding another dimension to our Group.

We are determined with your Board of Directors to continue with the progress that has been made over the past 10 years. Our **financial results for 2016** will be published on 1st March. At this stage, based upon the very positive growth in revenue in 2016, we confirm our like-for-like EBITDA objective.

Yours faithfully,

Jacques Gounon
Chairman and Chief Executive Officer

In brief...

Dates for your diary in 2017

1st March: 2016 annual results
27 April: General Meeting of Groupe Eurotunnel SE

The Eurotunnel Group confirmed in the FTSE4Good index

Following the assessment process in December 2016, Groupe Eurotunnel has once again been confirmed in the FTSE4Good index which identifies listed companies that are considered ethical and responsible. This new recognition reflects the importance that Groupe Eurotunnel attaches to the development of its activities in compliance with non-financial criteria of social, environmental and corporate responsibility. (The Eurotunnel Group has been included in the FTSE4Good since November 2014).

China's first train to the UK



The first intermodal freight train from China travelled through the Channel Tunnel at 11h58 French time on Tuesday 17 January after leaving Yiwu city (South of Shanghai) on 1 January. Transporting manufactured goods, the train travelled 8,000 miles to Barking (East of London) in 18 days, a journey through Kazakhstan, Russia, Ukraine, Belarus, Poland, Germany, Belgium and France, a new modern railway route along the Silk Road. On the logistics side, the train formed of 17 double wagons and 34 containers, enables a halving of the time taken using maritime transportation and a cost reduction of 80% compared to air freight. China plans to develop this mode of transport to deliver goods to some European countries, with an objective of 5,000 trains by 2020.

2016 activity figures for the Eurotunnel Group

The 2016 revenue reached €1.023 billion, a 4% increase like-for-like*.

Channel Tunnel Fixed Link Concession

- An all-time record of 1,641,638 trucks transported; the traffic is up by 11%, outperforming the market (+5%) and the service confirmed its place as market leader with a 39.2% market share for the year.

- 2.6 million cars mark exceeded, up by 2%, in a market down by 2% resulting in a growth in market share to 55%.

- 10 million Eurostar passengers in 2016, down by 4% (impact of the terrorist attacks) but restart of traffic at the end of the year with a record month in December 2016 (+9 %).

- Cross-Channel rail freight suffered a 26% reduction in number of trains due to the stoppage of some traffic caused by the pressure of migrants on the SNCF yard in Fréthun in 2015; upward trend (+10%) in the 4th quarter of 2016.

- A 10% increase in Eurotunnel Shuttle revenue to €602.7M.

- Fixed Link revenue up by 5% to €907.7M.

Rail freight: Europorte

- €115.8M revenue for Europorte in 2016, down by 6% due in particular to the cancellation of trains during the SNCF strikes in the spring and the reduction in transport of cereal linked to the worst harvest for 30 years in France.

- Successful sale of GB Railfreight, the UK rail freight subsidiary, on 15 November 2016.

More information in the [press release](#) published on 24 January 2017 on the Group's website.

*All comparisons with 2015 and 2014 are done at the 2016 exchange rate of £1=€1.216, after restating for IFRS 5 following the sale of GB Railfreight in November 2016

A new Security Control Centre in Coquelles



In accordance with the Group's commitment to maintain the highest level of security in the Concession area, the new Security Control Centre in Coquelles was inaugurated on 18 January in the presence of Fabienne Buccio, Préfète of the Pas-de-Calais and Paul Booth, Deputy Director of Border Force, South East and Europe region. Fitted with high-technology equipment, the new building ensures the management of 1,500 alarms coupled with 570 cameras of various types via an IT hypervisor and a 21m² video wall. It enables the French and UK authorities as well as the Eurotunnel security teams to work together in one single location and to optimise the reinforced security measures in place since 2015. The Eurotunnel multi-year security plan has proven to be highly effective as there have been no disruption to services and no migrant intrusions on site since October 2015. View more information on security at Eurotunnel [in video](#).

Passenger Shuttle - Cars

In millions (number of cars carried)

2016	2.61	+2%
2014	2.56	
2013	2.57	

Truck Shuttle

In millions (number of trucks carried)

2016	1.64	+11%
2015	1.48	
2014	1.44	

Eurostar - Passengers

(number of passengers through the Tunnel)

2016	10.0	-4%
2015	10.4	
2014	10.4	

Rail freight trains

(number of trains through the Tunnel)

2016	1,797	-26%
2015	2,421	
2014	2,900	

Group Revenue

in €M

2016	1,023	+4%
2015	984	
2014	948	

Priority to safety: Binat 27

Binat 27, a full-scale binational safety exercise, took place during the night of 21 to 22 January on the Concession, simulating a security incident in the Tunnel. The United-Kingdom this year took the role of Lead nation for the purposes of this exercise. The organisation of Binat exercises enables testing of the safety process on a regular basis for customers and employees as well as the response planning of the emergency services and their effective coordination in the Channel Tunnel.