



Dear Shareholder,

Despite the particularly uncertain geopolitical environment, with barbaric attacks in France and Belgium, a major political crisis in the United Kingdom following the referendum campaign and the decision to leave the European Union and its possible consequences for Europe and, to a lesser extent, the numerous strikes in France this spring, mitigated to some degree by the success of the Euro 2016 football championships, **the Eurotunnel Group has published improved figures for the first half of 2016** (see overleaf).

The cross-Channel Fixed Link is so efficient and so attractive to customers, especially since it has been protected from migrant incursions, that we have been able to set new traffic records:

- Best ever half-year for Truck Shuttles: 829,606 trucks transported;
- Passenger Shuttle market share has increased, despite a contraction in the market and the return to maritime operations of our two old ferries, now leased to DFDS.

Eurostar has, understandably suffered from the consequences of the attacks, but the entry into service of the new trains, with improved comfort for passengers, more on-board services and a new timetable, have limited the effect.

These very good traffic results have also been achieved without sacrificing either yield or our investment programme.

Costs for the Fixed Link have increased within reasonable constraints, with a particular effort being made to improve the welcome we provide to our ever increasing number of customers on peak days and, of course in security on the site, with additional personnel and now surveillance drones (see overleaf). These have already proven their value.

Europorte is also doing very well despite the reduction in some transport sectors in the UK and the strikes in France. The objective of protecting margins has been achieved through rigorous management.

ElecLink is getting ready for the launch of construction work on the 1,000MW interconnector between Great Britain and France. We have reached an agreement with our partner, Star Capital, to

acquire control of 100% of the entity. This should be concluded shortly, enabling us to consolidate this promising activity. You will remember that we could not do this at the outset as our finance agreements did not permit it. The simplification we introduced in December 2015, with the suppression of the two monolines has opened up development opportunities such as this.

With regard to Brexit, we do not share the background pessimism about its impact on the Fixed Link. Our activity is concentrated around London and not so much in the more at risk regions and is based on high value traffic which remains essential to the UK economy. We have welcomed the appointment of Theresa May as Prime Minister. She knows us well, having visited our site last year and has taken many decisions that are favourable to us. The rapid introduction of a new government has also lifted one of the causes of uncertainty. And it is not likely that the two years of negotiation ahead will put at risk the financial and trade relationships between the UK and the 27 EU countries as that would be to no one's benefit.

The only remaining uncertainty, and this is not a new one, is the rate of exchange between the sterling and the euro. As we have seen in the past, this will not impact on our traffic and our debt structure was designed to adapt to fluctuations in exchange rates.

The most visible effect will be in the consolidated accounts. As an example, our 2016 EBITDA objective of €560 million, based on an exchange rate of £1=€1.375, would automatically become €535 million when the sterling is at €1.273, the average exchange rate for the half-year. Figures which would make many envious.

We have proven in the past just how solid our business is and how capable of swift reaction to events. Brexit did not come as a surprise to us, we had done our homework, analysing all the options and parameters in advance. We will continue to maintain the utmost vigilance, but we look forward to the future with renewed confidence.

Our staff are motivated, our company is ready for the challenges ahead, our ever more numerous customers love our services. The summer looks good.

Yours faithfully,

Jacques Gounon
Chairman and Chief Executive Officer

In brief...

Date for your diary

20 October: Revenue and traffic figures of the Eurotunnel Group for the 3rd quarter of 2016

121,343

pets transported across the Channel on Le Shuttle in the 1st half of 2016, a 15% increase on H1 2015.



Eurotunnel's ambassadors



To highlight the binational nature of the cross-Channel Fixed Link and the commitment of its members of staff, Eurotunnel has produced a series of 10 video portraits of French and British men and women who work on the Folkestone and Coquelles sites. Available on the Group's website since 24 June, this campaign has created a buzz on social media networks, given the number of likes and retweets. The videos can be viewed on www.eurotunnelgroup.com.



Focus on the Group's 2016 half-year results

Fixed Link Concession

- 829,606 trucks transported, +10% vs H1 2015 : half-year record;
- 1,162,740 cars transported, traffic stable;
- Shuttle Services revenue: +9%;
- 4.97 million passengers using Eurostar to cross the Channel, -3%;
- Number of freight trains through the Channel Tunnel: -43%;
- Increase in the segment revenue to €443M, +4% vs H1 2015;
- EBITDA of the segment up 4%.

Europorte: rail freight

- Revenue: -4% to €139M;
- EBITDA of the segment stable at €10M (-1 %), due to the -5% reduction in operating costs.

Group consolidated figures for H1 2016

- **Revenue** up +2% to €582M;
- **Operating costs** stable (+1%), in line with the Group's activities;
- **EBITDA** up +4% to €249M;
- **Net result** including a one-off net profit (€22M) for the maritime segment: a **€60M profit increased by €29M**;
- **2015 dividend** paid in 2016: €118M;
- **Debt repayments:** €19M;
- **Net CAPEX:** €47M;
- **Free cash flow from continuing activities:** €71M (vs €73M in H1 2015);
- **Cash position:** €298M at 30 June 2016 (vs €406M at 31/12/2015).



More information in the [press release](#) published on 20 July 2016 on the Group's website.

* All comparisons with 2014 and 2015 are at the H1 2016 exchange rate: £1 = €1.273.

Group revenue

In €M		
H1 2016	582	+2%
H1 2015	570	
H1 2014	529	

Operating costs

In €M		
H1 2016	333	+1%
H1 2015	330	
H1 2014	300	

EBITDA

In €M		
H1 2016	249	+4%
H1 2015	240	
H1 2014	229	

EBIT

In €M		
H1 2016	168	+3%
H1 2015	163	
H1 2014	147	

Net consolidated result

In €M		
H1 2016	60	+€29M
H1 2015	31	
H1 2014	-12	

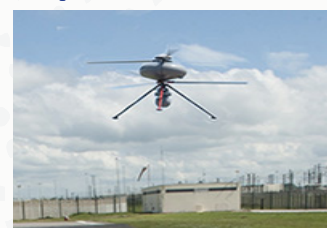
Security further enhanced on the Coquelles site

The ongoing multi-year plan on the Eurotunnel site in Coquelles, which started in 2015, continues in 2016 with the deployment of two military-quality drones to reinforce the surveillance of the 650-hectare French terminal. Equipped with long-range thermal imaging cameras able to work by night and in bad weather, the drones will be used in addition to the current security systems (which include some 500 fixed cameras) to track any attempted intrusion. The drones will also allow the 300 security personnel on the terminal to intervene more quickly in order to ensure high security on site and protect migrants from harm.

Another element of the plan launched in May 2016 concerns the construction of a railway siding before the Channel Tunnel portal, which will enable the searching of trains and vehicles without disrupting the fluidity of the railway traffic.

In addition, Eurotunnel has begun the construction of a new Security Control Centre (PCS) to enable the French and British authorities to optimise the use of all the new security devices already deployed, with the installation of a new 21m² image wall. Since the visits of the Home Secretaries Theresa May and Bernard Cazeneuve in August 2015, Eurotunnel has continued to benefit from the full support of the British and French authorities who fulfil their responsibilities in terms of security and border controls.

The Eurotunnel security systems have proven to be highly effective as there has been no intrusion onto the Coquelles terminal and no disruption to services since October 2015.



Replacement of the Tunnel refrigeration units

In order to further reduce greenhouse gas emissions, and in line with the Kyoto Protocol, the eight Tunnel refrigeration units whose purpose is to maintain the temperature of the railway tunnels below 30°C, are being replaced: in Sangatte (FR), two new units have already been in service since May 2016 and another two will be commissioned during the summer, whilst at Shakespeare Cliff (UK), two refrigeration units will be replaced in the autumn. As a result, the new units will provide savings of around 40% of the electrical energy used in the Tunnel's cooling systems. A study on using sea water as a cooling liquid is also in progress for the remaining two refrigeration units in the UK.

