

Eurotunnel on Track

October 2012



**Letter to Groupe Eurotunnel SA
shareholders**



Dear Shareholders

Eurotunnel has recently received three separate awards, for each of its three operational segments: Le Shuttle, truck shuttles and rail freight. This is a nice reward for our staff who have worked very hard to achieve this.

- **Le Shuttle** received, for the second year running, the Guardian and Observer award for **best train company** as voted by their readers. We are particularly honoured by this mark of trust from our clients expressed directly. It corroborates our own satisfaction surveys which show a 99% approval rating for our service offering.

- **For truck shuttles**, the award came from the Deutsche Bahn group for **best supplier** in 2012. To obtain such an award from the European leader in rail freight and logistics whose high expectations are well-known, is a source of real pride.

- **And for Europorte**, it is the high-speed test carried out in March this year as part of the Carex project which was rewarded by the Rail Freight Group as a **remarkable innovation**. There will be a growing move towards transporting express cargo from air to rail between continental airports against evermore present environmental concerns – an area we are particularly strong in.

More generally, we are working to make **cross-Channel rail freight** a commonplace occurrence. The legal constraints put in place originally forced us to use special locomotives – Class 92 – to go through the Tunnel. We have managed to change this so that European TSI standards now apply thereby enabling us to test the new **Alstom locomotive, the Prima II**: the tests carried out in the night of 29th to 30th September were totally satisfactory. Should the **Atlantic rail motorway** from Spain end on the Côte d'Opal, using Modalohr wagons which we have already approved, it is a complete trans-European traffic that will come into existence.

Similarly, the fact that we managed to obtain recently from the IGC authority to **remove pagodas** on Arbel shuttles opens up new horizons for us. These structures which do not exist anywhere else in piggyback transport, slow down the loading of trucks, weigh down the shuttles and lead to high maintenance costs. Beyond the immediate improvement to the service, we can start thinking about third generation truck shuttles which may leave the perimeter of the Concession and link up with multimodal terminals. This may all be in the future but is for us to prepare such future.

In the short-term, I must mention a change in our operational organisation: the Concession Agreement provides that Eurotunnel must have staff at all times at each end of the Tunnel: that is the First Line Of Response (**FLOR**). This staff is there essentially to assist travellers when, unfortunately, a train is stopped in the Tunnel, or when it needs to be evacuated. Since the beginning, this obligation of Eurotunnel's was sub-contracted to the fire services although it does not relate to **fire prevention which is the exclusive responsibility of the Authorities** as Second Line of

Response (SLOR). On the French side, the local fire services unilaterally decided to terminate the agreement with Eurotunnel thereby forcing us to find a new service provider. Following a rigorous and controlled tender process – safety is one of Eurotunnel's absolute priority – we selected a specialised business that will come into service on 1st January next year. No saving will result but a new impetus and a clarification of roles, which are always useful. On a different topic, that of catering onboard truck shuttles, we will see some savings from the removal of this service in timeslots when there was no demand.

More generally, the fact that over the last few years we have managed to **lower the break-even point for the business** means that we are more able to protect our profitability should the current economic crisis lead to a reduction in traffic. Against the concerns arising in France in respect of consumer spending as a result of tax changes to come, I must stress that we are essentially turned towards Great-Britain. As for the changes that will affect businesses, I must also stress that the Concession Contract provides for a compulsory 50/50 tax split between France and Great-Britain. Our bi-nationality is an asset which will enable us to be more reactive than others to economic developments to come.

I shall close with the latest news on **MyFerryLink**. The feedback in both the ports of Dover and Calais is very positive: the service is of good quality, the staff is professional and highly motivated. However, it will take more than that for ex-SeaFrance customers to return as both competitors P&O and DFDS are doing all they can to keep them, and thus try and see off the new entrant. The most surprising aspect is elsewhere however : as part of the final SeaFrance planned redundancy scheme, SNCF undertook to provide financial assistance to any company that would operate ferries and take on the staff made redundant as part of this scheme. The liquidator, Me Gorrias, appears to be refusing to make any payment thereby threatening the viability of the SCOP. One wonders whether the intention is really to promote employment...

All our markets are highly competitive and fiercely contested. Against this difficult background, we fight everyday looking towards the long-term, to defend your interests.

Yours faithfully,

A handwritten signature in black ink.

Jacques Gounon,
Chairman and Chief Executive Officer

An invitation to travel...



In September, Eurotunnel named its passenger terminal in Folkestone after one of France's best known writer: Victor Hugo (1802-1885), the author of the famous *Hunchback of Notre-Dame* having spent some of his life on that side of the Channel. The inauguration of the Coquelles terminal which is also to be named, will take place when its renovations are completed.



A Prima II locomotive entering the Tunnel during the tests carried out last month

Arbel Shuttles with pagodas as used currently



A shuttle without pagodas which will soon be used to make operations easier and give a new outlook to cross-Channel rail freight



And still we marvel at this unique infrastructure

Over the last two years, the Channel Tunnel has been the subject of many television programmes going from local media (*La Voix du Nord.net* on the European National Heritage Days referred to in the last edition of On Track) to international media (filming by the Discovery Channel in January 2012 already shown in Canada and to be seen in 140 countries) via national media (Arte filming in November 2011, *Public Sénat* in May 2012 and *Thalassa* which is to be shown in France this month).

After the Port of Bordeaux, Europorte is in Strasbourg

The *Port Autonome de Strasbourg* has chosen Europorteⁱ, the rail freight operating subsidiary of the Eurotunnel Group to manage railway operations and to maintainⁱⁱ its railway infrastructure for a period of five years.

Strasbourg is a multimodal port situated on Europe's most important river, the Rhine, and is a crossroads for freight transport. It has a railway network extending to 110km in length.

A recognized expert in infrastructure management, as demonstrated by the contracts already signed with the *Grand Port Maritime de Dunkerque*, the *Grand Port Maritime de Nantes Saint-Nazaire*, the *Grands Ports Maritimes du Havre et de Rouen, Paris and Bordeaux Atlantique*, Europorte improves port competitiveness – via the efficient management of essential railway infrastructure – and manages employment generating projects. A staff of 10 will manage the port at Strasbourg. The strong development potential and the proximity to the German frontier provide promising expansion opportunities for Europorte and the Port of Strasbourg.



Port de Strasbourg

ⁱ On the ground, Europorte subsidiary, Socorail, will operate and maintain the rail network at the *Port Autonome de Strasbourg*.

ⁱⁱ Part of the catenary maintenance will be subcontracted to Vinci subsidiary, Eurovia.



Emmanuel Moulin
Chief Operating Officer -
Corporate

Appointed on 28 August
2012 to replace
Claude Liénard

Curriculum Vitae

- Transport department of the French Treasury
- Office of Treasury and Monetary Policy
- Deputy director of the World Bank in Washington
- Secretary General of the Club de Paris
- Citigroup Global Markets with responsibility for France and Belgium
- Deputy private secretary to Christine Lagarde, the French Minister for Economy, Finance and Industry,
- Economic advisor to the French President