EMBARGO: Not for release before 07.30 hours (UK time) on Tuesday 26 April 2005

EUROTUNNEL 2004 RESULTS

DISAPPOINTING RESULTS, BUT STILL HOPE FOR RECOVERY

- **Reduction in turnover of 4% due to reduced shuttle activity (- 7%), in declining passenger market and in the context of a price war**
- **Operating margin reduced (- 6%)**
- **Operating profit slightly higher (+2%)**
- **Financial charges lower by 5%, adding to an improvement in the underlying loss of 14%**
- **Net loss of £570 million, following an impairment charge of £395 million (£1,334 million last year after an impairment charge of £1.3 billion)**

Jacques Gounon, Chairman of the Joint Board of Eurotunnel, said:

"*The 2004 results are the continuation of previous years. The further reduction in total and in Shuttle Services revenue is the consequence of insufficient reaction to major evolutions in the cross-Channel market over the past few years.*

"Project DARE was launched at the end of October 2004, as a commercial and operational response to this situation. I anticipate that this reorientation will start to bear fruit during 2005 and that we will see its full impact from 2006 onwards.

"We have satisfactorily obtained the waiver to the Credit Agreements, allowing us at last to begin negotiations with our creditors.

"I am determined to protect the interests of this company and to reduce the burden of the financial charges on Eurotunnel to a level that the company can support, thus ensuring its future growth and development."

END

FINANCIAL ANALYSIS - Extract

Intense competition in the short straits markets and continued contraction of the passenger market in 2004, have led to shuttle revenues 7% below 2003 at constant exchange rates. Operating revenue was 4% below 2003, whilst overall operating costs excluding cost of sales increased slightly. Depreciation charges decreased significantly following the impairment charge at the end of 2003, resulting in an operating profit 2% above 2003. Net interest charges decreased by 5%, resulting in a 14% improvement in the underlying result at constant exchange rates. The underlying loss in 2004 was £127 million compared to £148 million in 2003 at constant exchange rates. After an impairment charge of £395 million and other net exceptional losses of £48 million in 2004, the net result for the year was a loss of £570 million compared to a net loss of £1,334 million after an impairment charge of £1,300 million and exceptional profits of £115 million in 2003.

To make a valid comparison between 2004 and 2003 in both sterling and euros, the underlying loss for 2003 has been restated at the exchange rate used for the 2004 results (£1=€1.466) as set out in the table below.

Analysis of result **£ million** **Exchange rate €/£**	**2004** **Actual** **1.466**	**2003** **Restated** **1.466**	**2004/2003** **% change**	**2003** **Reported** **1.435**
Shuttle services	285	306	-7%	309
Railways	234	230	+2%	232
Transport activities	**519**	**536**	-3%	**541**
Non-transport activities	19	24	-23%	25
Operating revenue	**538**	**560**	-4%	**566**
Other income	17	18		18
Total turnover	**555**	**578**	-4%	**584**
Cost of sales	(3)	(9)		(9)
Operating costs	(258)	(256)	+1%	(259)
Operating margin	**294**	**313**	-6%	**316**
Depreciation and provisions	(123)	(146)		(146)
Operating profit	**171**	**167**	+2%	**170**
Net interest	(298)	(315)	-5%	(318)
Underlying loss	**(127)**	**(148)**	-14%	**(148)**
Exchange gains/(losses)	-			(1)
Other exceptional (loss)/profit	(48)			115
Net loss before impairment charge	**(175)**			**(34)**
Impairment charge	(395)			(1 300)
Net loss after impairment charge	**(570)**			**(1 334)**

Turnover

Shuttle Services revenue decreased by 7% at constant exchange rates to £285 million, principally due to the intense competition in the truck market putting continued pressure on prices and to the further decline in the passenger market reducing Eurotunnel's passenger shuttle volumes.

Railways revenue increased slightly to £234 million as a result of inflation, and remains protected until the end of November 2006 by payments under the provisions of the Minimum Usage Charge (MUC) in the Railway Usage Contract, which amounted to £67 million in 2004.

Revenue of £19 million from non-transport activities in 2004 included revenues from retail, telecoms activities and land sales.

Other income of £17 million largely comprises the release of provisions for large scale maintenance.

Total turnover for 2004 was 4% lower than 2003, at £555 million.

Operating profit

The decrease in cost of sales reflects the value of land stocks disposed of in 2004 compared to 2003. Operating costs excluding cost of sales increased slightly compared to 2003 with increased annual general meeting costs, higher electricity costs and maintenance costs for rolling stock (acceleration of mid-life refit of shuttle fleet) and infrastructure, more than offsetting reductions in other areas.

Depreciation decreased by £24 million largely due to the impairment charge of £1,300 million at the end of 2003.

The operating profit improved by 2% at constant exchange rates to £171 million.

Net interest charges

At £298 million in 2004, net interest charges were 5% below 2003 at constant exchange rates. During January 2004 more than £4 billion of debt passed from fixed to variable rates of interest. After taking into account charges of £59 million for the hedging contracts, the interest charge for the year reduced by £4 million at constant exchange rates. Following their conversion at the end of 2003, no interest was incurred in 2004 on the Equity Notes compared to £12 million incurred in 2003, and several small debt repurchases in the second half of 2003 and at the beginning of 2004 also served to reduce net interest charges by £2 million.

The underlying loss of £127 million in 2004 reduced by 14% compared to 2003 at constant exchange rates.

Net result

The exceptional result excluding impairment charge in 2004 was a loss of £48 million. Costs related to the operational restructuring (£6 million), refinancing (£14 million), and a charge of £36 million to cover the consequences of the implementation of the DARE plan. A net profit of £7 million was generated by the sale of fixed assets, and a profit of £2 million was generated by the repurchase of debt at a discount to its face value.

The net result before impairment in 2004 was a loss of £175 million compared to a net loss before impairment of £34 million in 2003.

Impairment charge

The Group applies the methodology of IAS36 which is equivalent to UK Accounting Standard FRS11 which requires the net book value of assets to be compared to discounted projected future operating cash flows. The application of this method in 2004 gave rise to an exceptional impairment charge of £395 million. A charge of £1,300 million was made in 2003. This impairment charge has no impact on the Group's liquidity position or its loan covenants.

The net result for 2004 was a loss of £570 million compared to a net loss of £1,334 million in 2003.

Cash flow **£ million** **Exchange rate €/£**	**2004** **Actual** **1.418**	**2003** **Reported** **1.419**
Net cash flow from operations	283	315
Capital expenditure (net)	(19)	(25)
Cash flow after capital expenditure	**264**	**290**
Net interest paid in cash	(281)	(278)
Other non-operating cash flows & taxation	(13)	20
Financing	(1)	(68)
Decrease in cash balances	**(31)**	**(36)**

Cash flow

Cash flow from operating activities in 2004 was £283 million. The majority of the reduction compared to 2003 was due to lower shuttle revenues.

Net capital expenditure fell from £25 million in 2003 to £19 million in 2004 resulting in net cash flow from operating activities after capital expenditure of £264 million. Interest cover after capital expenditure (which measures cash flow after capital expenditure as a proportion of the net interest charge due and payable) was 96%.

The £13 million net payment in respect of other non-operating cash flows in 2004 relates to expenditure on refinancing and operational restructuring.

FINANCING

Eurotunnel's funding falls into three main components – Core Debt, a Buffer Zone, and Shareholders' Funds.

The Core Debt totalling £4.9 billion comprises £0.4 billion of Senior and 4th Tranche Debt, £3.3 billion of Junior Debt , £0.7 billion of Tier 1A Debt, and £0.5 billion of Resettable Advances.

No debt repayments under the Credit Agreement are due before 2006. In the absence of any significant modification to the debt covenants, total debt repayments over the period 2006 to 2009 will total £274 million, starting with £4 million in 2006, increasing to £163 million in 2009.

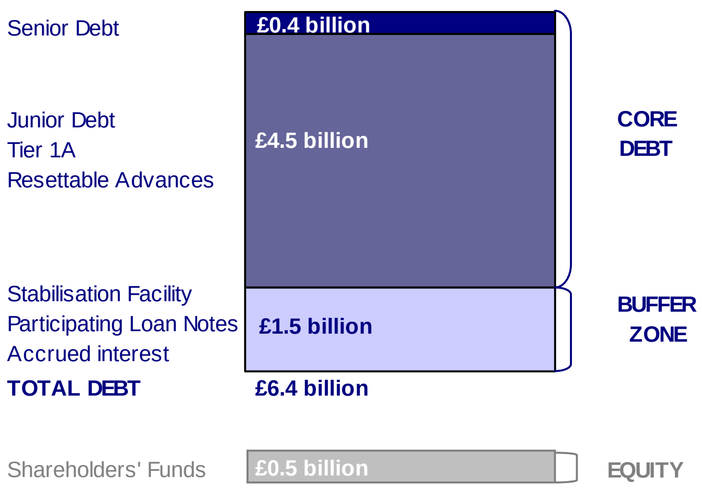
The Buffer Zone of £1.5 billion includes £0.5 billion drawings under the Stabilisation Facility. The Stabilisation Advances carry 0% interest until 2006. Under the Credit Agreement, Eurotunnel, subject to the agreement of its shareholders, is able to convert the Stabilisation Advances and Notes[1] outstanding at the end of 2005 into Units. Eurotunnel will propose that its shareholders vote on this conversion at an extraordinary general meeting to be held before the end of 2005.

This Buffer Zone also includes £0.9 million of Participating Loan Notes which carry 1% fixed interest until 2006.

[1] Based on the £530 million Stabilisation Advances and Notes that were outstanding on 31 December 2004, such conversion would lead to the creation of 444 million new Units at a fixed conversion rate of £1.19 (at a euro/sterling exchange of €1.418). This conversion of the Stabilisation Advances and Notes would represent 15% of the total number of Units in circulation. Fully diluted share capital on this basis would be 2,990 million Units (including the exercise of stock options). In the absence of conversion and on the basis of current interest rates, an additional financial charge of approximately £27 million a year would be payable by the Group from 1 January 2006.

The third component of the financing structure is represented by Shareholders' Funds, which at 31 December 2004 totalled £0.5 billion.

Financing at 31 December 2004



FINANCIAL SITUATION

Operational restructuring – project DARE

In June 2004, Eurotunnel commenced an in-depth review of the financial and operational aspects of each of the Group's activities. Project DARE will contribute to the recovery of the company. A key element of this project is to increase margins from the core shuttle businesses by better aligning capacity to demand. The reduction in surplus capacity, additional reductions in administrative costs and a complete review of subcontractor and supplier contracts, will give rise to cost savings. The implementation of project DARE commenced in November 2004; the full benefit of this plan is anticipated to impact from 2006. A provision of £36 million has been made in the 2004 accounts for the consequences of this on staffing levels and for the early termination of certain subcontracts.

Forecast cash position

The financial consequences of the forecasts prepared in the light of the 2004 results and the current outlook for the Group, taking into account the consequences of project DARE, are as follows:

- During 2005 the cash flow position remains protected by the mechanism by which interest that cannot be paid in cash can be settled by way of Stabilisation Advances up to a limit of £60 million. Taking into account the risks, especially those associated with the implementation of DARE, either financial or operational, the cash flow position remains subject to certain uncertainties. On the basis of the latest operating forecasts available at the date of the accounts, the amount of un-used Stabilisation Advances should allow sufficient cash up until the end of 2005, on which date the level of available cash is projected to be equal to the Permitted Float of £25 million (this is the maximum amount of cash that may be held by the Group as defined in the Credit Agreements).
- In 2006 the Group will no longer benefit from the Stabilisation Advances, rendering the cash flow position more vulnerable particularly at the end of January and July 2006 because of the interest payments due under the current Credit Agreements.
- From the first half of 2007 Eurotunnel will not be able to meet its contractual debt repayments.
- The cash flow forecasts are based on assumptions that the Group considers to be both reasonable and realistic. The forecasts assume the conversion of the Stabilisation Advances and Notes into Units by 1 January 2006. In the absence of this conversion and on the basis of current interest rates and the Stabilisation Advances and Notes as at 31 December 2004, an

additional financial charge of approximately £27 million a year would be payable by the Group. Furthermore, significant disruptions to the operations of the Group or events that are unforeseeable or unquantifiable at the date of the accounts in conjunction with amongst other issues, the Railways dispute, could accelerate the date at which the Group would be unable to meet its financial obligations.

Financial restructuring

Eurotunnel has obtained a waiver from the Lenders which is valid up to 31 January 2006 and which defines the conditions under which the Group can start debt restructuring negotiations with its creditors. In particular, the waiver requires a proposal of a restructuring plan by no later than 15 July 2005, as well as the establishment of a structured means of communication between Eurotunnel and its creditors. The waiver can be terminated at any time should either party not meet its respective responsibilities.

Eurotunnel will propose that its shareholders vote on the conversion of the Stabilisation Advances and Notes into Units at an extraordinary general meeting to be held before the end of 2005 in accordance with the provisions of the 1998 restructuring. The conditions and consequences of the conversion are described in notes 11c and 14c of the full Combined Accounts.

Finally, in the context of the proposed financial restructuring, Eurotunnel could look into, amongst other options and within the terms and conditions of the existing Credit Agreements, the putting into place of an additional line of credit up to a maximum of £50 million. Initial enquiries have confirmed the feasibility of putting this into place should the necessity arise.

Going concern

The Group believes that these measures, which are intended to provide a satisfactory solution to the financing requirements of the Group, can be put in place before the date at which the Group will be unable to meet its financial obligations. The application of the going concern assumption in the 31 December 2004 annual accounts has been based on the assumptions described above.

Impairment

The valuation of the Group's assets has been carried out in accordance with IAS36, which compares the net book value of the assets to the value of the discounted future operating cash flows, and by using the Adjusted Present Value (APV) methodology.

The application of this standard at 31 December 2003 gave rise to a value in use £1.3 billion lower than the net book value of the assets, and led to an impairment charge for this amount in the 2003 accounts.

At 31 December 2004, Eurotunnel updated its impairment calculation, using an implicit discount rate of 7.2% (2003: 7%), which led to an additional impairment charge of £395 million.

The implicit discount rate was determined in accordance with the standard on the basis of the Group constituting a single income generating unit and using the APV methodology. This methodology requires assumptions to be made for both the forecast cash flows and the future level of the Group's debt over the life of the Concession, as well as for the market interest rate.

Taking into account the increasing uncertainties that the Group is facing, Eurotunnel considered it appropriate to use values in the upper-ranges for the market risk premium and the asset "Beta" ratio.

The value in use was calculated in the context of the going concern uncertainty and on the basis of operating cash flows which assume no changes to existing operational and financing contracts. In addition, and only for the purposes of this valuation, the Group has assumed, as in the previous year, an interest saving based on a level of debt £1.3 billion lower than the current level of debt.

Within the assumption of no changes to existing contracts, all other things being equal, other foreseeable levels of debt would not lead to an implicit discount rate of greater than 7.7%. Relatively small changes in the assumptions used would lead to material changes in the value in use. By way of example, a variation of 0.10% in the implicit discount rate would correspond to a change in the value in use of the fixed assets of approximately £150 million.

Railways dispute

Under the Railways Usage Contract dated 29 July 1987 (the "RUC") between the Railways and Eurotunnel, the Railways are required to bear a proportion of the operating costs of Eurotunnel in each year.

The Railways commenced arbitration proceedings under the auspices of the International Chamber of Commerce in respect of the amount of their contribution, firstly for financial years ended 31 December 1997 and 1998, and secondly for financial years ended 31 December 1999 to 31 December 2002. The total amount claimed by the Railways is estimated to be a maximum of £100 million.

The Arbitration Tribunal, in an award made on 30 January 2003, rejected the Railways' claim for 1997 and 1998 on the basis that it was time barred. The Tribunal's decision is final. The Arbitration Tribunal will decide on the admissibility and validity of the claim for 1999 to 2002 in a separate phase of proceedings; its decision is expected to follow in 2005.

Eurotunnel remains confident in the outcome of these proceedings and has therefore not changed its position from previous years; consequently a provision has not been made in these accounts or in the Group's financial projection.

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News release no. 934

Eurotunnel manages the infrastructure of the Channel Tunnel and operates accompanied truck shuttle and passenger shuttle (car and coach) services between Folkestone, UK and Calais, France. Eurotunnel also earns toll revenue from other train operators (Eurostar for rail passengers, and EWS and SNCF for rail freight) which use the Tunnel. Eurotunnel is quoted in London, Paris and Brussels.