



Doc 38 November 1987
S. G. Warburg & Co. Ltd.

Eurotunnel P.L.C. ✓

Eurotunnel S.A.

Offer for Sale

of 101,000,000 Units with New Warrants at a price of 350p per Unit

by

Robert Fleming & Co. Limited Morgan Grenfell & Co. Limited S. G. Warburg & Co. Ltd.

underwritten jointly with

County NatWest Limited Samuel Montagu & Co. Limited

A public offer in France of a further 101,000,000 Units with New Warrants is being made

by

Banque Indosuez Banque Nationale de Paris Crédit Lyonnais
Caisse des Dépôts et Consignations Caisse Nationale de Crédit Agricole

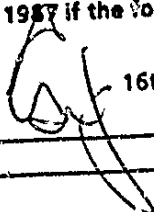
An international placing of a further 18,000,000 Units with New Warrants has also been arranged

A Unit comprises one share in Eurotunnel P.L.C. and one share in Eurotunnel S.A.

The French Offer and the International Placing are being made at prices per Unit approximately equivalent to the UK Offer price.
The number of Units comprised in the UK Offer is subject to variation as set out below under the heading "The Issue".

Application has been made to the Council of The Stock Exchange, London and to the *Commission des Opérations de Bourse*, Paris for all of the shares in Eurotunnel P.L.C. and in Eurotunnel S.A. (in the form of Units), issued and to be issued pursuant to the Issue, and the New Warrants to be admitted to the Official List and *La Cote Officielle*. Dealings in the shares on both The Stock Exchange and the *Bourse* will be in the form of Units. The New Warrants will be separately listed and dealt in.

Completed application forms and payment must be received by 10.00 a.m. on Friday, 27th November, 1987 (or by 3.30 p.m. on Thursday, 26th November, 1987 if the form is taken by hand to one of the additional receiving centres listed at the end of this document).

 16th November, 1987 ✓

The Directors, whose names appear below under the heading "Directors", accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Neither the UK nor the French government makes or has made any representation, whether express or implied, as to the viability of the project, or as to the accuracy of any estimates, predictions or projections of whatever kind contained in this document.

The information contained in this document has, except where the context requires otherwise, been based on the assumption that the Eurotunnel project is implemented as described herein. The description of the System in this document is based on present plans and intentions. The System is expected to start operations in 1993 and may be modified before implementation.

The financial projections in this document have been prepared and set out for illustrative purposes. They relate to periods up to 55 years ahead and do not constitute a forecast; they will be materially affected by changes in economic and other circumstances. Unless specified to the contrary, the figures contained in the projections incorporate a provision for inflation as described below under the heading "Financial projections". While the Directors consider that the assumptions on which the financial projections are based are reasonable, it must be realised that the reliance to be placed on them is a matter of judgement.

The Eurotunnel project has been extensively researched and the proposed tunnel construction techniques are well proven. However, the attention of prospective investors is drawn to the fact that investment in the Eurotunnel project involves a significant degree of risk.

No action has been or will be taken to permit a public offer of the Units with New Warrants which are the subject of the Issue (nor any of the shares or warrants comprised therein) other than in the UK and France or the distribution of this document in any jurisdiction other than the UK. The distribution of this document and/or the offering of Units with New Warrants may be restricted in certain jurisdictions; persons into whose possession this document comes should inform themselves of and observe any such restrictions. This document does not constitute an offer, and may not be used for the purpose of an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No person has been authorised to give any information or make any representations in connection with the UK Offer other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Eurotunnel P.L.C., Eurotunnel S.A., the Directors, the UK Issuing Houses or any of them. Neither the delivery of this document nor any purchase made on the basis hereof shall, under any circumstances, constitute a representation or create any implication that the information herein is correct as at any time subsequent to the date of this document.

The UK Issuing Houses, the French Issuing Houses and/or the International Managers reserve the right, as principals, to effect or cause to be effected transactions in Units and/or New Warrants at any time up to 31st January, 1988 with a view to stabilising or maintaining the price of Units and/or New Warrants at levels other than those which otherwise might prevail in the open market. Such transactions may be effected on any stock exchange or over-the-counter or unofficial market and, if commenced, may be terminated at any time up to 31st January, 1988.

A copy of this document, which comprises listing particulars relating to Eurotunnel P.L.C. and Eurotunnel S.A. in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

The definitions which apply throughout this document are set out below under the heading "Definitions".

The Issue

A total of 220,000,000 Units with New Warrants is being offered under the Issue, comprising:

- (a) the UK Offer of 101,000,000 Units with New Warrants, at a price of 350p per Unit;
- (b) the French Offer of 101,000,000 Units with New Warrants, at a price of FRF35 per Unit; and
- (c) the International Placing of 18,000,000 Units with New Warrants, at a price of 175p plus FRF17.50 per Unit.

The prices per Unit in the French Offer and the International Placing represent the approximate equivalents on 12th November, 1987 of the price per Unit in the UK Offer.

Preference will be given in respect of a maximum of 2,400,000 Units with New Warrants (1.1 per cent. of the Issue, and 2.4 per cent. of the UK Offer before any variation as mentioned below) to applications received on preferential application forms relating to the UK Offer from Eurotunnel personnel (as described below).

As part of the underwriting arrangements, certain institutional investors and their investment clients will be allocated Units with New Warrants (not exceeding in aggregate 23 per cent. of the Issue, or 50 per cent. of the UK Offer before any variation as mentioned below) on a priority basis. The remaining Units with New Warrants comprised in the UK Offer are being offered to the public.

The Issue is conditional, *inter alia*, upon the Council of The Stock Exchange and the *Commission des Opérations de Bourse* agreeing or deciding to admit all the Units, issued and to be issued under the Issue, and the New Warrants to the Official List of The Stock Exchange and *La Cote Officielle* on the *Bourse*, respectively not later than 15th December, 1987.

Each Unit comprises one share in EPLC and one share in ESA. There will be issued with each Unit an EPLC warrant and an ESA warrant, twinned to constitute a New Warrant. EPLC and ESA shares and these warrants will be listed and dealt in only in the forms of Units and New Warrants. The New Warrants may be traded separately from the Units at any time after the Issue. New Warrants will be exercisable only in integral multiples of ten. Initially, every ten New Warrants will entitle the holder to subscribe one Unit at a price of 230p plus FRF23 between 15th November, 1990 and 15th November, 1992. The number of Units obtainable on exercise of ten New Warrants is, however, subject to adjustment as set out below under the heading "Description of the New Warrants".

Arrangements have been made which may result in the number of Units with New Warrants comprised in the UK Offer being increased or decreased, the size of the French Offer and/or the International Placing being adjusted accordingly. These arrangements are summarised below under the heading "Issue arrangements".

Market capitalisation

At the UK Offer price (and attributing the whole of such price to the Units) the 332,376,780 existing and new Eurotunnel Units will have a market capitalisation of £1,163 million.

Share capital and indebtedness

Following the Issue there will be 332,376,780 Units in issue, each comprising one share with a par value of 40p in EPLC and one share with a nominal value of FRF10 in ESA:

	Authorised		Issued and to be issued fully paid	
	Number	Amount	Number	Amount
EPLC shares of 40p each	520,000,000	£208,000,000	332,376,780	£132,950,712
ESA shares of FRF10 each			332,376,780	FRF3,323,767,800

Note: French companies do not have the same concept of authorised share capital as UK companies. The issue of the shares described above and the shares to be issued on the exercise of the warrants and options described below has been approved by the shareholders of ESA.

Following the Issue, there will be in issue New Warrants to subscribe for 22,000,000 Units and Founder Shareholder Warrants to subscribe for a further 26,520,000 Units (exercisable at a price, subject to adjustment, of 97.2p plus FRF10 per Unit between 1st July, 1989 and 30th June, 1995). In addition, EPLC and ESA will be under an obligation pursuant to the Credit Agreement to issue to a number of lending banks Bank Warrants to subscribe for 7,142,857 Units, exercisable at a price, subject to adjustment, of 175p plus FRF17.50 per Unit not later than 30th June, 2000. The Directors intend in November 1987 to grant options to subscribe up to a maximum of 2,200,000 Units under the share option scheme referred to below.

Apart from intra-Group liabilities, no company in the Group had, at the close of business on 6th November, 1987, any loan capital outstanding or created but unissued, term loans (whether or not guaranteed or secured) or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, mortgages, charges, contingent liabilities or guarantees. It is expected that Eurotunnel will make drawings under a partially-secured interim loan facility during the period between 6th November, 1987 and the receipt of the proceeds of the Issue.

Directors

Directors**André Bénard (co-Chairman)****Alastair Morton (co-Chairman)****Pierre Durand-Rival (Managing Director)****Bernard Auberger, Chief Executive of Caisse Nationale de Crédit Agricole****Denis Child, Member of the Board of the Civil Aviation Authority****Jean-Loup Dherse, Former Chief Executive of Eurotunnel****Alexandre Dumont, Chairman of Belgamanche S.A.****Sir Alistair Frame, Chairman of The RTZ Corporation PLC****Renaud de la Genière, Chairman of Compagnie Financière de Suez****Sir Nicholas Henderson, Director of Hambros PLC****Robert Lion, Chief Executive of Caisse des Dépôts et Consignations****Robert Maipas, a Managing Director of The British Petroleum Company p.l.c.****Sir Kit McMahon, Chairman and Group Chief Executive of Midland Bank plc****Jean-Paul Parayre, Chief Executive of Dumez S A.****Lord Pannock of Norton, Director of Morgan Grenfell Group plc****Tony Ridley, Chairman and Managing Director of London Underground Limited****Sir Robert Scholey, Chairman of the British Steel Corporation****Bernard Thiolon, Chief Executive of Crédit Lyonnais****Secretaries****Secretary
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Advisers

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75007 Paris

Caisse Nationale de Crédit Agricole,
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To the Issuing Houses:

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References in this document to "£" are to pounds sterling and references to "FRF" are to French francs. Where, for convenience, figures have been expressed in £ or in FRF or have otherwise been translated between £ and FRF they have, unless specified to the contrary, been translated at the rate of £1 = FRF10.0. On 12th November, 1987, the latest practicable date before the printing of this document, the rate of exchange was £1 = FRF10.1140.

Key information and summary

The following information is derived from, and should be read in conjunction with, the full text of this document.

Eurotunnel

Eurotunnel is a private sector Anglo-French group which has been granted a concession to develop, finance, construct and operate the Channel Tunnel between the UK and France. When completed, the System will link the road and rail networks of Great Britain and France. It will improve communication and help to stimulate commerce within the European Community by providing a fast and reliable service for cross-Channel traffic which is convenient and comfortable to use. The System is planned to open in May 1993.

The basic instrument authorising and regulating the System is the Treaty between the UK and France, which was ratified on 29th July 1987. Eurotunnel has entered into the Concession agreement with the UK and French governments under which it has undertaken to develop, finance, construct and operate the System. It will be free to determine its commercial policies, including the setting of tariffs. The governments have agreed not to facilitate a second fixed link built by others to open before the end of 2020. The Concession entered into force on 29th July, 1987 for a period expiring on 28th July, 2042.

Eurotunnel has entered into contracts providing for the construction and commissioning of the System, for the provision of loan finance and for the provision of infrastructure and for the use of the tunnel by the Railways.

System description

The System will incorporate three tunnels—two rail tunnels and a service tunnel—each nearly 31 miles long. The terminals near Folkestone and Calais will be linked to the national motorway and railway networks. Each terminal will have toll booths, any requisite frontier controls for the UK and France and shopping and other passenger facilities.

The System will be used by shuttle trains, operated by Eurotunnel, carrying road vehicles between the terminals, and by through trains, run by the Railways.

Services provided

Road vehicles will be transported with their drivers and passengers in specially-designed shuttles. It is intended that shuttles carrying passenger vehicles will initially run approximately every 12 minutes and further shuttles carrying freight vehicles about every 15 minutes during peak periods, although the System will be capable of development to permit operation at greater frequencies. The shuttles will travel at speeds of up to 100 mph and the journey between the terminals is expected to take around 33 minutes.

Passengers and freight will also be carried through the tunnel on trains operated by the Railways. The track gauge is the same in Great Britain as in most countries in continental Europe so that direct through rail services will be possible. In addition, the French government has decided to proceed with a new high-speed railway line north of Paris which will be connected to the System. With new purpose-built rolling stock, rail journeys between London and Paris in around 3 hours, and between London and Brussels in about 2 hours 40 minutes, will be feasible. In general, the saving in time for freight carried by through train is expected to be significant.

Key information and summary continued

Competitive advantages

Eurotunnel is expected to obtain a significant share of the cross-Channel market. The competitive advantages of its services will include:

- less vulnerability to bad weather and hence greater reliability
- frequent services with no necessity for advance booking, giving passengers and freight operators increased flexibility in making their travel arrangements
- shorter overall journey times than by hovercraft or ferry
- significant time savings for through rail freight
- rail services between London and, for example, Paris and Brussels which, compared with air services, will be:
 - competitive in terms of cost and time
 - generally more convenient, operating between city centres.

The capacity provided at the time of the opening of the System will be sufficient to deal effectively with the expected demand. The planned increases in capacity and methods for spreading demand such as tariff policy, as well as efficient integration with the Railways, are expected to result in the capacity available being increased in later years to provide a margin over the demand projected in this document.

Construction

Eurotunnel has entered into a construction contract with a joint venture of ten major companies providing for a fully-operational System to be delivered by May 1993. The construction of the tunnels will employ conventional but modern technology and well proven techniques. The geology of the proposed route for the tunnels is well understood and generally provides an excellent medium for tunnelling.

- The order to start design and construction work was given in May 1986. Work to date has been concentrated on design development studies, geological surveys and the detailed design of the tunnels. In addition, the UK tunnel linings plant is now in operation. A similar facility in France and the access shaft for tunnelling at Sangatte in France are nearing completion. The erection on site in the UK of a tunnel boring machine for the service tunnel will soon be completed. Orders and sub-contracts have been placed with a value of over £200 million and more than 1,800 people are currently engaged on the project.

Construction costs and financing

The total cost of the System is estimated to be £4,874 million, comprising some £2,788 million of construction costs and £642 million of corporate and other costs (all at July 1987 prices), £469 million as a provision for inflation and £975 million of net financing costs.

To meet the estimated total financing requirement and to provide an appropriate margin, Eurotunnel has arranged total finance of over £6,000 million, of which £5,000 million is in the form of credit facilities. £253 million has already been raised as equity finance and a further £770 million is being raised through the Issue.

The availability of funds under the credit facilities is subject to a number of conditions, referred to below under the heading "Financing".

Traffic, revenues and profit projections

The System will serve the established and growing cross-Channel market in four principal sectors: passengers travelling with vehicles, road freight vehicles, passengers travelling without vehicles by sea or air and rail freight.

In 1985, the total cross-Channel market comprised 48 million passenger trips and the movement of 60 million tonnes of freight, excluding bulk fuel. Eurotunnel's traffic and revenue consultants project that the sizes of these markets will increase to 94 million passenger trips and 123 million tonnes of freight by 2003. They estimate that, when it opens in 1993, the System will carry 44 per cent. of cross-Channel passenger traffic and 17 per cent. of cross-Channel freight traffic.

Eurotunnel's operating revenues are expected to arise from three sources—operating shuttle services (50 per cent. of projected total revenues in 1994), payments by the Railways (41 per cent.) and ancillary activities (9 per cent.). Eurotunnel's operating costs are estimated to be only 19 per cent. of revenues during the first 10 years of operation. It is expected that it will have low marginal costs associated with handling additional traffic.

Summaries of projected aggregated profit and loss accounts of the Group are set out below. The projections, which are described in further detail below under the heading "Financial projections", are based on the assumptions set out in that section, including full exercise of all warrants. The projections represent Eurotunnel's current estimate of turnover, profits and costs in "money of the day" for each of the years shown.

1993-1998

Year ending 31st December,	1993 £ million	1994 £ million	1995 £ million	1996 £ million	1997 £ million	1998 £ million
Turnover	488	762	835	908	986	1,072
Profit before taxation	70	108	199	273	350	422
Profit for the year available for distribution	62	88	158	217	277	328
Dividends—total	—	149	169	217	277	328
—per Unit	—	£0.39	£0.44	£0.56	£0.71	£0.85

— Later years

Year ending 31st December,	2003 £ million	2013 £ million	2023 £ million	2033 £ million	2041 £ million
Turnover	1,586	3,236	6,184	11,356	17,824
Profit before taxation	927	2,410	4,879	9,152	14,453
Profit for the year available for distribution	566	1,476	2,986	5,605	8,880
Dividends—total	566	1,476	2,986	5,605	8,880
—per Unit	£1.46	£3.80	£7.70	£14.44	£22.88

Note: the above projections incorporate assumed inflation as described below under the heading "Revenues and costs". All costs incurred, directly or indirectly in the design and construction of the System up to the start of operations will be capitalised. The figures for 1993 represent trading only from the opening date in May to December. Dividends in respect of 1994 and 1995 include the distribution of reserves carried forward from earlier years.

An analysis of the sensitivity of these projections to variations in revenue and in certain key assumptions, including the assumption for inflation, is shown below under the heading "Financial projections".

Key information and summary continued

Returns for investors

Dividends

The Directors intend that substantially all of EPLC's and ESA's available distributable profits will be paid out as dividends. On the basis of the financial projections summarised above it is expected that the first dividend will be paid in 1995 in respect of the year ending 31st December, 1994.

Returns for investors

The development of Eurotunnel's business can be divided into two periods:

- the "start-up" period, namely the period of construction and initial operation up to mid-1995, when the first dividends are expected to be paid. By this time there should be some two years' experience of actual traffic and operating costs and the construction costs should have been very largely determined
- the main operational period from mid-1995 until the expiry date of the Concession in 2042.

During the start-up period, any return to investors would arise from increases in the market value of Units and New Warrants. The return to an investor until the end of the start-up period will therefore depend on market prices at that time. These prices are likely to be affected by such matters as the successful completion of the System, the initial levels of traffic through the System, the approaching payment and value of expected future dividends and prevailing yields on comparable securities, as well as by stock market conditions generally.

- Eurotunnel's traffic and revenue consultants have forecast that, during the 49-year operational period of the Concession, traffic volumes will continue to grow. The Directors intend that Eurotunnel will pursue commercial policies aimed at maximising growth in traffic and profits. Based on the traffic and revenue consultants' forecasts, the financial projections show substantial and growing dividends. For example, the dividends per Unit (excluding the associated UK and French tax credits) shown in those projections are as follows:

	1994	1998	2003	2013	2023	2033
Dividends per Unit	£0.39	£0.85	£1.46	£3.80	£7.70	£14.44
Average annual rate of dividend growth		21%	11%	10%	7.3%	6.5%

The value per Unit in mid-1995 of all the projected dividends over the period of the Concession, if discounted to that date at an annual rate of 12 per cent., would be £24 including and £17 excluding associated tax credits. If the rate of discount used were 10 per cent. or 15 per cent., such value would be £35 and £16, respectively, including tax credits. The gross dividend yield (including associated tax credits) on the UK Offer price on the basis of the projections (incorporating the effect of inflation) would be, for example, 16 per cent. in 1994, 34 per cent. in 1998 and 60 per cent. in 2003.

Travel privileges

Individuals who continue to hold Units personally acquired by them under the Issue will be entitled, upon payment (with effect from the year of opening of the System) of a registration fee expected to be approximately £10 (at July 1987 prices) per year, and provided that specified conditions are satisfied, to make the following numbers of shuttle trips at a nominal charge for each one-way journey of £1 or FRF 10 per vehicle.

*Number of Units personally
purchased and held*

100	One return shuttle trip to be taken within 12 months of the System opening
500	One return shuttle trip per year for the first ten years of operation
1,000	Two return shuttle trips per year until the end of the Concession period
1,500	An unlimited number of shuttle trips until the end of the Concession period

Further information concerning these arrangements and a summary of the conditions which must be satisfied before the privileges can be claimed are set out at the end of this document under the heading "Travel privileges".

Timetable

The expected timetable for the UK Offer is set out below.

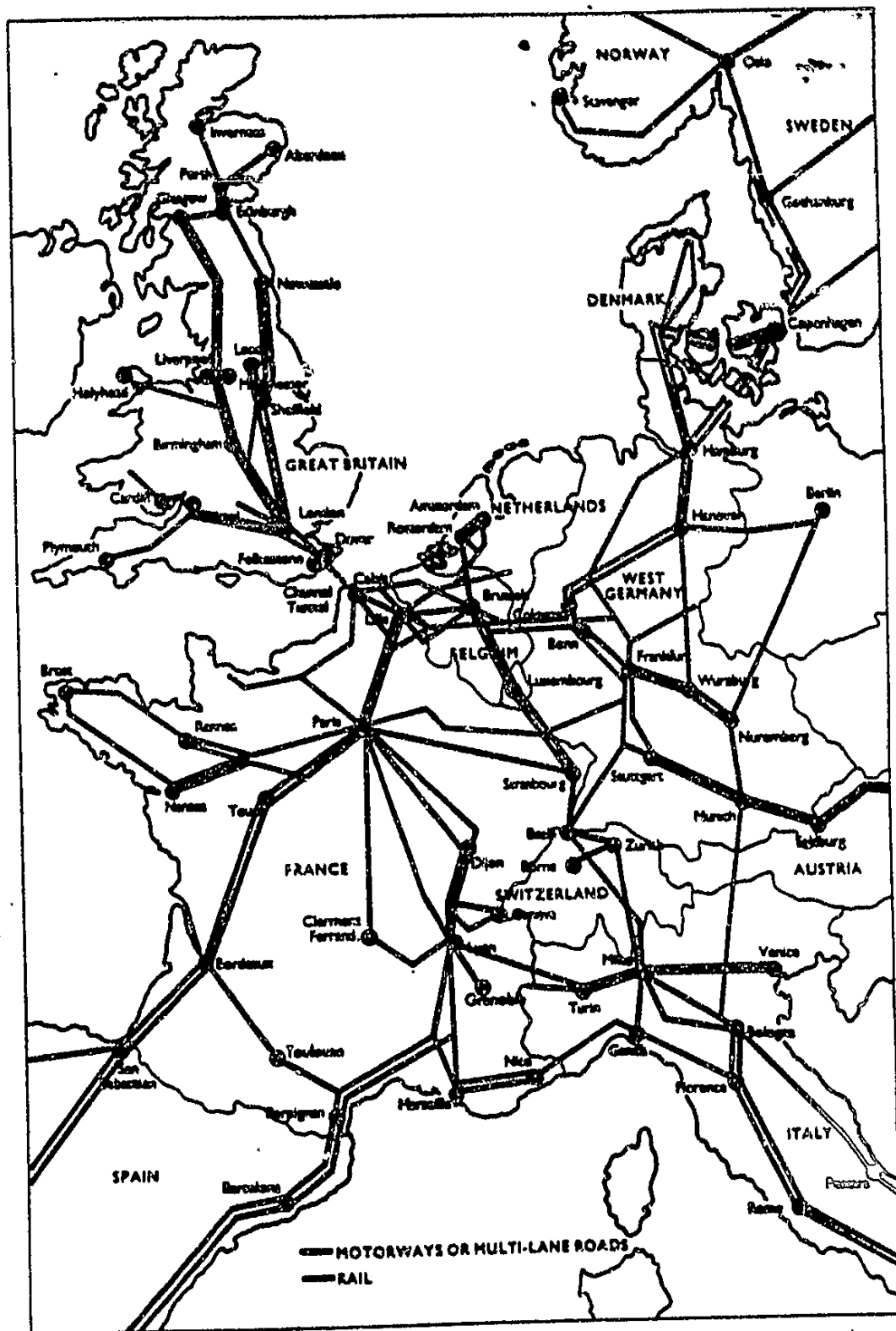
Completed application forms and payment to be received by	10.00 a.m. on 27th November, 1987
Basis of allocation announced	30th November, 1987
Renounceable letters of acceptance despatched	9th December, 1987
Dealings commence in London and Paris	10th December, 1987
Last date for registration of renunciation	22nd January, 1988
Definitive certificates despatched	7th March, 1988

The application list for the Units with New Warrants being offered pursuant to the UK Offer will open at 10.00 a.m. on Friday, 27th November, 1987 and may be closed at any time thereafter. The procedure for, and the terms and conditions of, application under the UK Offer, together with an application form, are set out at the end of this document.

The French Offer will close on 27th November, 1987. However, the French Issuing Houses retain the right to refuse any application after all the Units with New Warrants in the French Offer are subscribed.

Units with New Warrants will be allocated in the International Placing on or before 30th November, 1987.

MAIN INTERNATIONAL ROUTES VIA EUROTUNNEL



Existing and proposed routes
Source: Eurotunnel's traffic and revenue consultants

Introduction

The Eurotunnel System, planned to open in May 1993, will link the road and rail networks of Great Britain to those of France and the rest of continental Europe. Eurotunnel will provide a fast, frequent and reliable service for cross-Channel traffic which is convenient and comfortable to use.

It will establish, for the first time, a fixed link between the UK (with a population of 57 million people) and continental Europe (with a population of over 290 million), and will thus form an important part of Europe's transport infrastructure, improving communication and helping to stimulate commerce within the European Community. The System will provide services which will have significant competitive advantages over methods of crossing the Channel which are currently available.

In response to an invitation in April 1985 by the UK and French governments, a number of proposals to build and operate a fixed link financed wholly by private capital were submitted for consideration. The Eurotunnel scheme was chosen in January 1986 and in February 1986 France and the UK signed the Treaty authorising a fixed link between the two countries. The Concession giving Eurotunnel the right to develop, finance, construct and operate the tunnel as that fixed link was signed in March 1986. Following the passing into law of the Channel Tunnel Act in the UK and completion of the necessary legislative procedures in France, the Treaty was ratified on 29th July, 1987. On the same day the Concession entered into force for a period ending in 2042.

Eurotunnel is a private sector group and, under the terms of both the Treaty and the Concession, is free to determine its own commercial policy, including the setting of tariffs, subject to national and European Community laws relating to competition and dominant market position. The two governments have also declared that there will be no discrimination in relation to taxes on charges made to users of the System and its direct competitors.

The construction of the System is being financed by banks and by institutional, corporate and private investors. Initial equity funds of £47 million were provided by the Founder Shareholders and in October 1986 a placing of Units with institutional and other investors raised a further £206 million. Following the signing on 4th November, 1987 of the Credit Agreement, under which loan and letter of credit facilities of up to £5,000 million are to be made available, Eurotunnel's financing is being completed by the Issue.

— — During the construction phase Eurotunnel will manage the construction contract and will also plan the operational phase, including marketing and commercial activities. After the start of operations Eurotunnel will manage the System with the objective of maximising profits and dividends over the life of, and within the terms of, the Concession.

The governments have undertaken not to facilitate a second fixed link built by others to open before the end of 2020. The UK and French governments remain free to issue an invitation for a second fixed link to be built by others if there is not agreement by 2010 on a second link to be built by Eurotunnel. No public finance or government financial guarantees are to be provided for such a link.

System description

The System will incorporate:

- twin rail tunnels (to be used both by shuttles and through trains) and a service tunnel
- terminals near Folkestone in the UK and at Coquelles near Calais in France with connections to national road and rail networks
- specially-designed shuttles to carry passenger and freight vehicles between the terminals
- clearance depots for freight adjacent to the French terminal and at Ashford near the UK terminal.

Tunnels and track

The tunnels will each be nearly 31 miles long. In normal operation inward- and outward-bound trains and shuttles will use separate tunnels, but there will be two cross-overs between the main tunnels to allow operations to continue while maintenance work is being carried out. The service tunnel will run between the main tunnels and will be linked to them by cross-passages at intervals of approximately 410 yards, providing ventilation to the main tunnels and allowing access for maintenance. The track layout in the terminals is designed to simplify train control and operation. A multi-tracked loop at each end of the tunnels will permit shuttles to enter and leave the terminal platforms without reversing.

Terminals and freight depots

Each of the terminals will be linked to its national motorway network. Access roads and terminal layout will allow vehicles to transfer rapidly from road to shuttle. Each terminal will be provided with toll booths, any requisite frontier controls for both the UK and France, parking areas and amenities and facilities for travellers, including restaurants and (if still permitted for travel within the European Community) duty-free shops.

There will be a road freight clearance depot and a facility for holding and inspecting through freight trains adjacent to the French terminal. Freight clearance facilities will be provided for road freight at Ashford, about 12 miles from the UK terminal, and inspection facilities for rail freight will be provided at Dolland's Moor, adjacent to the terminal.

Rolling stock

The gauge of the railway track used in the System will be the same as that already used in Great Britain and in most countries in continental Europe. The dimensions of the rolling stock used for through rail services will be the same as those in Great Britain, which are slightly smaller than those applying on the continent. The shuttle wagons will be designed to operate only within the System and will be significantly larger than the rolling stock used by the Railways.

The Prime Minister of France announced on 9th October, 1987 that the French government had decided to proceed with the creation of a high-speed railway line north of Paris, which will be connected to the System. This line, which the French government intends should be open by the time the Eurotunnel System begins operations, will also be linked, near Paris, to the existing high-speed railway line from Paris to Lyon and that under construction to Bordeaux. A high-speed railway line to Strasbourg is also under study by the French government. A high-speed rail network between Paris, Brussels, Cologne and Amsterdam is under discussion, of which the new French line would form part. Passenger trains would be able to travel at speeds of up to 185 mph on these lines. Although there is no similar proposal in the UK, currently planned improvements will enable trains to run at speeds of up to 100 mph to London. At these speeds, and with purpose-built rolling stock, rail services between London and Paris and London and Brussels taking around 3 hours and about 2 hours 40 minutes, respectively, will be feasible.

If new track were introduced to provide a high-speed capacity on the UK side, so that speeds between London and the tunnel could be increased, the London to Paris and London to Brussels journey times could be reduced to around 2 hours 35 minutes and 2 hours 15 minutes, respectively.

Safety and security

Safety and security considerations have been central to the overall design of the System and the plans for its operation. Continuous monitoring and control of traffic and security and policing at both ends of the tunnels and at the terminals are all provided for in the plans for the System.

The proposed shuttle service, with drivers and passengers normally remaining with their vehicles, is similar in concept to services operated safely for more than 30 years by Swiss railways through alpine tunnels. The design of the System is being developed to be inherently safe by incorporating the following key features:

- a separate running tunnel for trains travelling in each direction
- up-to-date signalling and control systems and central and in-cab communication
- a service tunnel, with access to the main tunnels at 410-yard intervals, available for use for evacuation if necessary and supplied with clean, fresh air at a slightly higher pressure than the main tunnels to exclude smoke or fumes
- locomotives at both ends of trains, each capable of hauling a train, thus reducing the risk of total breakdown and enabling trains to be removed in either direction
- shuttles fitted with fire doors or fire curtains
- use of "non-fire-propagating" and "minimum smoke" materials in tunnel and shuttle construction where practicable.

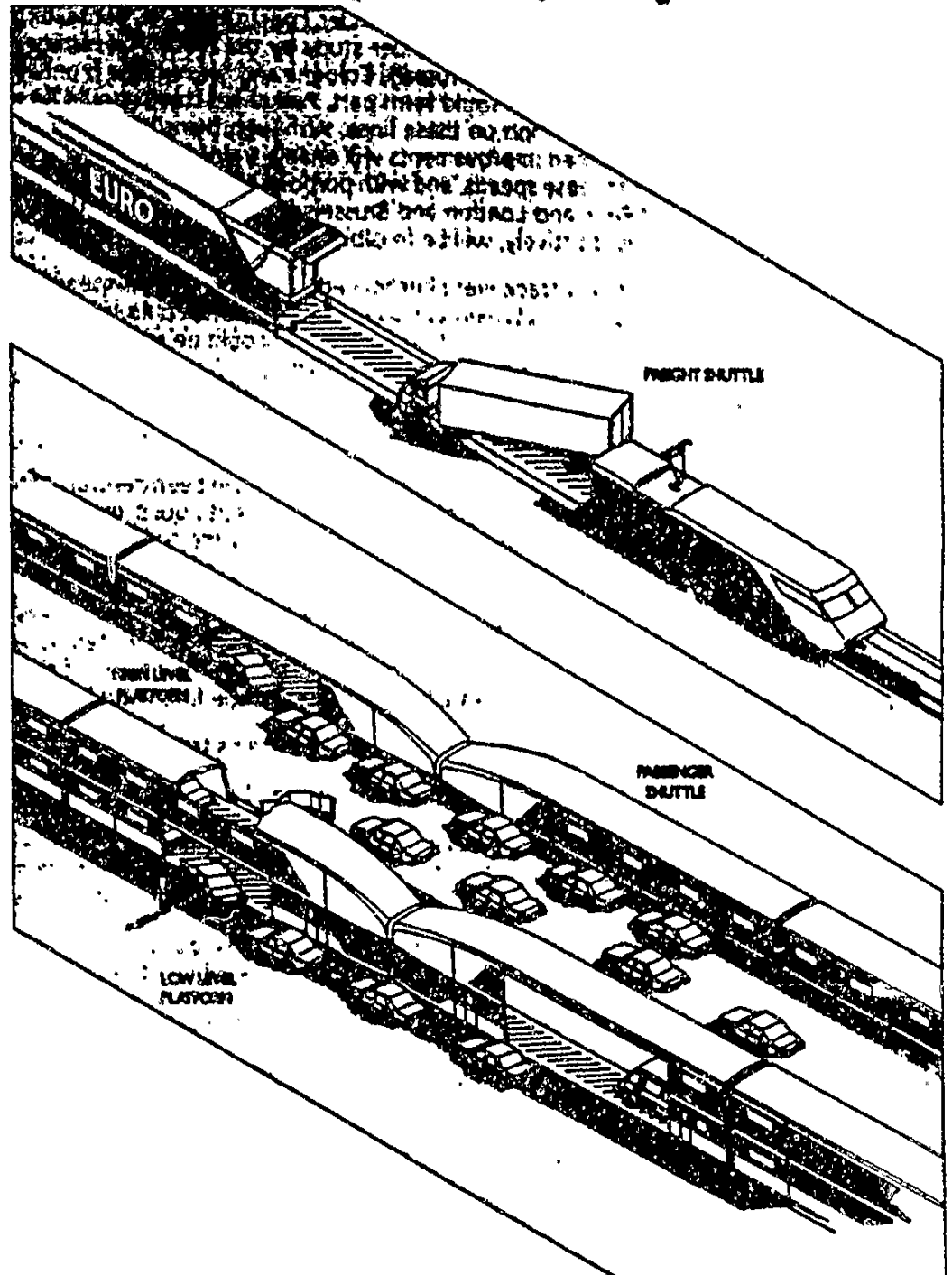
The Treaty provides for the establishment of a commission to ensure that the requirements of the UK and French governments are met. Associated with this Inter-Governmental Commission is the Safety Authority, which will advise and assist the Inter-Governmental Commission on all matters concerning safety in the construction and operation of the System. Several important aspects of the design of the System and numerous detailed specifications will require the approval of these bodies.

The Eurotunnel System continued

Services provided

Services for road vehicles

Road vehicles and their drivers and passengers will be transported through the tunnel in shuttles made up of enclosed wagons which will be brightly lit and well ventilated. During the journey, drivers and passengers will normally remain with their vehicles.



Passenger vehicle shuttles will consist of either one or two rakes, each made up of single- or double-deck carrier wagons with one loading and one unloading wagon. One rake of double-deck wagons will carry up to about 100 cars and a rake of single-deck wagons will carry about 50 cars or a combination of up to 12 coaches with some cars. Freight vehicle shuttles will consist of a number of carrier wagons, each designed to carry one fully-laden lorry, together with one loading wagon and one unloading wagon.

In the early years of operation it is intended that passenger shuttles will run approximately every 12 minutes and freight shuttles every 15 minutes during peak periods, although the System will be capable of development to permit operation at greater frequencies. At other times, and under normal operating conditions, the departure schedules for shuttles will depend on demand; initially the scheduled intervals between departures are likely to be 20 minutes for passenger shuttles and 30 minutes for freight shuttles. The minimum service which will be provided will be one passenger and one freight shuttle per hour through the night. There will be no need for prior booking or prior payment for either passenger or normal freight services.

Passenger vehicles

Cars are expected generally to take about 15 minutes to pass through the toll booths and any frontier formalities of the two countries. Car and coach passengers will be able to visit the terminal's shopping and service area before driving onto a shuttle at one of the platforms. After the journey, which is expected to take approximately 33 minutes, vehicles will usually be able to drive directly off the shuttle and out of the terminal as both British and French frontier formalities will have been carried out at the departure terminal.

Freight vehicles

Freight vehicles will be separated from other vehicles passing through the terminals.

Clearance by UK customs of lorry cargoes leaving the UK will normally take place at a new freight clearance depot to be built and operated by Eurotunnel at Ashford in Kent, but may take place at other clearance depots around the country. The Ashford depot will also be open to non-tunnel traffic.

Lorry cargoes leaving France will generally have been cleared by customs before reaching the terminal, but a new freight clearance depot adjacent to the French terminal will be built and operated by Eurotunnel for cargoes requiring clearance there.

In all cases, drivers and lorries will be required to go through the relevant UK and French customs transit procedures at their departure terminal.

Through rail services

The Railways have announced that they will act together to develop through passenger services between the UK and France and other destinations in continental Europe. They currently envisage providing the following services:

- hourly or more frequent train services during the day between London and Paris and between London and Brussels, as well as services to other destinations. Some of these trains will stop at Fréthun near the French terminal, and at Ashford in the UK where connections with other services from the UK network will be made
- through rail services between cities other than London and cities in continental Europe
- sleeper services over longer distance routes between cities in the UK and continental Europe
- direct freight trains between centres in the UK and continental Europe.

Rail freight services will generally operate during off-peak periods so that at peak times maximum capacity will be available for shuttles and through passenger trains.

Customs and immigration checks for the UK and France will be carried out either on board the trains or at the international passenger stations at Waterloo, Ashford and the Gare du Nord. Frontier controls on board trains are already commonplace in continental Europe.

The Eurotunnel System continued

Capacity

The capacity provided at the time of the opening of the System will be sufficient to deal effectively with the expected demand. It is intended that revised market studies will be carried out in 1990 on the basis of which, taking into account other factors including the effect of tariff policy on the spread of peak demand, the number of shuttles required in 1993 will be decided. The construction contract provides for nine passenger and nine freight shuttles to be purchased prior to the System opening and it has been assumed for the purpose of the financial projections that six additional shuttles will be purchased, two in 1994, two in 1998 and two in 2003. If, as the Directors consider likely, it is decided to increase the number of shuttles available in 1993, the costs involved would not have any material effect on the estimated construction costs or the financial projections set out below.

The initial capacity of the System will be 20 "standard paths" per hour in each direction. A "standard path" is the movement of a shuttle travelling at its normal planned speed through the tunnel; principally because of the differing speeds at which traffic will pass through the tunnel, a somewhat lower number of train movements per hour will, in practice, be feasible. It is intended that, after the opening of the System, the necessary improvements will be made to increase capacity progressively to a maximum of 30 standard paths per hour in each direction. The estimated cost of these improvements is included in the financial projections.

Half of the System's capacity is contracted to be made available to the Railways. More than half the System's capacity may, in practice, be available for shuttles, depending upon the extent of the Railways' usage at the time. Operations will be planned to integrate efficiently the scheduling requirements of Eurotunnel and the Railways and to provide flexibility to accommodate short-term fluctuations in demand as well as the longer-term evolution of travel patterns.

During 1993 a peak of some 200 movements per day in each direction is expected, representing an average of one shuttle or through train in each direction about every seven minutes.

The planned increases in capacity and methods for spreading demand such as tariff policy, as well as efficient integration with the Railways, are expected to result in the capacity available being increased in later years to provide a margin over the demand projected in this document.

Construction

Geology and construction methods

The geology of the tunnelling route is well understood and recent testing has confirmed the previous main conclusions. New geological and geotechnical investigations and testing have been carried out both on land and in the Channel and extensive existing data have been reassessed. Particular attention was given to those lengths of tunnel where the potential for faulting and fissuring was greatest. The main programme of these studies was carried out jointly by the Bureau de Recherches Géologiques et Minières (B.R.G.M.) and Mott, Hay & Anderson.

The route and alignment of the tunnels have been planned so that 90 per cent. of the undersea section is expected to be bored within the most favourable geological layer, consisting of chalk marl, which is virtually impermeable and generally considered ideal for tunnelling. In this section, the thickness of cover above the tunnels will normally be 130 feet and will nowhere be less than 60 feet. The service tunnel will be bored ahead of the main tunnels and probing will be carried out ahead and to the sides to confirm the nature of the tunnelling ground. Where fissures are encountered, the ground will be injected with a mixture of cement and clay. The only significant stretch of difficult ground conditions is expected to be encountered near the French coast where the tunnels will pass through a length of water-bearing fissured ground which will be bored using tunnelling machines specially designed to cope with these conditions. The tunnels will be lined with concrete or cast iron according to ground conditions.

Whilst the undertaking of a tunnelling project of this nature necessarily involves certain construction risks, the techniques to be used for tunnelling are well proven and have been employed, for example, in the construction of the Jubilee and Victoria lines of the London Underground system. The average tunnelling rates envisaged are well below the tunnel boring machines' performance capabilities and are considered conservative for the expected ground conditions.

The construction contract

A joint venture of ten major construction companies is under contract to Eurotunnel to design, construct, test and commission a system in accordance with specified performance requirements.

The ten companies are:

Balfour Beatty Construction Limited	Société Générale d'Entreprises S.A.
Bouygues S.A.	Spie Batignolles S.A.
Costain Civil Engineering Limited	Tarmac Construction Limited
Dumez S.A.	Taylor Woodrow Construction Limited
Société Auxiliaire d'Entreprises S.A.	Wimpey Major Projects Limited

The contract provides financial incentives for the Contractor to complete the tunnels under budget and financial penalties if they are completed over budget or late. It also provides financial penalties if the Contractor completes the System late. This arrangement is designed to encourage the cost-effective completion of the System on time.

Further information regarding the construction contract is given below under the heading "Legislative and contractual arrangements".

Monitoring

Eurotunnel has appointed an independent organisation to monitor the design, development and construction of the works and to advise on technical and other matters. This organisation, known as the Maître d'Oeuvre, is a joint venture between two firms of consulting engineers (W.S. Atkins & Partners and Société d'Etudes Techniques et Economiques), with two sub-consultants (Sir William Halcrow & Partners Ltd. and Tractionel Electrobél Engineering). It is responsible to Eurotunnel, the Inter-Governmental Commission and the lending banks for advising on all aspects of the construction contract.

Monitoring by the Maître d'Oeuvre includes detailed scrutiny of the actions of the Contractor and verification that the works are being carried out by the Contractor according to budget and programme, as well as to the standards of safety, quality and performance required by Eurotunnel under the contract.

Construction programme

As required by the construction contract, the Contractor has developed a detailed working programme providing for completion of the works and testing of the System. The timetable to the expected start of operations is as follows:

December 1987	Main construction begins
1988-1991	Boring of tunnels
Autumn 1990	Breakthrough of the service tunnel
Summer 1991	Breakthrough of the main tunnels
1990-1992	Fitting out of the tunnels
Autumn 1992	Commissioning of railway and other equipment begins, followed by a period of operational trials
May 1993	System opens

The Eurotunnel System continued

The Contractor was given the order to start design and construction work in May 1986 and is required to deliver the completed System by May 1993. Work to date has been concentrated on design development studies, geological surveys and the design of the tunnels, terminals, rolling stock and fixed equipment.

In addition, the UK tunnel linings plant is now in operation. A similar facility in France and the access shaft for tunnelling at Sangatte in France are nearing completion. The erection on site in the UK of a tunnel boring machine for the service tunnel will soon be completed. Orders and sub-contracts have been placed with a value of over £200 million and more than 1,800 people are currently engaged on the project.

Certain operations are behind schedule. The view of the Maître d'Oeuvre is that the project is currently about three months late and that the working programme would presently indicate a maximum delay of not more than five months in the completion of the System. However, the Maître d'Oeuvre has indicated that, provided the necessary steps are taken, the time lost can be recovered and the System completed on time.

Eurotunnel and the Maître d'Oeuvre are discussing with the Contractor improvements to those parts of the working programme which are capable of accelerating overall progress. The Directors believe and fully intend that the projected opening date of May 1993 will be achieved.

Insurance

Eurotunnel will be covered by the insurance usually effected in relation to construction projects, or required by UK or French law. Eurotunnel is required by the terms of the Concession to maintain insurance (to the extent available at reasonable cost and not covered by self-insurance approved by the Inter-Governmental Commission) against physical loss or damage to the System, delay in start-up or any interruption to its operation resulting from such loss or damage and for third party death, injury or damage to property.

In respect of the preliminary works, insurance is already in force. Agreement has been reached with underwriters for insurance for the construction phase, which will be put in place following the Issue. The amount of this insurance is to be as follows:

Physical loss or damage	£500 million
Delay in start-up arising through physical loss or damage	£250 million
Third party liability	£100 million

The risks insured will include flooding, fire and ground collapse. The delay covered will be a maximum of 11 months; a substantial part of this risk will be borne by Eurotunnel.

Prior to opening Eurotunnel will seek insurance for the operational phase. Although it is not possible to obtain firm commitments from underwriters so far ahead, the Directors have no reason to believe that in the absence of significant change in insurance practice or a significant reduction in market capacity such insurance will not be obtainable on commercially acceptable terms.

Financing requirement

Eurotunnel's financing requirement up to 30th June, 1993 will include all construction and overhead costs to be incurred during the construction phase as well as financing costs.

Total financing requirement

The table below summarises the estimated total financing requirement:

	£ million
Construction costs (at July 1987 prices)	2,788
Corporate and other costs (at July 1987 prices)	642
Provision for inflation	469
Net financing costs	975
Total	<u>4,874</u>

The Eurotunnel System continued

Construction costs

The major items of construction expenditure (at July 1987 prices) are estimated as follows:

	£ million
Tunnels, tunnel linings and other underground structures (target works)	1,367
Terminals, fixed equipment, tunnel cooling and automatic control systems (mainly lump sum items)	1,169
Shuttles, locomotives and other procurement items	252
Total	<u>2,788</u>

For the target works, the Contractor is reimbursed by Eurotunnel for actual costs incurred and, in addition, is paid a fee. There is provision for subsequent adjustment of these amounts if the actual cost differs from the target cost. The lump sum works will be paid for by Eurotunnel without adjustment for the actual cost incurred by the Contractor. The Contractor will award sub-contracts for the procurement items, which will be subject to Eurotunnel's approval and for which Eurotunnel will pay the actual cost plus a fee. The amount shown for procurement items is the sum provided in the construction contract for the cost of the items concerned and the associated fees.

Corporate and other costs

The corporate and other costs of £642 million include management, operational and administrative expenses to be incurred by Eurotunnel prior to the start of operations. They also include provisional sums to cover expected additional project costs.

Net financing costs

Net financing costs represent interest paid (net of interest earned) and bank fees, calculated on the basis of the assumptions described below under the heading "Financial projections".

Financing

Eurotunnel will incur costs primarily in £ and FRF and the financing programme has been designed accordingly. To meet the estimated total financing requirement and to provide an appropriate margin Eurotunnel has arranged finance as follows:

	£ million	£ million
Equity— already raised		253
— to be raised through the Issue		770
Total equity		1,023
Credit facilities— main	4,000	
— standby	1,000	
		<u>5,000</u>
Total financing		<u>6,023</u>

Notes:

1. Further amounts of equity finance are expected to be raised through the exercise of warrants. For the purposes of the financial projections in this document, these amounts are estimated as £101 million in November 1992, £52 million in December 1994 and £25 million in June 1995.

2. The credit facilities consist of £2,600 million, FRF21,000 million and US\$450 million. The references in this document to the total credit facilities are calculated using rates of FRF10=£1 and US\$1.50=£1.

The Eurotunnel System continued

The total of equity and credit facilities shown above is approximately £1,150 million more than the estimated total financing requirement of £4,874 million. This margin has been arranged to cover any costs not included in the current cost estimates which may arise from unexpected increases in, for example, financing costs, construction costs or inflation. The Directors, having consulted the Maitre d'Oeuvre, believe that 10 per cent of the construction costs (£279 million) would be a reasonable allowance, given the current status of the project, for the possible impact of unforeseen circumstances on construction costs.


In the opinion of the Directors, taking into account the proceeds of the Issue and the credit facilities, the funds available to the Group will be sufficient to enable it to complete the project and to provide the necessary working capital.

The Credit Agreement

It is a condition of the Credit Agreement that total expenditure exceeds £700 million before loan drawdowns can begin. It is expected that the first drawdown will be made in the last quarter of 1988 after the majority of the proceeds of the Issue have been applied in making payments under the construction contract and meeting corporate costs.

The conditions attached to the Credit Agreement are stringent, as is to be expected in the case of such a major project financing. They include undertakings regarding the development of the project and the supply of information. Breaches of these conditions, including the cover ratios referred to below, which could arise from unexpected adverse circumstances beyond the control of the Directors, would entitle the banks to refuse to make advances and could therefore result in finance for the project not being available. These conditions enable the banks to monitor the progress of the project and the expected cash flows and to exercise control over the project in the event of any significant adverse developments.

A number of these conditions are summarised below under the heading "Legislative and contractual arrangements". They require, *inter alia*, the satisfaction of cover ratios derived from "banking cases", which will test the ability of projected cash flows to repay the loans within their maturity periods. These banking cases will be prepared from time to time, and at least semi-annually, by the lending banks after consultation with Eurotunnel, applying assumptions incorporating the latest traffic and revenue projections of Eurotunnel's consultants or, if the lending banks so require, their own consultants. In the absence of agreement, the lending banks may, in most cases, determine the assumptions themselves.

 The current banking case, prepared as at 30th June, 1987, differs from Eurotunnel's financial projections set out below principally in that the banks have assumed lower revenues (lower, for example, by 15.6 per cent. in 1994 and by 4.2 per cent. in 2000), in particular as a result of assuming lower air fares and a two-year delay in the introduction of high-speed train services. The costs assumed were £75 million lower (at July 1987 prices) than Eurotunnel's estimates in respect of provisional sums but the banks have also assumed a later opening date (15th November, 1993), with a consequent increase in financing and other costs assumed to be incurred before opening.

The assumptions then applied by the banks do not necessarily reflect the likely outcome of the project and are, overall, regarded by the Directors as too conservative. The banks' assumptions as to revenue were made before the decision of the French government about the high-speed railway north of Paris. This decision gives the Directors confidence that high-speed train services will be introduced from the time of opening of the System.

The ratios calculated from this banking case showed a margin over the minimum level which would entitle Eurotunnel to borrow under the Credit Agreement. This margin can be demonstrated by testing the limits to which certain specific assumptions then made by the banks could have been varied without breaching the cover ratios. For example, provided the other assumptions then made remained unchanged, any of:

- (a) a delay in opening of up to 14 months (until July 1994); or
- (b) a reduction in revenues of up to seven per cent. below those in the banking case (which, as described above, were already materially lower than Eurotunnel's projections); or
- (c) an increase of costs by up to £375 million (being an increase of £215 million in the construction costs then assumed, which did not take account of the £75 million referred to above, plus related inflation and financing costs)

would not by itself have led to a breach of the cover ratios.

These illustrations have been based on the banking case prepared as at 30th June, 1987, but the banking cases which will in fact determine Eurotunnel's ability to make drawings under the credit facilities will be prepared from time to time on the basis of revised assumptions, reflecting the progress of the project and including, for example, up-to-date revenue forecasts.

The Directors expect that, in the absence of unforeseen developments, Eurotunnel will be able to make drawings under the Credit Agreement as and when required for the purposes of the project.

Other financing

Use will be made during the construction period of lease and bond finance supported by letters of credit available under the credit facilities, if a lower cost than for advances under the Credit Agreement can thereby be obtained, and of arrangements designed to limit the cost of future increases in interest rates. No account has been taken of the benefits of the use of such finance in estimating net financing costs.

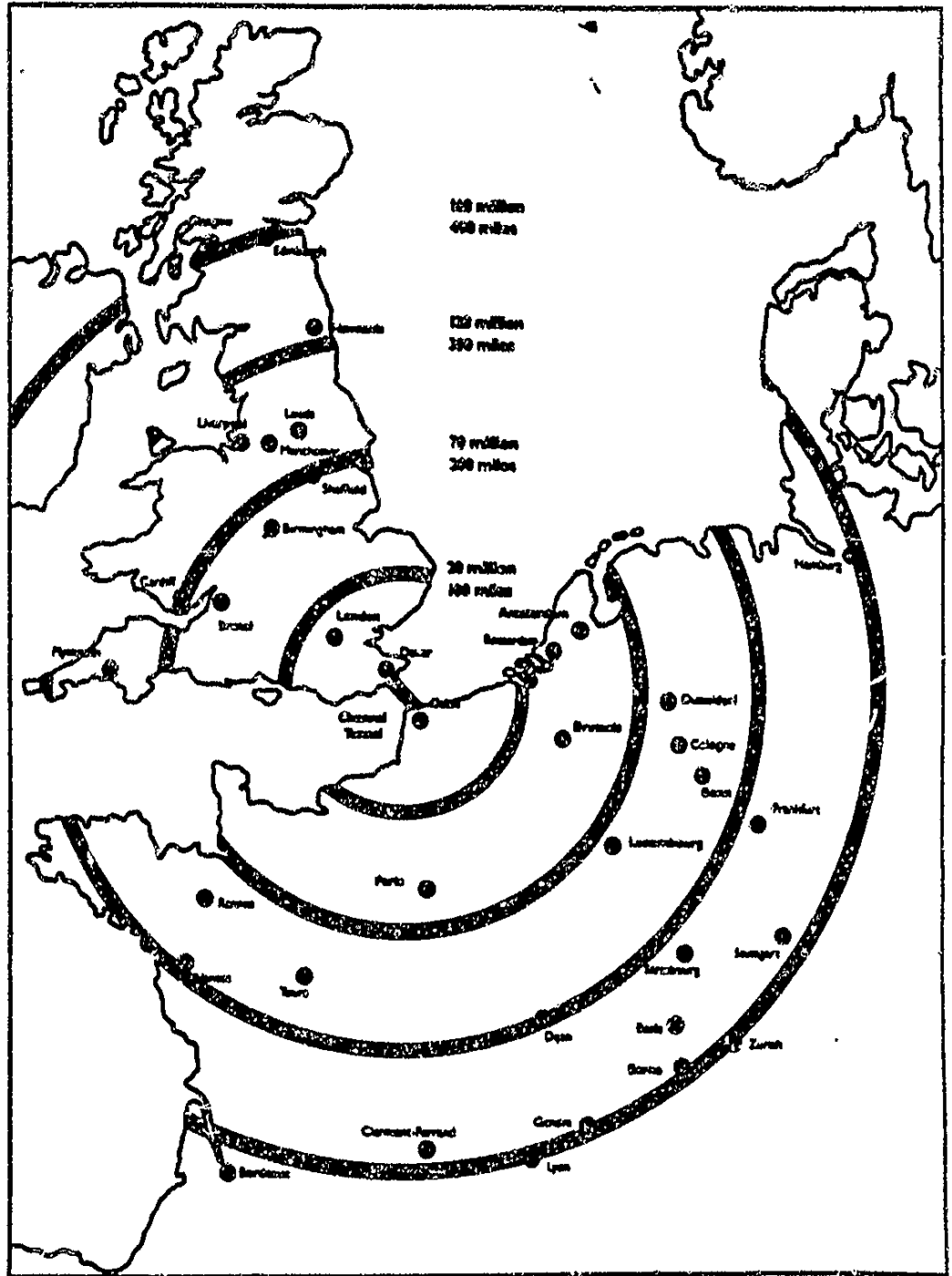
Eurotunnel intends that when the System is operational it will, subject to satisfaction of the relevant conditions imposed by the Credit Agreement, refinance the facilities in order to increase the amount of cash available for the payment of dividends to Unitholders. An assumption that such refinancing takes place between 1995 and 1998 at lower interest rates than under the credit facilities has been made for the purposes of the financial projections.

Use of proceeds

The net proceeds of the Issue, which are estimated to amount to approximately £702 million, will be used to repay in full the borrowings made under an interim loan facility (signed in August 1987 to cover expenditure until the Issue) and thereafter to meet construction and other costs. Pending application for these purposes, they will be placed on short-term deposit or invested in suitable banking instruments or marketable securities.

Revenues and costs

CUMULATIVE POPULATION WITHIN SPECIFIED DISTANCES FROM THE CHANNEL TUNNEL



Source: Eurotunnel's traffic and revenue consultants

The cross-Channel market

Eurotunnel will be entering and competing in the established and growing cross-Channel market in four principal sectors: passengers travelling with vehicles, road freight vehicles, passengers travelling without vehicles by sea or air and rail freight. For forecasting purposes this market has been defined as being essentially all passenger and freight trips (excluding bulk fuel) between Great Britain and western continental Europe, excluding Norway, Sweden and Finland, using ferry, hovercraft, jetfoil, train or aeroplane and, from 1993, Eurotunnel's shuttles.

Eurotunnel has retained three independent firms of traffic and revenue consultants (JETEC Economie and Wilbur Smith Associates in association with Alastair Dick & Associates) to assess jointly the likely future demand for the System and revenue during the Concession period. Their most recent report, on which information in this document has been based, is dated 24th July 1987.

Cross-Channel passenger and freight traffic has grown substantially over the last 20 years. The traffic and revenue consultants' analyses of the various factors promoting this growth (including the effects of the UK joining the European Community in 1973) indicate that this growth is likely to continue. There has also been a long-term trend towards the concentration of ferry passenger traffic on the Dover-Calais route, principally due to the increased frequency of sailings and improved quality of ships and on-board services, as well as the completion of the M25 motorway around London. The Dover-Calais route more than doubled its share of ferry passenger traffic from 19 per cent. in 1975 to 42 per cent. in 1986.

In 1985 approximately 48 million passengers and 60 million tonnes of freight (excluding bulk fuel) crossed the Channel between destinations in the UK and continental Europe. 20 million passengers (42 per cent.) used services provided by ferry operators, and of these, 7 million (15 per cent.) travelled with a car. Of the 28 million passengers (58 per cent.) who travelled by air, 6 million (12 per cent.) were travelling between the UK and France, Belgium, Luxembourg and the Netherlands. These are the air routes from which Eurotunnel is expected to attract significant proportions of traffic. Most of Eurotunnel's freight traffic is expected to be non-bulk (i.e. road-based, rail wagon, container and new vehicle traffic). In 1985, this category accounted for 27 million tonnes of freight (45 per cent. of total cross-Channel freight traffic).

Eurotunnel's traffic and revenue consultants have estimated that in 1993, when the System is planned to become operational, the cross-Channel market will have increased to approximately 67 million passengers and 84 million tonnes of freight. Their forecasts for 2003 and 2013 are approximately 94 million passengers and 123 million tonnes of freight and 119 million passengers and 170 million tonnes of freight, respectively.

Revenues and costs continued

Competitive advantages

Eurotunnel's services will have a number of advantages which are expected to enable it to obtain a significant share of the cross-Channel market.

Reliability

The services provided by Eurotunnel will be less vulnerable to adverse weather conditions than the hovercraft, ferry and air services. The risk of inconvenience and delay caused by such conditions will be substantially reduced by the use of the System.

Frequent service

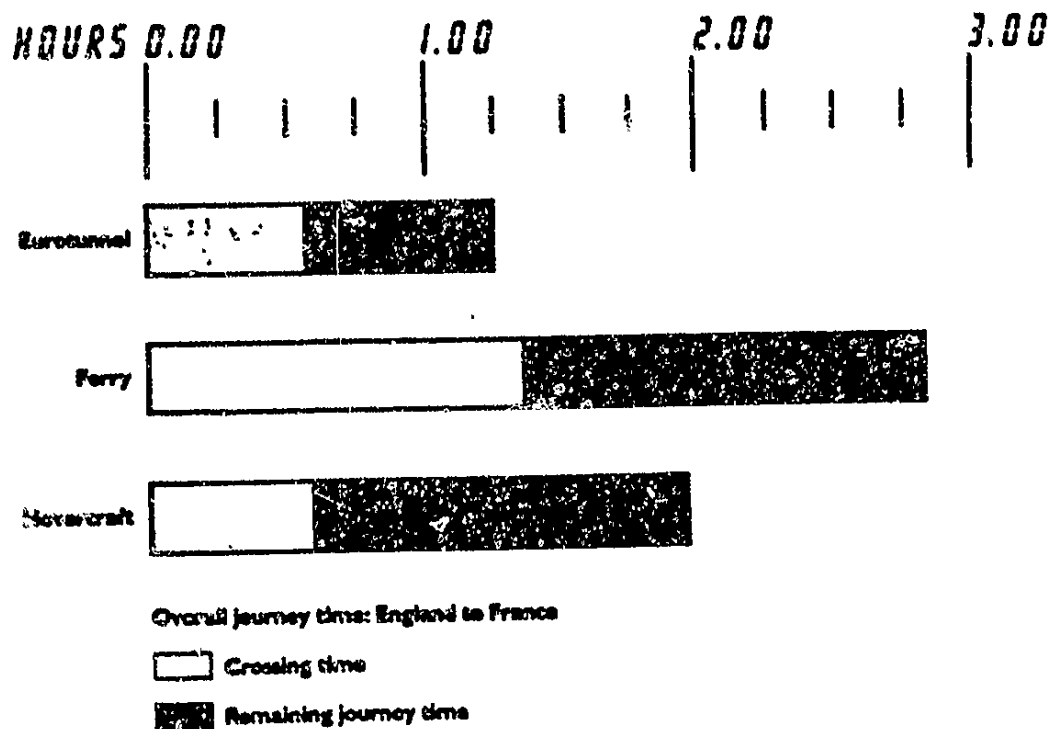
The shuttle will provide a round-the-clock service with frequent departures and no requirement for advance booking. The service will give passengers and freight operators greater flexibility in making their travel arrangements.

Travelling time

Shuttles

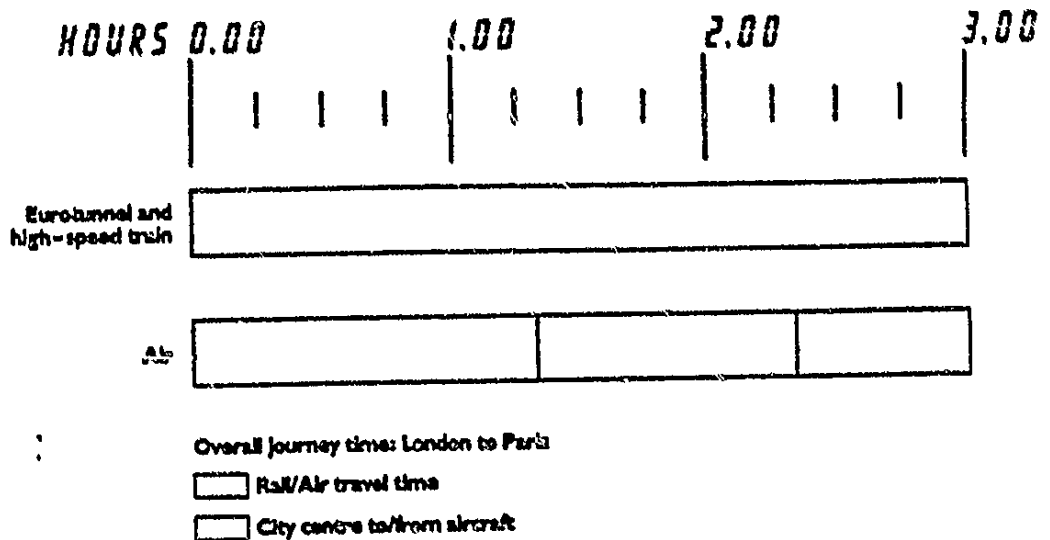
The overall journey time will be considerably shorter than by hovercraft or ferry. The shuttle journey itself is expected to take approximately 33 minutes.

The chart set out below, which is based on figures estimated by the traffic and revenue consultants, compares the shuttle journey time with that of ferry and hovercraft services between Dover and Calais, from a common point on the M20 motorway in the UK to a common point on the A26 motorway in France, through which points the majority of road traffic is expected to pass. In addition to the time required for formalities, loading and unloading and crossing, it assumes that travellers set aside a contingency time to ensure that they arrive in time for the scheduled departure of the ferry or hovercraft.



Through trains

Through trains are expected to enable passengers to travel between central London and central Paris in around 3 hours and between central London and central Brussels in about 2 hours 40 minutes, times which are competitive with air services. On these routes, through trains are also expected to be competitive in terms of price with air services. The rail journey will be convenient, avoiding the need to travel to and from airports, which are usually located away from city centres, and enabling those travelling between city centres to use a single mode of transport for the whole journey. The chart set out below, based on figures estimated by the traffic and revenue consultants, compares travel times between the city centres of London and Paris.



The above comparisons make no allowance for the possible effects of adverse weather conditions on travel by ferry, hovercraft or aeroplane. In general, the saving in time for freight carried by through train is expected to be significant.

Traffic forecasts and tariffs

Basis of preparation

The traffic and revenue consultants have developed computer models based on a detailed analysis of traffic volumes for the cross-Channel market from 1964 to 1985, and the results of specially-commissioned surveys, including data for 1986. These models have been used to estimate:

- (a) the future cross-Channel market, including some allowance for traffic created by the existence of the System,
- (b) Eurotunnel's market share, by allocating demand by routes and modes of transport and
- (c) Eurotunnel's revenues, on the basis of the projected shuttle tariffs and the charges contained in the railway usage contract and incorporating an estimate of revenues from ancillary services.

The revenue figures used in the financial projections are derived from the traffic and revenue consultants' estimates, modified to reflect the partial year of operation in 1993, and incorporate Eurotunnel's assumptions on inflation set out below under the heading "Financial projections".

The reference years used for the traffic projections are 1993, 2003 and 2013, and revenue figures for intermediate and later years set out below have been derived by interpolating and extrapolating the traffic projections between and beyond these reference years. Revenues from ancillary services are estimated per shuttle user and applied to forecast traffic levels, with the addition of an estimate of revenues from other sources such as cable conduit rentals.

Size of market and market share

Analysis of past trends in cross-Channel traffic volumes indicates that gross domestic product and consumer expenditure per head in the relevant countries were the major variables affecting market growth. Growth in UK gross domestic product is the most important of these variables as it is the key explanatory factor both for cross-Channel passenger trips by UK residents (which constituted some two-thirds of that market sector in 1985) and for imports to and exports from the UK.

In the forecasting model, the rate of UK gross domestic product growth has been assumed to be 2.15 per cent. per annum from 1985 to 2003, and 2.00 per cent. from 2003 to 2013, with corresponding annual rates of growth of UK consumer expenditure per head of 2.05 per cent. and 1.90 per cent. for the extrapolation. The historical growth in gross domestic product from 1960 to 1985 was 2.25 per cent. per annum. Assumptions have also been made of growth rates in France and other countries. For the extrapolation after 2013 a decreasing growth rate in traffic volumes, declining to zero by 2042, has been assumed.

The choice of method and route of travel depends on the traveller's perception of a number of factors, including total cost, travel time, frequency, comfort and reliability of services. The traffic and revenue consultants have assumed that travellers will endeavour to minimise their total travel time and cost and that Eurotunnel will therefore attract traffic from other carriers to the extent of its competitive advantages in these areas. Their models do not take into account the additional competitive advantages which Eurotunnel believes it will have in terms of comfort and reliability.

In addition to traffic diverted from other methods of travel, the existence of the Eurotunnel System is expected to create new traffic, increasing the size of the total market. This created traffic is expected to arise from a number of sources, including the frequency and reliability of travel through the System and reductions in journey time, real reductions in tariffs, a reduction in the "frontier effect" leading to a greater number of cross-Channel trips and commercial development resulting from the existence of the System.

The traffic and revenue consultants have estimated the size of the total market (including an element of created traffic) in the reference years, and Eurotunnel's expected share of the market, as follows:

Passenger traffic	(million trips per annum)				
	Actual		Forecast		
	1975	1985	1993	2003	2013
Projection of existing market	25.7	48.1	64.3	88.1	111.9
Traffic created by the existence of the System†	—	—	2.8*	5.5	6.8
Total passenger market	25.7	48.1	67.1	93.6	118.7
Projected Eurotunnel traffic	—	—	29.7*	39.5	46.6
Average annual growth rate of total passenger market		6.5%	4.2%	3.4%	2.4%

* stated as for full year of operation.

† the figures in the above table for created traffic include the projected traffic resulting from the real reductions in travel costs and time but only 50 per cent. of current estimates of traffic created by the other factors referred to above.

Revenues and costs continued

The through rail services which will be available after the System opens are expected to attract from competing services more than 90 per cent. of foot passengers travelling by sea (i.e. those unaccompanied by a vehicle), 30 per cent. of coach passengers (with a further 51 per cent. continuing to travel by coach but using Eurotunnel's coach shuttle) and 15 per cent. of air passengers. Shuttle services are also expected to attract more than 63 per cent. of cross-Channel car passengers.

If new track were to be introduced to provide a high-speed capacity within the UK, the resulting time savings would further increase the competitiveness of the rail service through the System and could be expected to result in additional traffic which is not taken into account in the financial projections in this document.

Freight traffic	(million tonnes per annum)				
	Actual		Forecast		
	1975	1985	1993	2003	2013
Projection of existing market	37.2	60.4	84.4	122.1	169.8
Traffic created by the existence of the System†	—	—	—	0.5	0.6
Total freight market	37.2	60.4	84.4	122.6	170.4
Projected Eurotunnel traffic	—	—	14.8*	21.1	27.8
Average annual growth rate of total freight market		5.0%	4.3%	3.8%	3.3%

* stated as for full year of operation.

† the figures in the above table for created traffic include only 50 per cent. of current estimates of traffic created by the factors referred to above.

Freight shuttles are expected to attract just under a quarter of road-based freight in 1993 after the System opens. However, some of the existing road-based traffic is also expected to transfer to through rail services, which are in addition expected to capture 37 per cent. of rail wagon, container and new vehicle delivery traffic.

It has been assumed by the traffic and revenue consultants in the preparation of the above projections that, whilst the ferries will improve their services over time, there will be no such improvements in Eurotunnel's service. It has also been assumed that, as incomes increase, travellers will value time savings relatively more highly and may therefore make certain journeys by air. The decline in market share which appears from the above tables is substantially attributable to these assumptions. While the Directors believe that the adoption of conservative assumptions is appropriate in preparing projections for presentation in this document, they fully intend that improvements to Eurotunnel's service will be made with a view to maintaining, and if possible improving, its market share. In addition, the Directors intend that Eurotunnel will pursue commercial policies aimed at maximising the growth in traffic and profits over the life of the Concession.

Revenues and costs continued

Tariffs

Shuttle/ferry

The traffic and revenue consultants have constructed a model based on the cost structure of ferry operations to examine the competitive strategies available to ferry operators. Using this model, the consultants have concluded that tariffs on the key Dover-Calais ferry services in 1993 would be reduced in response to competition from Eurotunnel, and could be as much as 20 per cent. lower for freight and 5 per cent. lower for passengers in real terms than their 1986 values.

The following table compares the estimated average tariff for a cross-Channel trip in 1986 with that which the traffic and revenue consultants have estimated would be charged for either a ferry or a shuttle in 1993 if Eurotunnel's average tariffs were the same as ferry services on the Dover-Calais route. All tariffs are in July 1987 prices.

	Hovercraft 1986 £	Ferry 1986 £	Ferry or shuttle 1993 £
Car and occupants (average 2.55 occupants)	64.60	58.70	55.80
Roll-on, roll-off (per freight vehicle, average load 11.7 tonnes)	—	147.70	118.20

Through train/air

The traffic and revenue consultants forecast that, as a result of liberalisation of regulations governing air services and competition from through rail services through the System, average fares paid by cross-Channel business travellers will fall by five per cent. in real terms compared with 1986 levels. They also consider that the introduction of the through rail services in 1993 will cause a further reduction in real terms of 15 per cent. on London-Paris flights and 20 per cent. on London-Brussels flights.

The following table compares the estimated average tariff for a London-Paris air trip in 1986 with the estimated tariffs for an air trip and for a through train trip in 1993, although through train tariffs will be determined by the Railways. All tariffs are in July 1987 prices.

	Air 1986 £	Air 1993 £	Through train 1993 £
Business	80.00	64.00	39.90
Independent leisure	52.10	49.50	23.90
Inclusive tour	37.00	37.00	14.40

Revenues

Eurotunnel's operating revenues will arise from three sources:

- shuttle tariffs
- railway usage charges and contribution to operating costs relating to through trains, agreed for the whole of the Concession period and governed by the terms of the railway usage contract
- ancillary revenues, including catering, duty-free sales (if still permitted for travel within the European Community) and payments in respect of the use of the tunnel as a conduit for cables (subject to the approval of the Inter-Governmental Commission).

Revenues and costs continued

The railway usage charges comprise a fixed annual amount together with tolls dependent on traffic levels and are (so long as the System is fully available to the Railways) subject to a guaranteed minimum monthly payment in each of the first 12 years of operation, regardless of traffic. It is estimated that the minimum guaranteed payments made by the Railways will amount to just over £9 million per month. In addition, the Railways have agreed to bear the proportion of Eurotunnel's operating costs attributable to through trains.

In estimating the potential ancillary sources of revenue, the traffic and revenue consultants have assumed net revenue from shuttle passenger-related sources of £2.08 per passenger in respect of duty-free sales and £0.62 per passenger in respect of sales through other facilities at the terminals (each at July 1987 prices). In addition, their forecast includes ancillary revenue from other sources of £5.1 million per year (at July 1987 prices).

The total revenues which have been estimated for 1993, 1994, 2003 and 2013 (at July 1987 prices) are summarised in the following tables according to source of revenue:

	1993 £ million	1994 £ million	2003 £ million	2013 £ million
Shuttle	182	265	341	402
Railway	141	216	249	270
Ancillary	31	44	56	64
Total at July 1987 prices	354	525	646	736
Passenger	240	346	414	456
Freight	83	135	176	216
Ancillary	31	44	56	64
Total at July 1987 prices	354	525	646	736

Note: Figures for 1993 represent trading from May to December.

Operating costs

Eurotunnel's operating costs are estimated to be 19 per cent. of revenues during the first ten years of operation. It is expected that it will have low marginal costs associated with handling additional traffic. This will give Eurotunnel greater commercial flexibility than its competitors in coping with increases in demand and should mean that a higher proportion of any additional revenues would be reflected in increased profitability.

Future capital expenditure

Capital expenditure will be incurred after the start of operations in respect of replacement of assets and of new equipment to meet increases in traffic demand.

Costs associated with the replacement or refurbishment of items such as mechanical and electrical equipment used in the System and shuttles and locomotives have been included in the financial projections based on asset lives, estimated, where appropriate, on the basis of usage implied by the traffic forecasts.

As noted above under the heading "Capacity", additional capital expenditure on shuttles and fixed equipment for the System is expected to be incurred during the operating phase in order to meet projected increases in traffic. The financial projections reflect the effects of such additional capital expenditure.

Profit projections

Eurotunnel has made projections of the results of operating the System which are set out below in the section headed "Financial projections" and which have been prepared on the bases and assumptions described in that section. The revenues included in the projections are based on those forecast by the traffic and revenue consultants, adjusted for the assumed inflation rates.

The projections show the first profit from operating the System arising in respect of the year ending 31st December, 1993, the year in which operations are expected to begin. A summary of the projections is set out below.

1993-1998

Year ending 31st December,	1993 £ million	1994 £ million	1995 £ million	1996 £ million	1997 £ million	1998 £ million
Turnover	488	762	835	908	986	1,072
Profit before taxation	70	108	199	273	350	422
Profit for the year available for distribution	62	88	158	217	277	328
Dividends—total	—	149	169	217	277	328
—per Unit	—	£0.39	£0.44	£0.56	£0.71	£0.85

Later years

Year ending 31st December,	2003 £ million	2013 £ million	2023 £ million	2033 £ million	2041 £ million
Turnover	1,586	3,236	6,184	11,356	17,824
Profit before taxation	927	2,410	4,879	9,152	14,453
Profit for the year available for distribution	566	1,476	2,985	5,605	8,880
Dividends—total	566	1,476	2,986	5,605	8,880
—per Unit	£1.46	£3.80	£7.70	£14.44	£22.88

Note: the above projections incorporate assumed inflation as described below.

All costs incurred, directly or indirectly, in the design and construction of the System up to the start of operations will be capitalised. The figures for 1993 represent trading only from the opening date in May to December. Dividends in respect of 1994 and 1995 include the distribution of reserves carried forward from earlier years.

Inflation

The inflation assumptions included in the above projections are set out below under the heading "Financial projections". On the basis of those assumptions, £1 in July 1987 is approximately equivalent to the following:

1994	1998	2003	2013	2023	2033	2041
£1.45	£1.83	£2.45	£4.38	£7.84	£14.05	£22.39

Although dividing the projected figures by these values does not give the same result as if no inflation had been assumed in the projections, it does provide an approximate equivalent in July 1987 prices of the figures shown. On this basis distributable

Profit projections continued

profits show significant real growth from £61 million in 1994 to £179 million in 1998 and £337 million in 2013. The traffic and revenue consultants have extrapolated their projections beyond 2013 on the basis of a decreasing growth rate in traffic volumes which declines to zero by 2042; nevertheless, this results in a further real increase in distributable profits to £399 million in 2033.

The sensitivity of these projections to variations in certain key assumptions, including the assumptions for inflation, is shown below under the heading "Financial projections".

The financial projections have been prepared for illustrative purposes. They relate to periods up to 55 years ahead and do not constitute a forecast; they will be materially affected by changes in economic and other circumstances. While the Directors consider that the assumptions on which the projections are based are reasonable, it must be recognised that the reliance to be placed on them is a matter of judgement.

Returns for investors

Dividends

The Directors intend that, substantially all of EPLC's and ESA's available distributable profits will be paid out as dividends. On the basis of the financial projections set out in this document, it is expected that the first dividends will be paid in 1995 in respect of the year ending 31st December, 1994.

Returns for investors

The development of Eurotunnel's business can be divided into two periods:

- the "start-up" period, namely the period of construction and initial operation up to mid-1995, when the first dividends are expected to be paid. By this time there should be some two years' experience of actual traffic and operating costs and the construction costs should have been very largely determined
- the main operational period from mid-1995 until the expiry date of the Concession in 2042.

During the start-up period, any return to investors would arise from increases in the market value of Units and New Warrants. The return to an investor until the end of the start-up period will therefore depend on market prices at that time. These prices are likely to be affected by such matters as the successful completion of the System, the initial levels of traffic through the System, the approaching payment of and value of expected future dividends and prevailing yields on comparable securities, as well as by stock market conditions generally.

Eurotunnel's traffic and revenue consultants have forecast that, during the 49-year operational period of the Concession, traffic volumes will continue to grow. The Directors intend that Eurotunnel will pursue commercial policies aimed at maximising the growth in traffic and profits. Based on the traffic and revenue consultants' forecasts the financial projections show substantial and growing dividends. For example, the dividends per Unit (excluding the associated UK and French tax credits) shown in those projections are as follows:

	1994	1998	2003	2013	2023	2033
Dividends per Unit	£0.39	£0.85	£1.46	£3.80	£7.70	£14.44
Average annual rate of dividend growth		21%	11%	10%	7.3%	6.5%

The value in mid-1995 of all the dividends per Unit over the 49-year period of the Concession, if discounted to that date at an annual rate of 12 per cent., would be £24 including and £17 excluding associated tax credits. If the rate of discount used were 10 per cent. or 15 per cent., such value would be £35 and £16, respectively, including tax credits. The gross dividend yield (including associated tax credits) on the UK Offer price on the basis of the projections (incorporating the effect of inflation) would be, for example, 16 per cent. in 1994, 34 per cent. in 1998 and 60 per cent. in 2003.

New Warrants

A holder of New Warrants who exercises those warrants will be required to pay 23p and FRF2.30 per New Warrant, equivalent (subject to adjustment) to an issue price of 230p and FRF23 per Unit (a premium of some 31 per cent. over the issue price). On exercise the holder would receive one Unit for every ten New Warrants, subject to any adjustment which may be required as referred to below under the heading "Description of the New Warrants". Alternatively, holders may sell their New Warrants, which will be listed, at the prevailing market price. The projections in this document assume the exercise of all New Warrants. The New Warrants are exercisable between 15th November, 1990 and 15th November, 1992.

Travel privileges

Individuals who continue to hold Units personally acquired by them under the Issue will be entitled, upon payment (with effect from the year of opening of the System) of a registration fee expected to be approximately £10 (at July 1987 prices) per year, and provided that the specified conditions are satisfied, to make the following numbers of shuttle trips at a nominal charge for each one-way journey of £1 or FRF10 per vehicle:

Number of Units personally purchased and held

100

One return shuttle trip to be taken within 12 months of the System opening

500

One return shuttle trip per year for the first ten years of operation

1,000

Two return shuttle trips per year until the end of the Concession period

1,500

An unlimited number of shuttle trips until the end of the Concession period

Further information concerning these arrangements and a summary of the conditions which must be satisfied before the privileges can be claimed, is set out below under the heading "Travel privileges".

Corporate and management structure

Corporate structure

The design, development, construction and operation of the System is being undertaken by a partnership, under the name "Eurotunnel", between the two concessionaire companies, which are subsidiaries of EPLC and ESA. Revenues and costs (excluding depreciation and tax) will be divided equally between the partners. The partnership will not itself be liable to tax on its profits but each of the partners will be subject to tax in its own country. It is intended that the partnership will continue until the end of the Concession.

Nature of the Units

The shares in EPLC and ESA have been "twinned". Thus, under the articles of association of EPLC, issues or transfers of shares in EPLC are not permitted unless they are issued or transferred together with the same number of shares in ESA. The *statuts* of ESA contain a similar restriction (subject to the application of any overriding principle of French law). In addition, the articles and *statuts* provide that the shares in EPLC and ESA may only be listed or authorised to be dealt in on any stock exchange in the form of Units.

Each Unit therefore comprises one share in EPLC and one share in ESA.

Directors

Eurotunnel, the partnership, is governed by a single executive body, the Joint Board, which has overall responsibility for its corporate policy, management and direction. The members of the Joint Board are also directors of EPLC and directors or *censeurs* of ESA. They are described below:

André Pierre Jacques Bénard (65) (French) **co-Chairman** — member of the Supervisory Board and a former Managing Director of the Royal Dutch/Shell Group of Companies; senior adviser of Lazard Frères & Co., New York; director of La Radiotechnique, Paris; director of Bekaert N.V., Kortrijk.

Robert Alastair Morton (49) (British) **co-Chairman** — director of Banque Nationale de Paris PLC. Formerly Chairman of Guinness Peat Group plc and director of GPA Group Limited; previously Managing Director of the British National Oil Corporation and a board member of the British Steel Corporation.

Pierre Joseph Henri Durand-Rival (57) (French) **Managing Director** — graduate engineer of the Ecole Polytechnique and the Ecole Nationale des Ponts et Chaussées. Formerly Chairman and Chief Executive of Carnaud-Basse Indre.

Bernard Auburger (49) (French) — Chief Executive of Caisse Nationale de Crédit Agricole; member of the Conseil National de Crédit; Deputy Chairman of the Association Française des Etablissements de Crédit; Chairman of the UNICO Banking Group; director of HAVAS.

Denis Marsden Child (61) (British) — director and former Deputy Chief Executive of National Westminster Bank PLC; director of Coutts & Co; member of the Securities and Investments Board and of the Board of the Civil Aviation Authority.

Jean-Loup Dherse (54) (French) — graduate engineer of the Ecole Polytechnique and the Ecole des Mines. Formerly Chief Executive of Eurotunnel and Vice-President, energy and industry, at the World Bank, Washington and an executive director of The RTZ Corporation PLC.

Alexandre Dumont (64) (Belgian) — Chairman of Belgamanche S.A.; Administrateur of Tractebel S.A. (a company in the Société Générale de Belgique group); director of Société Belge d'Investissements, SEMA-METRA and Compagnie de Navigation Mixte.

Sir Alistair Gilchrist Frame (58) (British) — Chairman of The RTZ Corporation PLC; director of The Plessey Company PLC, The Toronto-Dominion Bank and Glaxo Holdings PLC; Chairman of the Council of Mining and Metallurgical Institutions.

Renaud de la Genière (62) (French) — Chairman of Compagnie Financière de Suez; Chairman of Banque Indosuez. Formerly Governor of the Banque de France.

Corporate and management structure continued

Sir Nicholas Henderson (68) (British) — director of Tarmac PLC, Hambros PLC, Foreign and Colonial Investment Trust PLC, Foreign and Colonial Eurotrust PLC and The Mercantile and General Reinsurance Company PLC. Formerly British Ambassador to The Federal Republic of Germany, France and the United States of America.

Robert Louis Etienne Lion (53) (French) — Chief Executive of Caisse des Dépôts et Consignations; director of Crédit Foncier de France, Crédit National and Compagnie Internationale des Wagons-Lits et du Tourisme.

Robert Malpas (60) (British) — a Managing Director of The British Petroleum Company plc; Chairman of BP Chemicals, BP Ventures and Scicon Corporation; director of The BOC Group plc; Vice Chairman of the Engineering Council.

Sir Kit McMahon (60) (British) — Chairman and Group Chief Executive of Midland Bank plc; Chairman of Midland Montagu (Holdings) Limited. Formerly Deputy Governor of the Bank of England.

Jean-Paul Pavyre (50) (French) — Chief Executive and member of the Managing Board of Dumez S.A.; director of Compagnie Générale d'Electricité; director of Crédit National, L.V.M.H. Moët Hennessy-Louis Vuitton; member of the Supervisory Board of Peugeot S.A.

Raymond Pennock, the Right Honourable the Baron Pennock of Norton in the County of Cleveland (67) (British) — director of Morgan Grenfell Group plc; Deputy Chairman of The Plessey Company PLC; director of Standard Chartered PLC; director of Willis Faber p.l.c.

Tony Melville Ridley (54) (British) — Chairman and Managing Director of London Underground Limited; director of London Regional Transport; Chairman of Docklands Light Railway Limited. Formerly Managing Director of the Hong Kong Mass Transit Railway Corporation.

Sir Robert Scholey (66) (British) — Chairman of the British Steel Corporation; President of EUROFER.

Bernard Tholon (58) (French) — Chief Executive of Crédit Lyonnais; Vice Chairman of Union de Banques Arabes et Françaises; director of Bouygues S.A.

Organisation and management

Eurotunnel's management structure has been designed to reflect its operational priorities as it develops through three principal phases:

- the establishment of the legislative and corporate framework and the financing programme
- the design and construction of the System
- operation, together with marketing and other associated functions.

The initial phase, which is being completed by the Issue, started when Eurotunnel's scheme was chosen by the governments in January 1986. Jean-Loup Dherse, as Chief Executive, and Pierre Durand-Rival as his deputy, have been responsible for the development of Eurotunnel during the later stages of this phase.

Pierre Durand-Rival, an engineer with wide experience of design, construction, commissioning and operation of major steel industry facilities, was appointed Managing Director on 1st October, 1987 to take charge of the second phase. During this phase the priorities will be completion of the design and construction of the System and preparation of the operating structure. Prior to the start of operations, marketing and sales functions and the necessary operational departments will be developed.

Corporate and management structure continued

The co-Chairmen devote the majority of their time to Eurotunnel. They have overall responsibility for the day-to-day direction of the Group and for its external relations. They have been actively involved in the negotiation of Eurotunnel's major financing and operating agreements and in its parliamentary, public and corporate relations programmes. The co-Chairmen will continue to be responsible for overall corporate policy and will pay particular attention to the planning of and build-up to the operational phase.

On 26th October, 1987, **Sir Nicholas Hunt** joined Eurotunnel as a Deputy Managing Director (Organisation and Development) to assist the Managing Director and the co-Chairmen in the development of the Group's structure and capability, balanced between the UK and France in accordance with the Concession. Sir Nicholas was, until July 1987, in the Royal Navy, from May 1985 as Commander-in-Chief, Fleet.

Day-to-day management is effected through three main divisions:

Operations and Project Division

This division, which reports directly to the Managing Director, is responsible for all aspects of the construction programme covering tunnel and terminal design, control systems and rolling stock specification and design. It has been organised in three departments supported by a technical directorate:

- the Operations Department, which is responsible for defining the operational requirements and maintenance policy of the System and for the optimisation process. It is led by **Alain Bertrand**, who was previously with Société Nationale des Chemins de Fer Français, and has considerable experience of its high-speed train system
 - the Project Administration and Control Department, which is responsible for the establishment of project procedures, project forecasts and reporting, cost and time control and general project administration. It is led by **Peter Behr**, who is on secondment from the Bechtel group
 - the Project Design and Construction Department, which is responsible for the control and approval of the design and construction work, certification of payment and the administration of the construction and Maître d'Oeuvre contracts. It is led by **Parviz Madjedi**, who has wide experience of the design and management of major motorway, rail and airport projects.
- The Technical Director is **Colin Kirkland**, who is on secondment from Sir William Halcrow & Partners Ltd. as a technical adviser on tunnelling and construction; he also has responsibility for environmental matters and quality assurance. He is Chairman of the British Tunnelling Society and Vice President of the International Tunnelling Association.

Following Pierre Durand-Rival's appointment as Managing Director the management structure of this division has been fully reviewed with the Maître d'Oeuvre. The Project Administration and Control and the Project Design and Construction Departments will be strengthened and developed into a Project Division led by a Deputy Managing Director (Project). This integrated team will comprise personnel from Eurotunnel, from W. S. Atkins & Partners, from Société d'Études Techniques et Economiques and their sub-consultants, from the Bechtel group and from other specialist organisations, as required.

Finance Division

Following Mr. Morton's appointment as co-Chairman, a Finance Group was established to manage the completion of the Group's equity and bank loan financing programmes and to co-ordinate and monitor all inter-related corporate functions affecting those programmes. **Rory Macnamara** has been seconded from Morgan Grenfell & Co. Limited in order to co-ordinate the equity financing programme and associated functions as part of the Finance Group.

Corporate and management structure continued

On 26th October, 1987, **Graham Corbett** joined Eurotunnel as financial adviser to the co-Chairmen and to take responsibility for the development of the Group's financial management structure, systems and staffing. Mr. Corbett has been resident in Paris for 11 years as Senior Partner of Peat Marwick Mitchell in continental Europe.

The division has at present two main departments:

- the Treasurer's Department led by **Peter Ratzler**, who was formerly controller of Esso Exploration and Production UK Limited and treasurer of Esso Petroleum Company Limited
- the Controller's Department, which is responsible for all accounting and budgeting functions. It is led by **Claude Liénard**, who was formerly controller of Bignier Schmid Laurent.

Commercial Division

This division is headed by **Colin Stannard**, a former head of project finance at National Westminster Bank PLC, where he was involved in the investigations into a cross-Channel fixed link. It is currently engaged principally in defining the commercial criteria for the design of the System. This division has given priority to two important tasks:

- co-ordination of the commercial needs of the Group with the technical requirements of the project during the optimisation process of System design, led by **Clifford Moss**, who is on secondment from Balfour Beatty Power Construction Limited
- negotiation of commercial contracts and planning of ancillary services and establishment of traffic and revenue forecasting procedures led by **Martin Hemingway**, who was previously with Tarmac Construction Limited.

Central Support Departments

In addition there are three central support departments based in London:

- the Group Secretariat, led by **David Wilson**, as Administration Director and Group Secretary. He was formerly Group Secretary of The British Land Company PLC
- the External Relations Department, led by **John Taberner**, who also has responsibility for relations with the Inter-Governmental Commission
- the Corporate Affairs Department, led by **Martin Hall**.

In Eurotunnel's office in France, **Etienne Schwarczer** is Directeur Délégué and **Jeanne Labrousse** has responsibility for corporate affairs.

The total staff of Eurotunnel, the majority of whom are based in London, now numbers approximately 250. Of these, more than half are employed by Group companies, most of the remainder being on secondment to Eurotunnel. The total number of staff is expected to remain at about its present level until 1991, although an increasing proportion is expected to be directly employed by the Group. Thereafter, operational and maintenance staff will be recruited to a total during the operational phase expected to reach some 2,200.

Legislative and contractual arrangements

Treaty, Concession and legislation

The construction and operation of the System will be regulated under a combination of international law and the laws of France and England. The main instruments are:

- the Treaty between the UK and France, which is the basic instrument authorising and regulating the construction and operation of the System. It was signed on 12th February, 1986 and ratified on 29th July, 1987, following completion of parliamentary processes in both countries, and provides for the System to be constructed and operated by private concessionaires
- the Concession, which is an agreement with the two governments under which Eurotunnel undertakes to carry out the development, financing, construction and operation of the System. The Concession is due to remain in force for a period of 55 years from 29th July, 1987
- the Channel Tunnel Act 1987, which became law in the UK on 23rd July, 1987. The Act empowers the Secretary of State to acquire compulsorily the land needed to build the System in the UK. It also grants the equivalent of full planning permission for the necessary underground works and outline planning permission for the buildings and other facilities, such as the UK terminal
- Laws Number 87-383 and 87-384, dated 15th June, 1987, which authorised the French President to ratify the Treaty and approved, insofar as was necessary, the Concession
- the *Déclaration d'Utilité Publique* promulgated by the French Prime Minister on 6th May, 1987 after consultation with the *Conseil d'Etat*, which provides for the compulsory acquisition of the land needed to build the System in France as being required for a recognised public purpose.

Obligations of the governments

The governments have agreed in the Concession:

- to use reasonable endeavours to provide the infrastructure necessary for a satisfactory flow of traffic, subject to statutory procedures
- to ensure that Eurotunnel is free, subject to national and European Community laws relating to competition and dominant market position, to decide and carry out its own commercial policy with respect to pricing and the type of service to be offered
- not to intervene in the conduct or operation of the System except as provided in the Concession
- save in cases of national defence (where compensation may be payable under domestic law), default by Eurotunnel or *force majeure* or similar circumstances, to pay compensation if they interrupt or terminate the right of Eurotunnel to construct or operate the System.

Taxation

The governments have declared that there will be no discrimination in relation to taxes on charges made to users of the System and its direct competitors. They have also agreed that each of the concessionaires will be taxable only in its country of residence in respect of profits from the System; the text of a protocol amending the UK/France Double Tax Convention and containing (amongst others) an Article to this effect was published in the United Kingdom on 21st October, 1987.

Exchange control

Exchange control arrangements (if any) in both countries will, subject to compliance with the relevant applicable procedures, permit transfers of funds directly connected with the development, financing, construction or operation of the System, both between the UK and France and between those countries and third countries.

Legislative and contractual arrangements continued

Land acquisition

The UK part of the tunnel, the UK terminal and the Ashford freight depot will be owned by the Secretary of State, who will grant a lease or leases to Eurotunnel at a peppercorn rent for a term expiring at the end of the Concession. In addition, the Secretary of State will lease to Eurotunnel during the construction period the land in the UK required only for construction purposes.

The French part of the tunnel (including the French terminal) will be owned by the French State and made available to Eurotunnel under the terms of the Concession.

The cost of acquiring the land in both the UK and France will be met by Eurotunnel. In the UK, much of the land required for the construction and operation of the System has already been acquired. The remainder of the land required will either be purchased by agreement with the vendors or be compulsorily purchased and made available to Eurotunnel as and when required. In France, the land required for the construction and operation of the System will be purchased either by agreement with the vendors or compulsorily by Eurotunnel on behalf of the French State.

A second link

Eurotunnel is required under the Concession to put forward by the year 2000 a proposal for a "drive-through link" to be added to the System when technical and economic conditions permit and when the increase in traffic would justify it without undermining the expected return on the first link. The governments have agreed not to facilitate a second fixed link built by others to open before the end of 2020. This, in effect, gives Eurotunnel a right of first refusal to construct a second fixed link prior to 2020 and to operate it thereafter. However, the governments remain free to issue an invitation for a second fixed link to be built by others if there is not agreement by 2010 on a second link to be built by Eurotunnel. For the purposes of the financial projections it has been assumed that no second link will come into operation before the end of the Concession.

The Inter-Governmental Commission

The governments have established the Inter-Governmental Commission to co-ordinate their approach to the project. Its activities include the drawing up of regulations affecting the construction and operation of the System, and in particular the co-ordination and harmonisation of the relevant provisions of English and French law, and the monitoring of its construction and operation. The Commission is advised and assisted by the Safety Authority, which has powers of direction but acts generally under the Commission's auspices.

The Inter-Governmental Commission has extensive powers and several important aspects of the design of the System, as well as numerous detailed specifications, will require its approval. However, procedures have been established whereby it is expected that in practice any relevant concerns of the Inter-Governmental Commission can be resolved as part of the design process.

Duty-free

The governments have agreed in the Treaty that they will (subject to any international obligations) allow duty-free facilities to travellers using the System comparable to those available to ferries and air travellers between the two countries, and have indicated that they are prepared to allow duty-free facilities for shuttle passengers at the terminals. Duty-free shops have been incorporated in the design of the terminals and the financial projections have been prepared on the basis that such facilities will be permitted to Eurotunnel on equal terms with the ferries and airlines. In the projections, duty-free sales account for six per cent. of operating revenues.

The member states of the European Community in 1987 ratified the Single European Act, which fixes as one of the commitments of the Community the creation of an internal market without trade or customs barriers by the end of 1992. This may involve the abolition of duty-free sales on travel between member states.

Legislative and contractual arrangements continued

If duty-free sales were abolished, Eurotunnel's ancillary revenues would be reduced. However, Eurotunnel's traffic and revenue consultants believe that the effect of the change would be to lead to an improvement in Eurotunnel's competitive position, and that there would be no noticeable effect on overall expected revenues.

Construction contract

The works under the construction contract are divided into three categories: target works, lump sum works and procurement items.

Target works

The tunnels and other underground structures, accounting for approximately 50 per cent. of the value of the construction contract, are being constructed on a target cost basis with the Contractor being reimbursed for actual costs incurred plus a fixed fee of 12.36 per cent. of the target cost. If the actual cost at completion is less than the target cost, the Contractor will receive a bonus equal to 50 per cent. of the saving. If the actual cost is more than the target cost, the Contractor will meet 30 per cent. of the excess up to a point where the Contractor has borne an excess equal to six per cent. of the target cost.

Lump sum works

The buildings and all related infrastructure for the terminals, the fixed equipment and the mechanical and electrical elements of the System, representing approximately 40 per cent. of the value of the construction contract, will be constructed on a lump sum basis. The lump sum provided in the contract will be paid to the Contractor irrespective of the actual cost of the specified items. Any overruns will therefore be borne by the Contractor except to the extent that they relate to variations or additions to the contract required by Eurotunnel or are caused by inflation.

Procurement items

Subject to the approval of Eurotunnel and following a procedure defined in the construction contract, the Contractor will conclude sub-contracts for the supply and installation of procurement items, principally the locomotives and shuttles. The amount provided in the construction contract (the Contractor's fee included) represents approximately 10 per cent. of the value of the contract. The Contractor, which will be responsible for the preparation, management and supervision of the sub-contracts in order to ensure the adequacy and fitness of the procurement items, will be reimbursed for its costs and will be paid a fee of 11.5 per cent. of the cost of the procurement items purchased.

Adjustment to contract price

The target cost and lump sum are subject to price adjustments to reflect, *inter alia*, additional costs incurred by reason of unforeseeable ground conditions, variations to contract specifications requested by the Inter-Governmental Commission (except where reasonably foreseeable), and changes requested by Eurotunnel. The lump sum and the fee for the target works are subject to adjustment for inflation, and similar adjustments will be made in respect of the target cost.

Contractor's obligations and incentives

The Contractor is under a general obligation to design, construct, test and commission a fully operational System for delivery by 15th May, 1993. The System will be required to meet specified performance criteria.

In addition to the incentives and penalties described above in relation to costs, milestone dates have been established by which certain events or project stages are to have been completed. If these milestone dates are not met, payments to the Contractor will be reduced by the application of advance liquidated damages. One half of such advance liquidated damages will be repaid if the delay is recovered and the completion date is

Legislative and contractual arrangements continued

met. The Contractor will suffer financial penalties at an initial rate of £354,000 per day to be increased after six months to £536,000 per day up to a maximum of £165 million (all in September 1985 prices subject to adjustment for inflation), if the completion date is delayed for reasons in respect of which the Contractor is not entitled to an extension of time.

Bonds and guarantees

Performance bonds have been provided in an amount equal to ten per cent. of the total of the target cost, the lump sum price and the provisional sum for procurement items. Liability under the bonds will cease on the issue of the certificate of completion.

The construction contract provides for five per cent. of the amount due to the Contractor to be withheld (or covered by a bond) during the construction period. The amounts withheld (or bonded) will be released in two instalments at the end of the maintenance periods for civil works and for mechanical and electrical works, which expire 12 months and 24 months after completion date, respectively. The Contractor has provided a retention bond in lieu of the actual retention of amounts due.

Eurotunnel has obtained guarantees of the Contractor's obligations under the construction contract from the parent companies of the companies comprising the Contractor. The joint liability of the French guarantors and the several liability of each of the UK guarantors are respectively limited to 50 per cent. and 10 per cent. of all liabilities, losses and damages under the contract. The guarantees will expire ten years after completion of the System.

Provisions in relation to strikes

The Contractor will not be permitted an extension of time in respect of a delay caused by strikes of the Contractor's labour. However, general strikes which interrupt the supply of goods or materials where no substitute is available may give rise to such an extension.

Eurotunnel has entered into a usage contract with the Railways, dated 29th July, 1987, setting out the basis upon which the Railways will use the System. At the time the contract was signed, it provided for two alternative modes of operation, one including and the other excluding a high-speed train service from the French terminal to Paris. The Railways have since certified to Eurotunnel that they have received appropriate governmental assurances and that the alternative providing for high-speed trains will apply.

The railway usage contract, which is intended to continue throughout the Concession period, contains, *inter alia*, the provisions summarised below.

Use of the tunnel

The Railways will be entitled to use half of the capacity of the tunnel.

Obligations of the Railways

The Railways have undertaken to start regular commercial passenger and freight services through the System on the date defined in the railway usage contract as the "Target Commencement Date" (which is expected to be the same as the date on which the System opens). They have agreed to use their best endeavours to ensure that the normal scheduled journey time for non-stop high-speed train passenger services from London to Paris at the commencement of services is between 2 hours 55 minutes and 3 hours 5 minutes, and have undertaken that this will in any event be achieved within 24 months of that date.

Railway usage contract

Legislative and contractual arrangements continued

British Rail and SNCF have respectively undertaken that by the start of regular commercial services they will have available sufficient railway infrastructure in the UK and France to enable them to pass through the System in the first 12 months of such services 17.4 million passengers, 5.2 million tonnes of non-bulk freight and 2.9 million tonnes of bulk freight. The Railways have agreed to have available, by the time their regular commercial services begin, sufficient rolling stock to carry the annual levels of different kinds of traffic envisaged in the relevant traffic forecasts for the next three years, to be agreed between them and Eurotunnel.

British Rail and SNCF have respectively agreed to use their best endeavours to provide after the start of services such railway infrastructure and (with effect from the third year) rolling stock as is required to satisfy throughout the Concession period the demand envisaged in traffic forecasts to be regularly agreed between them and Eurotunnel. These obligations are, however, conditional upon their normal investment criteria being met.

Obligations of Eurotunnel

Eurotunnel has undertaken that, provided the Railways are by then ready to use the System, the System will be available for the passage of through trains on the Target Commencement Date, or, if earlier, the date upon which the System is available for use by shuttles.

Eurotunnel has also undertaken to take all steps that would be taken by a prudent and diligent operator in order to ensure that (except in certain circumstances) the System is available to permit a steady and continuous flow of the Railways' traffic 24 hours a day throughout the Concession period, and has undertaken to have a system of scheduled maintenance to minimise, so far as practicable, any disruption of services.

Penalties

Eurotunnel and the Railways have agreed upon specific financial penalties which will be the sole remedy for various defaults under the contract, except in the event of wilful default or gross negligence.

The obligations of Eurotunnel which are subject to agreed penalties are:

- (i) to make the System available by the Target Commencement Date;
- (ii) to carry out the initial construction of the System in accordance with the design documents submitted to the Inter-Governmental Commission;
- (iii) to ensure that, by the Target Commencement Date, the System is ready to be brought into operation for the passage of all categories of train and, so far as the passing of the Railways' trains through the System is concerned, complies with certain provisions of the Concession and the railway usage contract; and
- (iv) where applicable, to apply the regulations of the International Union of Railways to the fixed railway installations in the System and to the shuttles.

The obligation of the Railways which is subject to agreed penalties is to begin regular commercial services of passenger trains on the Target Commencement Date.

The agreed penalties (payable by Eurotunnel or, as the case may be, the Railways) are expressed in units of account each of which comprises £1 plus FRF 11.7, and are indexed by reference to UK and French retail price indices. The penalties, expressed in units of account and the sterling equivalents (before indexation) are as follows:

- (i) for the first 16 weeks of default: 125,000 units of account (£271,250) per full week;

Legislative and contractual arrangements continued

- (ii) for the next 16 weeks of default: 250,000 units of account (£542,500) per full week; and
- (iii) for each week of default thereafter: 375,000 units of account (£813,750) per full week.

The obligations of Eurotunnel and the Railways which give rise to agreed penalties are interdependent. Consequently neither party will be liable to the other for default in respect of such an obligation if the other party is at the same time itself in such a default.

Revenues

The Railways will pay usage charges to Eurotunnel for the passage of their trains through the System. Usage charges are composed of a fixed annual amount and a variable element made up of tolls, the amounts of which depend upon the number of passengers, tonnes of bulk freight and tonnes of non-bulk freight that the Railways pass through the System. The Railways have, however, agreed to pay (subject to adjustment for certain periods during which they are unable to use the System) a minimum amount of 4,167,000 units of account (£9,042,390, at the exchange rate assumed in this document and before indexation) per month during the first twelve years after they commence full operations. The usage charges are fixed for the whole term of the Concession period but are indexed in accordance with French and UK retail price indices.

In addition to the usage charges the Railways have agreed to reimburse Eurotunnel in respect of the proportion of the operating, maintenance and renewal costs of the System which is attributable to the passing of the Railways' trains.

Provisional amounts of usage charges and contributions to operating costs will be paid by the Railways at the end of each month and balancing adjustments (with interest) made following the end of each year.

Reduction in usage charges

The railway usage contract provides a mechanism whereby, in the event of returns exceeding certain specified returns (which are higher than those included in Eurotunnel's financial projections), the Railways would be entitled to share equally in the excess. The amount repaid to the Railways under the provision cannot, however, exceed 20 per cent. of the usage charges for the relevant period.

Credit facilities

Credit Agreement

Eurotunnel has entered into an agreement for project finance credit facilities with an international group of lending banks for the provision, in six tranches, of loan and letter of credit facilities of the equivalent of £5,000 million (of which 20 per cent. is a standby element), consisting of £2,500 million, FRF 21,000 million and US\$450 million, with the ability to make drawings in other currencies. Parts of these facilities will be used to secure loans from the European Investment Bank and Crédit National, which are referred to below.

Conditions precedent

A number of conditions precedent will have to be satisfied before the facilities can first be used. In particular:

- (i) capital expenditure and overhead costs expended by Eurotunnel must have totalled at least £700 million;
- (ii) specified progress must have been made under the construction contract; and
- (iii) the banks or (depending on the particular condition) their technical advisers must be reasonably satisfied with the future construction programme, the outcome of design and development studies, the likely cost and forecast duration of the construction works and Eurotunnel's cost control procedures and information systems.

Legislative and contractual arrangements continued

In addition, there are other conditions precedent, certain of which will also have to be satisfied at each subsequent use of the facilities. In particular, the ability of Eurotunnel to draw under the facilities will be dependent on its satisfying utilisation cover ratio tests (see below) and on regular consultants' and other reports revealing no material adverse change.

Availability, repayment and refinancing

Drawings may take place (subject to satisfaction of the conditions precedent) from 1st July, 1988. The facilities will be available for drawing thereafter for a maximum period of approximately seven years. Repayment out of cash flow will commence after the end of the availability period and a regular repayment schedule is designed to ensure repayment in full by 15th November, 2005.

Drawings may be in the form of cash or letters of credit issued to secure loans from third parties, including the European Investment Bank and Crédit National (see below).

In the early years of operation, Eurotunnel will be required to set aside funds out of its cash flow (after making certain deductions) to establish and maintain capital and interest reserve accounts. These obligations are taken into account in the dividend projections included in this document.

The facilities may, after the System has been operational for two complete summers, be pre-paid, subject to a cumulative limit of 20 per cent. per annum, out of surplus cash or, subject to the satisfaction of cover ratio tests and other conditions, out of the proceeds of refinancings which satisfy certain criteria. Eurotunnel intends to make use of opportunities to refinance if these should prove to be attractive at the time. Eurotunnel also has the right to repay the facilities after the start of commercial operations in full, on payment of a fee.

Fees and interest

The principal fees payable under the Credit Agreement are an arrangement fee of $\frac{1}{4}$ per cent., and an initial fee of $\frac{3}{8}$ per cent., of the total amount of the facilities; and a commitment fee at the basic rate of $\frac{1}{8}$ per cent. per annum on undrawn commitments. However, Eurotunnel is required to estimate the amount to be drawn each half-year and a higher commitment fee of $\frac{1}{4}$ per cent. per annum is payable on the amounts undrawn from time to time up to the amount of such estimates. If Eurotunnel draws in excess of such estimates, a higher commitment fee of $\frac{3}{8}$ per cent. per annum is payable on the excess amount from the beginning of the half-year. A commitment fee of $\frac{1}{8}$ per cent. per annum was payable from 14th March, 1986 to the date of signature of the Credit Agreement.

Interest will be based on reference rates designed to reflect the lenders' cost of funds, which will differ according to the currency and market of drawing, plus margins which will vary according to the amount of the facilities which have been drawn and the time at which they are outstanding. Fees for letters of credit will be payable at the same rates as these margins.

With certain exceptions, the margins per annum will be as follows.

Margins on main facility

- (i) before completion — $1\frac{1}{4}$ per cent.
- (ii) after completion — 1 per cent.
- (iii) from three years after completion, if the conditions permitting Eurotunnel to refinance have not then been satisfied — $1\frac{1}{4}$ per cent.
- (iv) on borrowings which at any time exceed a schedule of maximum outstandings — $1\frac{1}{4}$ per cent.

Legislative and contractual arrangements continued

Margins on standby facility

If the total principal outstanding under any of the six tranches exceeds 80 per cent. of the maximum amount available under that tranche, the margins per annum applicable to subsequent drawings of that tranche will increase to the following.

- (i) before completion — 1½ per cent. per annum
- (ii) after completion — 1½ per cent. per annum
- (iii) from three years after completion, if the conditions permitting Eurotunnel to refinance have not then been satisfied — 1½ per cent. per annum

These standby margins will be increased by ¼ per cent. per annum if the total principal outstanding under a tranche exceeds 90 per cent. of its maximum amount.

Completion for these purposes is expected to be 45 days after the start of commercial operations.

Security

Eurotunnel will grant security to the lending banks over all of its assets, including the benefit of the Concession and the other principal agreements relating to the project and the shares in the subsidiaries and companies jointly owned by EPLC and ESA. This will enable the banks, if an event of default occurs, to assume management of the project, to apply revenues in satisfaction of sums due to them and, subject to limitations imposed by the UK and French governments, to sell Eurotunnel's assets other than the benefit of the Concession.

The banks will also have certain rights derived from the Concession itself, including the right, exercisable through companies controlled by them, to take over the Concession if certain events of default should occur.

Warranties and undertakings

The Credit Agreement contains a number of warranties and positive covenants by Eurotunnel in favour of the banks. These cover such matters as the corporate structure of Eurotunnel and other corporate matters, the development of the project, the operation of the System, the performance of relevant agreements, insurance and the supply of information to the banks. In addition, Eurotunnel has given a number of negative covenants, which will restrict its activities during the term of the Credit Agreement. In particular, with limited exceptions, Eurotunnel will not be able to carry on activities other than the project (although it will be able, subject to conditions, to make minority investments in companies carrying on activities outside the project), or to borrow money from or grant security over its assets to persons other than the banks.

Events of default

The Credit Agreement contains a number of events of default, the occurrence of any of which would entitle the banks to take various actions, including preventing further borrowing, requiring immediate repayment of existing borrowings and enforcing their security. These events include, *inter alia*, (i) the default cover ratio tests (see below) not being met, (ii) the opening of the System for operations being delayed beyond 29th July, 1994, (iii) the banks' reasonable belief (taking into account the relevant experts' reports) that such a delay will occur or that there will be a cost overrun in excess of that provided for under the Credit Agreement, unless, within 90 days, Eurotunnel satisfies the banks that the relevant event will not occur, (iv) an unremedied breach of Eurotunnel's obligations and (v) once repayments start, the amounts outstanding under the Credit Agreement exceeding a specified level.

Banking cases and cover ratios

The terms of the Credit Agreement provide a mechanism by which the banks can monitor the progress and expected cash flows of the project. Cash flow forecasts,

known as banking cases, will be prepared at least semi-annually on the basis of variable assumptions as to, *inter alia*, corporate cost, capital expenditure, operating expenditure, traffic and revenue, taxation, inflation, future interest rates and other economic factors. These variable assumptions will be determined on the basis of information supplied by Eurotunnel, the Maître d'Oeuvre and Eurotunnel's traffic and revenue consultants and reports commissioned by the banks. They will be discussed between Eurotunnel and the banks but, in the event of dispute, will be determined by the banks.

Banking cases will be used in the calculation of cover ratios which are relevant in determining Eurotunnel's ability to make drawings under the facilities, to refinance the facilities and to pay dividends and in determining the occurrence of an event of default. The ratios are as follows:

Bank debt cover ratio

This is the present value of forecast net cash flow (after deducting, *inter alia*, payments to refinancing creditors and, once the letters of credit in its favour have been released, the European Investment Bank) to 15th November, 2005 or (for certain purposes) to the current estimated maturity date of the facilities, and certain cash balances and a proportion of the interest reserve mentioned above, divided by the expected maximum amount of debt due to the banks lending under the Credit Agreement, all calculated as at a particular date.

Eurotunnel will not be entitled to make drawings under the facilities if, at the relevant time, the bank debt cover ratio is below 1.2, or to refinance borrowings under the facilities if the ratio is less than 1.3, or to pay dividends if the ratio is less than 1.25. If the ratio remains below 1.0 for 90 days or more this will be an event of default.

Total debt cover ratio

This is the present value of forecast net cash flow to 31st December, 2020 and certain cash balances and the interest reserve divided by the aggregate expected maximum amount of debt due to the banks, refinancing creditors and (once the letters of credit in its favour have been released) the European Investment Bank, all calculated as at a particular date.

Eurotunnel will not be entitled to make drawings under the facilities if, at the relevant time, the total debt cover ratio is below 1.9, or to refinance borrowings under the facilities if the ratio is less than 1.95. If the ratio remains below 1.3 for 90 days or more this will be an event of default.

Debt service cover ratio

This is the ratio of forecast net cash flow during any annual period to the estimated interest and principal repayments on both the credit facilities and refinancing debt during the same year. A ratio of at least 1.1 must be satisfied to permit refinancing to take place.

Dividend restrictions

The Credit Agreement imposes certain restrictions on dividend payments. Eurotunnel will not generally be permitted to pay dividends until after the last day upon which drawings may be made under the Credit Agreement and unless certain conditions are satisfied at the time of the declaration of the dividend. Broadly, these are that: (i) the interest reserve account referred to above is fully established; (ii) the aggregate repayments made up to that time (and projected for the next year) are not less than the aggregate amounts required by the repayment schedule; and (iii) the bank debt cover ratio (referred to above) is not less than 1.25.

Warrants

Eurotunnel has agreed to issue warrants to certain of the banks entitling them to subscribe up to 7,142,857 Units at a price (subject to adjustment) of 175p plus FRF17.50 per Unit, exercisable not later than 30th June, 2000.

Legislative and contractual arrangements continued

European Investment Bank agreement

Eurotunnel has entered into an agreement with the European Investment Bank, which is conditional, *inter alia*, on the Credit Agreement becoming unconditional and which provides a framework for the European Investment Bank to make available to Eurotunnel loans amounting in aggregate to the greater of £1,000 million and FRF10,000 million.

The loans from the European Investment Bank will be secured by means of letters of credit issued by the banks under the Credit Agreement and thus will not be additional to the facilities of £5,000 million provided for under that agreement. There is provision for these letters of credit to be released by the European Investment Bank shortly after completion of the System, whereupon the European Investment Bank would share in the security described above and (subject to restrictions while sums are still outstanding under the Credit Agreement) would also have the benefit of the same covenants and events of default.

The maturity and interest terms of the European Investment Bank loans will be fixed at the time of drawdown. The first repayment date for the loans is not to be earlier than the first half of 1999 and they are expected to have an average final maturity of between 15 and 25 years. They are likely, for the most part, to be fixed rate loans at levels of interest fixed, in accordance with normal European Investment Bank practice, by reference to its cost of funds and a margin designed to cover its administrative costs, which is currently 0.15 per cent. per annum.

The obligation of the European Investment Bank to make loans is subject to a number of conditions precedent, including the European Investment Bank being satisfied that funds in currencies and maturities such as to enable it to lend are available to it and there having been no fundamental adverse change in the technical, financial or economic prospects of the project.

The European Investment Bank agreement contains undertakings from Eurotunnel in relation to international competitive bidding under the construction contract and compliance with European Community laws as provided for in the Concession.

The European Investment Bank agreement includes a number of events of default the occurrence of any of which would release the European Investment Bank from its obligation to make loans and permit it to demand immediate repayment of those loans already advanced.

These events include, *inter alia*, (i) a bank which has issued a letter of credit in favour of the European Investment Bank ceasing business or becoming insolvent and not being replaced within 60 days, (ii) the opening of the System for operations being delayed beyond 31st December, 1994 or the European Investment Bank's belief that such a delay would occur, unless within 90 days Eurotunnel reasonably satisfies the European Investment Bank that the delay will not occur and (iii) any change in the project causing it to cease to comply with the requirements of the Treaty of Rome or the European Investment Bank's statute regarding eligibility for financing by the European Investment Bank unless such non-compliance is remedied within a reasonable period.

The European Investment Bank's ability to demand immediate repayment on the happening of certain events of default is restricted if the bank parties to the Credit Agreement exercise their right to substitution.

Crédit National agreement

Eurotunnel is also negotiating an agreement with Crédit National which is intended to be entered into before the end of the year. The agreement will be conditional, *inter alia*, on the Credit Agreement becoming unconditional and will provide a framework for Crédit National to make available to Eurotunnel loans amounting in aggregate to FRF 4,000 million. These loans will be secured by letters of credit issued by the banks under the Credit Agreement and thus will not be additional to the facilities of £5,000 million provided for under that agreement.

Financial projections

The profit and cash flow projections and projected returns for the period to the end of the Concession set out below are based on the Directors' projections for the construction and operation of the System and have been prepared and set out for illustrative purposes. They relate to periods up to 55 years ahead and do not constitute a forecast; they will be materially affected by changes in economic and other circumstances. While the Directors consider that the assumptions on which the projections are based are reasonable, it must be realised that the reliance to be placed on them is a matter of judgement.

Sensitivity analyses relating to the projections are set out later in this section.

1. Bases and assumptions

(i) Traffic and revenue

For the purpose of their forecasts of traffic and revenue, Eurotunnel's traffic and revenue consultants have made certain macro-economic assumptions, the most important of which relates to the growth in UK gross domestic product. It has been assumed that UK gross domestic product will grow at 2.15 per cent. per annum between 1985 and 2003 and at 2.00 per cent. per annum between 2003 and 2013. After 2013 a decreasing growth rate in traffic volumes has been assumed, declining to zero by 2042. They have made other basic assumptions as follows:

- (i) currently envisaged international agreements and conventions regarding trade and passenger movement will remain in effect throughout the forecasting period. In particular, the current proposals for the internal market within the European Community have been taken into account;
- (ii) no national or international emergencies will arise which will abnormally affect cross-Channel traffic;
- (iii) no alternative fixed link across the Channel will become operational during the Concession period;
- (iv) ferry companies will continue to operate cross-Channel services both before and after the System becomes operational;
- (v) the System will be adequately marketed, signposted, advertised and maintained to encourage maximum usage;
- (vi) tariffs for Eurotunnel shuttle services will on average be the same as those for ferry services on the Dover-Calais routes and will remain constant in real terms;
- (vii) revenues derived by Eurotunnel from through rail services will be based upon the usage charges and contribution to operating costs set out in the railway usage contract summarised above under the heading "Legislative and contractual arrangements"; the provisions of that contract will be implemented; and the proposed high-speed railway linking Paris, Brussels and the French terminal will be constructed and operational by the time the System opens; and
- (viii) Eurotunnel will be able to make duty- and tax-free sales to passengers using shuttle services.

(ii) Financial and other

For the purpose of the projections of profit and cash flow set out below the following assumptions have been made by the Directors:

- (i) the System will be built according to the specifications of and costs set out in the construction contract as summarised in this document, and will open to traffic during May 1993, at which time it will become fully operational for all forms of shuttle and train traffic;
- (ii) all necessary approvals will be obtained from the Inter-Governmental Commission and the Safety Authority without conditions which require material changes to the System or its operation as currently proposed;
- (iii) traffic and revenues will be as forecast by the traffic and revenue consultants, modified to reflect the partial year of operation in 1993, updated to July 1987 values and adjusted for inflation on the basis set out below;
- (iv) corporate and other costs between 21st January, 1985 and the start of operations will be £642 million at July 1987 prices;
- (v) the equivalent of £770 million of equity funding will be raised through this Issue at the prices per Unit set out in this document;
- (vi) the equivalent of £101 million will be raised in November 1992, £52 million in December 1994 and £25 million in June 1995 by the exercise of warrants. No account has been taken of the exercise of any options under the share option scheme referred to below;
- (vii) the tax regimes in the UK and France will not change and the published protocol to the UK/France Double Tax Convention will be ratified;
- (viii) subject to compliance with the terms of the Credit Agreement, following the start of operations all profits available for distribution under UK and French law will be distributed each year as dividends to shareholders. Where necessary, surplus cash in any Group company will be available to finance dividends;
- (ix) the £/FRF exchange rate will be £1:FRF 10.0 throughout the period to the end of the Concession and no losses or gains will arise on transactions in other currencies;

Financial projections continued

- (X) inflation will increase revenues, overheads, operating costs and capital expenditure at the following rates per annum:

1987	4.0%
1988	4.5%
1989	5.0%
1990	5.5%
1991 and thereafter	6.0%

- (XI) drawings of loans will be made as foreseen in the Credit Agreement. The reference rates of interest to which margins specified therein will be added will be 9 per cent. per annum throughout the Concession period. This reference rate is an average of the projected rates for £ and FRF; on 12th November, 1987, the latest practicable date before the printing of this document, the reference rates which would be applicable under the Credit Agreement were approximately 9.0 per cent. for £ and approximately 9.7 per cent. for FRF;

- (XII) debt instruments will be issued for the amounts below by the following dates to refinance the credit facilities, and the refinanced debt will be repaid (following successive refinancings where necessary) over a period of 35 years commencing in 2007:

	£ million
1995	776
1996	352
1997	361
1998	452

Interest will be paid on these instruments at a rate of 9.75 per cent. per annum until 31st December, 1999 and 9.25 per cent. per annum thereafter;

- (XIII) interest will be received on cash balances at a rate of 8.5 per cent. per annum throughout the Concession period;
- (XIV) revenues and costs (excluding depreciation and tax) will be shared equally between the concessionaire companies, The Channel Tunnel Group Limited ("CTG") and France Manche S.A. ("FM"); and
- (XV) the travel privileges for subscribers to this Issue described below under the heading "Travel privileges" will not significantly affect Eurotunnel's revenues, operating costs or taxation.

2. Accounting policies

The projections have been prepared in accordance with the accounting policies of the companies in the Group set out in the Accountants' report and those set out below, which are intended to be adopted in future published financial information:

(a) *Fixed assets and depreciation*

The cost of fixed assets will be recorded in the books of CTG and FM and divided equally between them. These companies will account for depreciation of their share of fixed assets in accordance with national laws and accounting requirements. Accordingly, depreciation in CTG will be calculated on a straight-line basis in order to write off the cost of the fixed assets in equal instalments over their estimated useful lives. Depreciation of the fixed assets of FM will be calculated in accordance with French accounting and taxation regulations, which currently provide that all non-renewable fixed assets are depreciated on a straight-line basis over the remaining period of the Concession and depreciation of renewable assets is provided on a straight-line basis over their estimated useful lives together with a provision for the estimated increase in their cost prior to replacement and a further provision for depreciation to allow for the total cost of such assets to be depreciated before the end of the Concession period.

All overheads incurred in the design and construction of the System after 21st January, 1986 up to the date of the start of operations will, to the extent permissible by regulations in force in the UK and France, be recorded and capitalised in the books of CTG and FM and divided equally between them. The costs so capitalised will be amortised in equal instalments over the remaining period of the Concession.

(b) *Long-term loans and interest*

Interest relating to long-term loans incurred during the period from 21st January, 1985 up to the date of the start of commercial operations will be capitalised and depreciated or amortised.

(c) *Taxation*

In the case of CTG, provision will be made for deferred taxation in respect of significant timing differences expected to reverse in the foreseeable future. Deferred taxes resulting from timing differences in respect of the excess of capital allowances claimed over depreciation charged in the accounts are provided after discounting these from the date when such timing differences are expected to reverse (estimated to be in excess of 40 years after the start of operations) at a rate of 5.5 per cent. per annum. No deferred taxation will be provided in FM as the circumstances in which such provision is made in France are not expected to apply.

Financial projections continued

3. Profit projections

The projected aggregated profit and loss accounts of the Group for the first eleven years of operation.

	1993	1994	1995	1996	1997	1998
	£ million	£ million	£ million	£ million	£ million	£ million
Turnover (note 1)	488	762	835	908	986	1,072
Operating costs (note 2)	(86)	(145)	(155)	(168)	(183)	(206)
Depreciation	(103)	(158)	(159)	(160)	(162)	(167)
Interest, net	(229)	(351)	(322)	(307)	(291)	(277)
Profit before taxation	70	108	199	273	350	422
Taxation	(7)	(18)	(38)	(53)	(69)	(88)
Profit after taxation	63	90	161	220	281	334
Transfer to reserves	(1)	(2)	(3)	(3)	(4)	(6)
Profit for the year available for distribution	62	88	158	217	277	328
Dividends payable	—	149	169	217	277	328
Per Unit	£ —	£0.39	£0.44	£0.56	£0.71	£0.85

Notes

1: Turnover is derived as follows:

Shuttle	251	384	423	463	505	551
Rail	194	314	341	368	396	430
Ancillary	43	64	71	77	85	91
Total	488	762	835	908	986	1,072

2: Operating costs are analysed as follows:

Fixed expenses	53	88	92	99	107	117
Variable expenses	33	57	63	69	76	89
Total	86	145	155	168	183	206

3: The figures for 1993 represent trading only from the opening date in May to December. Dividends

4: On the basis of the assumption relating to inflation, £1 in July 1987 is approximately equivalent projected figures by these values does not give the same result as if no inflation had been assumed in the

4. Cash flow projections

The projected aggregated statements of source and application of funds of the Group for the first eleven

	1993	1994	1995	1996	1997	1998
	£ million	£ million	£ million	£ million	£ million	£ million
Source of funds:						
Profit before taxation	70	108	199	273	350	422
Depreciation	103	158	159	160	162	167
Issue of long-term debt	321	—	776	352	361	452
Issue of share capital	—	52	25	—	—	—
	494	318	1,159	785	873	1,041
Application of funds:						
Purchase of fixed assets	262	37	—	—	—	39
Repayment of long-term debt	—	—	799	493	478	561
Dividends paid	—	—	181	173	229	290
Tax paid	—	15	84	103	128	158
	262	52	1,064	769	835	1,048
Movement in working capital	(3)	(7)	(11)	(11)	(10)	(12)
Movement in net liquid funds	229	259	87	5	28	(19)

Note: 2013, 2023 and 2033 are years in which significant purchase of replacement fixed assets are

Financial projections continued

each tenth year thereafter and 2041, the last full year of the Concession period, are as follows:

Year ending 31st December,

1999	2000	2001	2002	2003	2013	2023	2033	2041
£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
1,158	1,254	1,356	1,466	1,586	3,236	6,184	11,356	17,824
(216)	(235)	(255)	(277)	(304)	(631)	(1,207)	(2,246)	(3,604)
(169)	(171)	(173)	(176)	(184)	(234)	(271)	(328)	(383)
(265)	(234)	(212)	(190)	(171)	39	173	370	616
508	614	716	823	927	2,410	4,879	9,152	14,453
(198)	(240)	(279)	(321)	(361)	(934)	(1,893)	(3,547)	(5,573)
310	374	437	502	566	1,476	2,986	5,605	8,880
(7)	(9)	(5)	—	—	—	—	—	—
303	365	432	502	566	1,476	2,986	5,605	8,880
303	365	432	502	566	1,476	2,986	5,605	8,880
£0.78	£0.94	£1.11	£1.29	£1.46	£3.80	£7.70	£14.44	£22.88
599	652	709	770	836	1,763	3,527	6,682	10,650
459	493	530	569	612	1,191	2,105	3,641	5,526
100	109	117	127	138	282	552	1,033	1,648
1,158	1,254	1,356	1,466	1,586	3,236	6,184	11,356	17,824
126	137	148	161	174	314	562	1,006	1,604
90	98	107	116	130	317	645	1,240	2,000
216	235	255	277	304	631	1,207	2,246	3,604

in 1994 and 1995 include distribution of reserves carried forward from earlier years.

to £1.45 in 1994; £1.83 in 1998; £2.45 in 2003; £4.38 in 2013; £7.84 in 2023; £14.05 in 2033 and £22.39 in 2041. Although dividing the projections, it does provide an approximate equivalent in July 1987 prices of the figures shown.

years of operation, each tenth year thereafter and 2041, the last full year of the Concession period, are as follows:

1999	2000	2001	2002	2003	2013	2023	2033	2041
£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
508	614	716	823	927	2,410	4,879	9,152	14,453
169	171	173	176	184	234	271	328	383
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
677	785	889	999	1,111	2,644	5,150	9,480	14,836
—	—	—	9	108	24	1,042	650	—
111	102	111	122	133	97	55	55	55
318	308	377	442	513	1,387	2,857	5,340	8,453
175	192	251	290	331	919	1,868	3,528	5,574
604	602	739	863	1,085	2,630	5,822	9,573	14,082
(7)	(14)	(10)	(12)	(20)	(24)	(40)	(49)	(50)
66	169	140	124	6	(10)	(712)	(142)	704

projected to take place.

Financial projections continued

5. Returns and sensitivity analysis

The following table sets out Eurotunnel's projected returns and the effect, for illustrative purposes, on those returns of varying revenue levels and certain of the key assumptions underlying Eurotunnel's financial projections. Unless specified to the contrary, the assumptions used in this section are those set out in section 1 above.

		1994	1998	2003	2012	2023	2033	Net value in 1995 of gross dividends per Unit discounted at 12 per cent. (note 4)	Gross dividend yield over life of project (note 5)
Eurotunnel's projections:		£0.39 (16%)	£0.85 (34%)	£1.46 (50%)	£3.80 (155%)	£7.70 (315%)	£14.44 (591%)	£24	17.7%
		Net dividend per Unit — £ (notes 1 and 2) (Gross dividend yield per Unit at the UK Offer price — %) (notes 1 and 3)							
Sensitivities									
(i)	Increased revenue: assuming an increase in revenues of 10 per cent. and in operating costs of 5 per cent.	£0.67 (27%)	£0.82 (33%)	£1.67 (68%)	£4.21 (172%)	£8.53 (349%)	£16.13 (660%)	£28	18.8%
(ii)	Reduced revenue: assuming a decrease in revenues of 10 per cent. and in operating costs of 5 per cent.	£0.15 (6%)	£0.67 (27%)	£1.22 (50%)	£3.32 (136%)	£6.77 (277%)	£12.75 (522%)	£20	16.6%
(iii)	Increased inflation: (a) assuming 7 per cent. inflation from 1993 and unchanged real interest rates	£0.31 (13%)	£0.92 (37%)	£1.65 (67%)	£4.69 (192%)	£10.37 (424%)	£21.32 (872%)	£30	18.6%
		£0.33 (13%)	£0.87 (35%)	£1.50 (61%)	£3.96 (162%)	£8.02 (328%)	£15.06 (617%)	£25	17.9%
(iv)	Reduced inflation: (a) assuming 5 per cent. inflation from 1993 and unchanged real interest rates	£0.49 (20%)	£0.70 (28%)	£1.29 (53%)	£3.07 (126%)	£5.69 (233%)	£9.74 (399%)	£20	16.9%
		£0.46 (18%)	£0.80 (32%)	£1.41 (58%)	£3.65 (149%)	£7.38 (302%)	£13.84 (567%)	£24	17.6%
(v)	Lower real interest: assuming real interest rates 1.5 per cent. lower throughout	£0.64 (26%)	£0.73 (30%)	£1.53 (62%)	£3.81 (156%)	£7.66 (314%)	£14.36 (588%)	£25	18.2%
(vi)	Higher real interest: assuming real interest rates 1.5 per cent. higher throughout	(note 6)	£0.75 (30%)	£1.38 (57%)	£3.79 (155%)	£7.73 (316%)	£14.53 (595%)	£23	17.2%
(vii)	Increased construction costs: assuming construction costs increased by 10 per cent.	£0.17 (7%)	£0.76 (31%)	£1.38 (56%)	£3.74 (153%)	£7.63 (312%)	£14.37 (588%)	£23	17.3%
(viii)	Delay: assuming a delay in commencement of operations of six months and an increase of £30 million (at July 1987 prices) in corporate and other costs	(note 6)	£0.81 (33%)	£1.42 (58%)	£3.77 (154%)	£7.67 (314%)	£14.43 (590%)	£23	17.4%

Financial projections continued

Note:

1. These amounts include an allowance for inflation, as indicated in note 4 to the profit projections above.
2. This represents the net dividend per Unit payable in respect of the relevant year.
3. This represents the gross dividends per Unit (including the associated UK and French tax credits) payable in respect of the relevant year, divided by the UK Offer price of a Unit.
4. This represents the value in mid-1995 of all dividends paid from the project in respect of one Unit (including the associated tax credits) discounted to mid-1995, the expected date of payment of the first dividend, at an illustrative rate of 12 per cent. per annum. If the rate of discount used were 10 per cent. or 15 per cent. then the corresponding net values on the basis of Eurotunnel's projections would be £35 and £16, respectively. It should be noted that the discount rate used for each sensitivity case is constant, although the inflation and interest rates applied in certain sensitivities vary.
5. This represents the average rate of return over the life of the project, based on gross dividends, to a purchaser in the issue who also exercises his New Warrants in November 1992.
6. In these cases the first dividend would be declared in respect of the year ending 31st December, 1995.

6. Changes in UK gross domestic product

The sensitivity of the revenue projections to changes in the assumed rate of growth of UK gross domestic product and to assumed corresponding changes in UK consumer expenditure is shown below:

Rates of growth in UK (% per annum)	1985-1993		1993-2003		2003-2013	
	Consumer expenditure		Consumer expenditure		Consumer expenditure	
Eurotunnel's projections	2.15	2.05	2.15	2.05	2.00	1.90
Lower growth	1.50	1.50	1.50	1.50	1.40	1.40
Higher growth	2.50	2.30	2.50	2.30	2.35	2.15

	1993	2003	2013
Changes in revenue projections			
Lower growth	-7%	-13%	-16%
Higher growth	+3%	+5%	+8%

7. Letter from Eurotunnel's traffic and revenue consultants

Traffic and Revenue Consultants
11th floor - Portland House
Stag Place - LONDON
SW1E 5BT



SETEC ECONOMIE
 AND
 WILBUR SMITH ASSOCIATES, WITH
 ALASTAIR DICK & ASSOCIATES HAVE
 BEEN JOINTLY APPOINTED FOR TRAFFIC
 AND REVENUE STUDIES OF THE
 CHANNEL TUNNEL

16th November, 1987

The directors,
 Eurotunnel P.L.C.
 Eurotunnel S.A.
 Robert Fleming & Co. Limited
 Morgan Grenfell & Co. Limited
 S. G. Warburg & Co. Ltd.
 Banque Indosuez
 Banque Nationale de Paris
 Crédit Lyonnais
 Caisse des Dépôts et Consignations
 Caisse Nationale de Crédit Agricole

Dear Sirs,

We refer to the sub-sections entitled "The cross-Channel market", "Competitive advantages", "Traffic forecasts and tariffs" and "Revenues" of the section entitled "Revenues and costs" and paragraphs 1(i) and 6 of the section entitled "Financial projections" of the prospectus relating to EPLC and ESA to be dated 16th November, 1987 in relation to the offer of Units with New Warrants in Eurotunnel.

We confirm that these sub-sections and paragraphs fairly summarise the conclusions of our report dated 24th July 1987, modified to reflect the partial year of operation in 1993, updated to July 1987 values and, in the table of revenues, interpolating revenue figures for 1994, together with the means by which we arrived at those conclusions.

Yours faithfully,

for SETEC ECONOMIE
 H. Grimond

for Wilbur Smith Associates
 in association with
 Alastair Dick & Associates
 A. C. Dick

Financial projections continued

B. Letter from
Peat Marwick
McLintock,
Audit Continental
S.A. and
B.E.F.E.C.—
Mulquin et Associés

Set out below is a letter from Peat Marwick McIntock, Audit Continental S.A. and B.E.F.E.C.—Mulquin et Associés relating to the financial projections set out in this section:

The directors,
Eurotunnel P.L.C.
Eurotunnel S.A.
Robert Fleming & Co. Limited
Morgan Grenfell & Co. Limited
S. G. Warburg & Co. Ltd.
Banque Indosuez
Banque Nationale de Paris
Crédit Lyonnais
Caisse des Dépôts et Consignations
Caisse Nationale de Crédit Agricole

Peat Marwick McIntock,
1 Puddle Dock,
Blackfriars,
London EC4V 3PD

Audit Continental S.A.
Tour Fiat, Cedex 16,
92084 Paris La Défense

B.E.F.E.C.—Mulquin et Associés,
5 rue Alfred de Vigny,
75008 Paris

16th November, 1987

Gentlemen,

Eurotunnel P.L.C. ("EPLC") and Eurotunnel S.A. ("ESA") have prepared profit and cash flow projections and sensitivity analyses for EPLC, ESA and their subsidiary companies (collectively the "Group") for the Concession period (the "financial projections"). Set out in paragraphs 3 and 4 of the section headed "Financial projections" of the prospectus relating to EPLC and ESA to be dated 16th November, 1987 (the "prospectus") are the profit and cash flow projections for the eleven years ending 31st December, 2003, each tenth year thereafter and 2041, the last full year of the Concession period. Set out in paragraph 5 is a table showing the projected returns of the project and their sensitivity to the changes in certain key variables.

We have reviewed the assumptions, accounting policies and calculations for the financial projections set out in paragraphs 1 to 5 of the section headed "Financial projections" of the prospectus. The purpose of our review was to satisfy ourselves that:

- the assumptions adopted by the directors of EPLC and ESA are consistent with the report of Eurotunnel's traffic and revenue consultants, the views of the Maître d'Oeuvre and the terms of the contracts described in the section headed "Legislative and contractual arrangements" of the prospectus, it being understood that the Directors have assumed that the second fixed link permitted by the Concession from 2020 will not be operational before 2042;
- the accounting policies used were in accordance with those used for the preparation of the accounts of the companies in the Group as set out in the notes to those accounts for the period ended 31st December, 1986 and those summarised in paragraph 2 of the section headed "Financial projections" of the prospectus;
- the calculations were correctly performed.

The Group has no previous trading history and the financial projections, which are set out for illustrative purposes and for which the directors of EPLC and ESA are solely responsible, are based on the Directors' assumptions, estimates and assessment of the Eurotunnel project. The financial projections do not constitute a forecast: they will be materially affected by changes in economic and other circumstances. For this reason the actual profits, cash flows and dividends may vary considerably from those shown.

In our opinion, the financial projections, read in the context of the preceding paragraph, and in so far as the accounting policies and calculations are concerned, have been properly compiled on the footing of the assumptions adopted by the Directors set out in paragraph 1 of the section headed "Financial projections" in the prospectus. Also, in our opinion, the assumptions adopted by the Directors are consistent with the report of Eurotunnel's traffic and revenue consultants, the views of the Maître d'Oeuvre and the terms of the contracts described in the section headed "Legislative and contractual arrangements" of the prospectus.

Yours faithfully,

Peat Marwick McIntock

Audit Continental S.A.

B.E.F.E.C.—Mulquin et Associés

Accountants' report

Set out below is the text of a report from Peat Marwick McIntock, Audit Continental S A and B.E.F.E.C.—Mulquin et Associés:

The directors,
Eurotunnel P.L.C.
Eurotunnel S.A.
Robert Fleming & Co. Limited
Morgan Grenfell & Co. Limited
S. G. Warburg & Co. Ltd.
Banque Indosuez
Banque Nationale de Paris
Crédit Lyonnais
Caisse des Dépôts et Consignations
Caisse Nationale de Crédit Agricole

Peat Marwick McIntock,
1 Puddle Dock,
Blackfriars,
London EC4V 3PD

Audit Continental S.A.,
Tour Fiat, Cedex 16,
92084 Paris La Défense

B.E.F.E.C.—Mulquin et Associés,
5 rue Alfred de Vigny
75008 Paris

16th November, 1987

Gentlemen,

We have examined the combined accounts of Eurotunnel P.L.C. and Eurotunnel S.A. for the period ended 31st December, 1986 and the six months ended 30th June, 1987; the consolidated accounts of Eurotunnel P.L.C. ("EPLC") for the period from 18th November, 1985 to 31st December, 1986 and the six months ended 30th June, 1987; and the consolidated accounts of Eurotunnel S.A. ("ESA") for the period from 30th October, 1985 to 31st December, 1986 and the six months ended 30th June, 1987. EPLC, ESA and their respective subsidiaries are collectively referred to as the "Group". Our examination has been carried out in accordance with the Auditing Guideline Prospectuses and the reporting accountant.

We have audited the combined accounts of the Group throughout the period. Peat Marwick McIntock (formerly practising as Peat, Marwick, Mitchell & Co.) have been the auditors of EPLC and Audit Continental S.A. and B.E.F.E.C.—Mulquin et Associés have been joint auditors of ESA, throughout the period.

No accounts of the Group or any member thereof have been made up in respect of any period subsequent to 30th June, 1987 and no dividends have been declared or paid.

The summarised historical cost financial statements set out at sections A to C below are based on the audited accounts of the Group, EPLC and ESA, to which we have made no adjustments.

In our opinion those summaries give a true and fair view of the results of the Group, EPLC and ESA for the periods stated and of the state of affairs of the Group, EPLC and ESA at the dates stated.

A. Combined accounts of the Group	1. Combined profit and loss accounts	Six months ended 30th June, 1987	Period ended 31st December, 1986
		<u>£'000</u>	<u>£'000</u>
		22,822	28,390
	Own work capitalised		
	Expenditure	(19,207)	(26,316)
	Operating charges	(4,581)	(3,339)
	Staff costs	(48)	(20)
	Depreciation	<u>(23,836)</u>	<u>(29,675)</u>
	Financial income	385	694
	Income from investments	7,197	2,782
	Interest income	382	142
	Gains on disposal of investments	1	1
	Exchange gains	<u>7,965</u>	<u>3,619</u>
	Financial charges	(44)	(71)
	Interest payable	—	(220)
	Losses on disposal of investments	(269)	—
	Exchange losses	<u>(313)</u>	<u>(291)</u>
	Profit for the period	<u>6,638</u>	<u>2,043</u>

Accountants' report continued

2. Combined balance sheets		30th June 1987	31st December 1986
		£'000	£'000
ASSETS			
Fixed assets	(iv)		
Concession fixed assets		142,569	49,137
Fixed assets under construction		4,188	4,506
Payments in advance			
		146,757	53,643
Other fixed assets		2,563	2,067
		149,320	55,710
Financial assets			
Deposits		255	242
Current assets			
Deferred charges	(v)	13,611	8,224
Other debtors		11,840	6,194
Investments	(vi)	29,343	38,950
Liquid funds	(vii)	95,165	162,035
		149,959	215,403
Total assets		299,534	271,355
LIABILITIES			
Share capital and reserves	(viii)	163,550	163,550
Issued share capital	(ix)	85,733	87,186
Share premium account		8,681	2,043
Profit and loss account		(3,740)	(384)
Exchange differences account			
		254,224	252,395
Creditors		1,254	1,056
Bank overdrafts		44,056	17,904
Other creditors	(x)		
		45,310	18,960
Total liabilities		299,534	271,355

3. Notes to the combined accounts

(i) Basis of preparation of combined accounts

(a) The combined accounts consist of the combination of the consolidated accounts of EPLC and ESA.

The holding companies and their respective subsidiary and associated companies, which collectively comprised the Group, as at 30th June, 1987 are:

	Class of share	Percentage of share capital owned by holding company	Country of registration
EUROTUNNEL P.L.C.			
— The Channel Tunnel Group Limited	Ordinary	100	England
— Eurotunnel Finance Limited	Ordinary	80	England
EUROTUNNEL S.A.			
— France Manche S.A.	Ordinary	99.9	France
— Eurotunnel Finance Limited	Ordinary	20	England

(b) The combined accounts as at 31st December, 1986 consist of the accounts of the first accounting periods of the various group companies, which varied from six to seventeen months.

(c) Transactions between members of the Group have been eliminated in the preparation of the combined accounts.

(d) The consolidated accounts of Esa have been converted into sterling as follows:

- monetary items in the balance sheet and the profit for the period at the rate ruling at the balance sheet date;
- all other balance sheet items (including Concession fixed assets and share capital) at historic rates;
- differences on exchange resulting from the above are shown in the exchange differences account in the balance sheet.

(ii) Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost convention and on the going concern basis. It has therefore been assumed that a public offering of Units, each Unit comprising one share in E.P.C. and one share in E.S.A., will take place in 1987 and raise some £750 million.

(b) Assets under construction

Assets under construction represent the costs incurred in the design and construction of the Eurotunnel System by the Group.

The following accounting policies have been adopted:

- (i) the costs incurred arising from the contracts for the design and construction of the Eurotunnel System are charged directly to assets under construction;
- (ii) all other costs incurred directly or indirectly in relation to the design and construction of the Eurotunnel System are charged to profit and loss account and capitalised.
- (iii) the aggregate of the above is shared equally between The Channel Tunnel Group Limited ("CTG") and France Manche S.A. ("FM") using the exchange rate ruling at the end of the relevant period.

(c) Loan commitment fees and bank expenses

Fees and expenses incurred in relation to the credit agreements for the finance of the design and construction of the Eurotunnel System are included in the balance sheet as deferred charges and will be charged to profit and loss account over a period ending on completion of the Eurotunnel System.

(d) Leased assets

Assets acquired under finance leases are included in tangible fixed assets at an amount equivalent to the cost of such assets. They are depreciated in accordance with the policy set out in note (iii) (e) below.

Obligations under such finance leases, net of any finance charges allocated to future periods, are included as creditors in the balance sheet.

(e) Depreciation

The design and construction costs of the Eurotunnel System will be depreciated from the date of commencement of operations.

Depreciation of other assets is calculated on a straight line basis to write off their original cost over their estimated useful lives as follows:

Freehold property	—	Nil
Fixtures and fittings	—	5 - 10 years
Office equipment	—	5 years
Motor vehicles	—	4 years

(f) Investments

Investments are stated at the lower of cost and market value.

(g) Foreign exchange

Transactions in foreign currencies are converted at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate ruling at the balance sheet date. Exchange profits and losses arising from the above are dealt with in the profit and loss account.

(h) Deferred tax

Deferred tax is dealt with as described in note (xi).

(i) Equity issue costs

Equity issue costs are charged to the share premium account.

(iii) Directors' emoluments

The total emoluments of the directors of the Group were £348,000 (1986: £226,000)

(iv) Fixed assets

Following the ratification of the Treaty and the subsequent coming into force of the Concession, the British government has the right to require CTG to transfer to it the title to freehold land and property acquired for the purpose of construction and operation of the Eurotunnel System, and in exchange grant leases for the duration of the Concession.

Accountants' report continued

On the expiry of the Concession period, the immovable assets in France will be returned to the French state, the lease granted in the UK will come to an end, and the interests of CTG and FMA in all moveable property and intellectual property rights necessary for the construction and operation of the Eurotunnel System, will become, without payment, the joint property of the two states

Other fixed assets include properties purchased under the "Three Villages Scheme" (note (xi)) currently owned by CTG.

	30th June, 1987	31st December, 1986
	£'000	£'000
Fixed assets comprised:		
At cost		
Concession fixed assets:	142,569	49,137
Assets under construction	4,188	4,506
Payments in advance	2,631	2,087
Other fixed assets:	<u>149,388</u>	<u>55,730</u>
Depreciation	(68)	(20)
Office equipment	<u>149,320</u>	<u>55,710</u>
Net book value		
(v) Deferred charges	30th June, 1987	31st December, 1986
	£'000	£'000
Fees in connection with the credit agreements	<u>13,611</u>	<u>8,224</u>
(vi) Investments		
These consist of investments in term certificates of deposit, cash investments and SICAV (French mutual funds) and comprise:	30th June, 1987	31st December, 1986
	£'000	£'000
Cost	29,190	38,736
Interest receivable	153	214
	<u>29,343</u>	<u>38,950</u>
(vii) Liquid funds	30th June, 1987	31st December, 1986
	£'000	£'000
Bank current accounts	25,665	12,532
Term deposits	68,555	147,459
Interest receivable	945	2,044
	<u>95,165</u>	<u>162,035</u>
(viii) Share capital		
Share capital at 30th June, 1987 and 31st December, 1986 comprised units consisting of one share in EPLC and one share in ESA as follows:		£'000
		44,951
EPLC (11,237,678 shares of £4 each)		<u>118,599</u>
ESA (11,237,678 shares of FRF 100 each)		<u>163,550</u>

On 25th September, 1987 resolutions were passed at extraordinary general meetings of EPLC and ESA to sub-divide each £4 share in EPLC into ten shares of 40p each and each FRF 100 share in ESA into ten shares of FRF 10 each, conditional upon (a) the Council of The Stock Exchange, London agreeing to admit the whole of the issued share capitals of EPLC and ESA to the Official List and (b) the Commission des Opérations de Bourse deciding to admit Units to La Cote Officielle of the Bourse in Paris, in each case not later than 31st January, 1988.

Accountants' report continued

	30th June, 1987	31st December, 1986
(ix) <i>Share premium</i>	£'000	£'000
Arising on issues of shares	97,015	97,015
Less: costs of issues	<u>(11,282)</u>	<u>(9,829)</u>
	<u>85,733</u>	<u>87,186</u>

	30th June, 1987	31st December, 1986
(x) <i>Other creditors</i>	£'000	£'000
(a) <i>amounts falling due within one year:</i>	13,580	4,470
Trade creditors and accruals	662	255
Taxation and social security	29,421	11,822
Creditors and accruals for fixed assets	393	425
Obligations under finance leases	<u>44,056</u>	<u>16,972</u>
(b) <i>amounts falling due after more than one year:</i>	—	932
Construction contract retentions	<u>44,056</u>	<u>17,904</u>
Total other creditors	<u>44,056</u>	<u>17,904</u>

At 30th June, 1987 the construction contract retentions had been replaced by a bank guarantee given by the contractor to secure these contractual obligations.

(xi) *Taxation*

(a) *Current taxation*

No provision has been made for current taxation in the accounts for the six months to 30th June, 1987 as it is anticipated that there will be no liability arising on the expected results of the Group for the full year ending 31st December, 1987.

(b) *Deferred taxation*

The full potential liability to deferred tax in the UK companies, calculated on the liability method, comprises:

	30th June, 1987	31st December, 1986
	£'000	£'000
Timing differences in respect of:		
Interest receivable and other short-term timing differences	518	465
Loan commitment fees and bank expenses	3,586	—
Losses	<u>(2,451)</u>	<u>(23)</u>
	<u>1,653</u>	<u>442</u>

No provision for deferred tax has been made as it is not expected that a payment would arise in the foreseeable future. No liability for deferred tax arises in France.

(xii) *Commitments*

(a) CTG and FM have entered into a contract for the design and construction of the Eurotunnel System under which it is estimated that the Group will be required to pay some £1,380 million plus FRF 12,210 million (at September 1985 prices) plus adjustments in respect of inflation.

(b) A Group company has undertaken to purchase properties, if offered for sale, in three villages in the UK adjacent to the area in which the Eurotunnel System works at the UK end of the tunnel will be carried out (the "Three Villages Scheme"). The company's commitment under such undertakings at 30th June, 1987 was a maximum of £3,038,000 (31st December, 1986: £3,460,000)

(xiii) *Post balance sheet events*

On 4th November, 1987 certain Group companies entered into a Credit Agreement for the provision, subject to certain conditions precedent, of financing facilities totalling £2,600 million, FRF 21,000 million and US\$450 million.

Accountants' report continued

8. Consolidated accounts of Eurotunnel P.L.C.	1. Consolidated profit and loss accounts	Note	Six months ended	Period ended
			30th June, 1987	31st December, 1986
			£'000	£'000
	Own work capitalised		13,815	16,114
	Staff costs		(3,486)	(3,117)
	Depreciation		(31)	(15)
	Other operating charges		(11,005)	(13,560)
	Interest receivable and similar income		4,199	1,901
	Interest payable and similar charges		(31)	(56)
	Profit on ordinary activities before and after tax	(ii)	3,461	1,267
	Minority interest		(413)	3
	Profit for the period		<u>3,048</u>	<u>1,270</u>
	2. Consolidated balance sheets	Note	30th June, 1987	31st December, 1986
			£'000	£'000
	Fixed assets	(iii)	75,387	28,251
	Tangible assets			
	Current assets	(iv)	12,538	12,545
	Debtors	(v)	45,829	78,774
	Investments		14,939	9,893
	Cash at bank and in hand			
			73,306	101,212
	Creditors: amounts falling due within one year	(vi)	(19,328)	(10,315)
	Net current assets		53,978	90,897
	Creditors: amounts falling due after more than one year	(vii)	(8,102)	(513)
	Net assets		<u>121,263</u>	<u>118,635</u>
	Capital and reserves	(ix)	44,951	44,951
	Called-up share capital	(x)	71,584	72,417
	Share premium account		4,317	1,270
	Profit and loss account			
			120,852	118,638
	Minority interest		411	(3)
			<u>121,263</u>	<u>118,635</u>

3. Notes to the accounts

(i) Accounting policies

The accounting policies followed in the preparation of the accounts of EPLC are the same as those set out above in respect of the combined accounts except as described below:

Basis of consolidation

The consolidated accounts of EPLC incorporate the accounts of EPLC and all of its subsidiaries and deal with the results and state of affairs of the Eurotunnel project as recorded in the books of the UK companies in the Group.

Accountants' report continued

	Six months ended 30th June, 1987	Period ended 31st December, 1986
(ii) <i>Profit before taxation</i>		
Profit before taxation is stated after charging:	<u>£'000</u>	<u>£'000</u>
Auditors' remuneration	30	25
Directors' emoluments	252	188
Hire of plant and machinery	<u>276</u>	<u>140</u>
(iii) <i>Tangible fixed assets</i>	<u>30th June, 1987</u>	<u>31st December, 1986</u>
At cost	£'000	£'000
Freehold land and buildings	1,920	1,694
Office equipment	325	255
Payments on account	2,002	1,739
Assets in the course of construction	<u>71,186</u>	<u>24,578</u>
	75,433	28,266
<i>Depreciation</i>		
Office equipment	<u>(46)</u>	<u>(15)</u>
Net book value	<u>75,387</u>	<u>28,251</u>
The net book value of office equipment is £42,000 (31st December, 1986, £47,000) in respect of assets acquired under finance lease.		
(iv) <i>Debtors</i>	<u>30th June, 1987</u>	<u>31st December, 1986</u>
	£'000	£'000
Amounts owed by Esa group companies	—	1,837
Other debtors	1,241	2,148
Loan commitment fees and bank expenses	10,245	6,990
Prepayments and accrued income	<u>1,052</u>	<u>1,570</u>
	12,538	12,545
(v) <i>Investments</i>		
Investments comprise short-term certificates of deposit and are shown at cost.		
(vi) <i>Creditors: amounts falling due within one year</i>	<u>30th June, 1987</u>	<u>31st December, 1986</u>
	£'000	£'000
Bank loans and overdrafts	970	747
Trade creditors	3,600	3,419
Obligations under finance leases	392	425
Taxation and social security	57	38
Accruals and deferred income	<u>14,309</u>	<u>5,686</u>
	19,328	10,315
(vii) <i>Creditors: amounts falling due after more than one year</i>	<u>30th June, 1987</u>	<u>31st December, 1986</u>
	£'000	£'000
Construction contract retentions	—	513
Amount due to Esa group companies	<u>8,102</u>	<u>—</u>
	8,102	513

Accountants' report continued

(viii) Taxation

(a) Current taxation

No provision has been made for current taxation in the accounts for the six months to 30th June, 1987 as it is anticipated that there will be no liability arising on the expected results of the EPLC group for the full year ending 31st December, 1987.

(b) Deferred taxation

The full potential liability to deferred taxation, calculated on the liability method, comprises:

	30th June, 1987	31st December, 1986
	£'000	£'000
Timing differences in respect of:		
Interest receivable and other short-term timing differences	518	465
Loan commitment fees and bank expenses	3,586	—
Losses	(2,451)	(23)
	<u>1,653</u>	<u>442</u>

No provision for deferred tax has been made as it is not expected that a payment will arise in the foreseeable future.

(ix) Share capital

At 30th June, 1987 and 31st December, 1986:

<i>Authorised</i>	£'000
15,500,000 shares of £4 each	<u>62,000</u>
<i>Allotted, called-up and fully paid</i>	£'000
11,237,678 shares of £4 each	<u>44,951</u>

On 25th September, 1987 a special resolution was passed at an extraordinary general meeting to sub-divide each share of £4 into ten shares of 40p each conditionally upon the events described in note (viii) to the combined accounts above.

(x) Share premium account

	30th June, 1987	31st December, 1986
	£'000	£'000
Premium on issues of shares	78,549	78,549
Costs of share issues	(6,965)	(6,132)
	<u>71,584</u>	<u>72,417</u>

(xi) Commitments

EPLC group companies, jointly with ESA group companies, have contracted for expenditure under the construction contract as described in note (xii)(a) to the combined accounts and a subsidiary company has a total liability under the Three Villages Scheme as described in note (xii)(b) to the combined accounts.

(xii) Post balance sheet events

On 4th November, 1987 EPLC group companies, jointly with ESA group companies, entered into a Credit Agreement for the provision, subject to certain conditions precedent, of financing facilities totalling £2,600 million, FRF 21,000 million and US\$450 million.

Accountants' report continued

C. Consolidated accounts of Eurotunnel S.A.	1. Consolidated profit and loss accounts	Note	Six months ended 30th June, 1987	14 months ended 31st December, 1986
			FRF'000	FRF'000
	Own work capitalised		88,051	116,351
	Expenditure			
	Staff costs		(10,701)	(2,103)
	Depreciation		(161)	(110)
	Other operating charges		(80,190)	(120,838)
			<u>(91,052)</u>	<u>(123,051)</u>
	Financial income			
	Income from investments		3,765	6,580
	Interest income		29,299	8,359
	Gains on disposal of investments		3,732	1,350
	Exchange gains		14	4
			<u>36,810</u>	<u>16,293</u>
	Financial charges			
	Interest payable		(129)	(141)
	Losses on disposal of investments		—	(2,089)
	Exchange losses		(2,626)	—
			<u>(2,755)</u>	<u>(2,230)</u>
	Share of results of associated company		4,055	(24)
	Profit for the period	(ii)	<u>35,109</u>	<u>7,339</u>
	2. Consolidated balance sheets	Note	30th June, 1987	31st December, 1986
			FRF'000	FRF'000
	ASSETS			
	Concession fixed assets	(iii)(a)		
	Fixed assets under construction		690,449	232,755
	Payments in advance		21,369	26,233
			<u>711,818</u>	<u>258,988</u>
	Other tangible fixed assets	(iii)(b)	3,562	1,257
			<u>715,380</u>	<u>260,245</u>
	Fixed asset investments	(i)(b)	4,034	—
	Total fixed assets		<u>719,414</u>	<u>260,245</u>
	Financial assets			
	Deposits		2,494	2,293
	Current assets			
	Deferred charges	(iv)	32,905	11,695
	Amounts due from Euc group companies		79,566	—
	Debtors	(v)	100,268	36,057
	Investments	(vi)	286,851	369,172
	Liquid funds	(vii)	329,312	682,791
			<u>828,902</u>	<u>1,099,715</u>
	Total assets		<u>1,550,810</u>	<u>1,362,253</u>

Accountants' report continued

	Note	30th June, 1987	31st December, 1986
		FRF'000	FRF'000
LIABILITIES			
Share capital and reserves			
Issued share capital	(viii)	1,123,768	1,123,768
Share premium account	(ix)	130,592	136,650
Profit and loss account		42,448	7,339
		<u>1,296,808</u>	<u>1,267,757</u>
Provision for liabilities and charges		—	22
Creditors			
Bank current accounts		2,775	2,935
Other creditors	(x)	251,227	91,539
		<u>254,002</u>	<u>94,474</u>
Total liabilities		<u>1,550,810</u>	<u>1,362,253</u>
3. Notes to the accounts			
(i) Accounting policies			
The accounting policies followed in the preparation of the consolidated accounts of ESA are the same as those set out above in respect of the combined accounts except as described below:			
(a) Basis of preparation			
The consolidated accounts of ESA comprise the accounts of ESA, its subsidiary FM and its associated company Eurotunnel Finance Limited.			
(b) Investment in associated company			
The investment is shown at cost together with the ESA group's share of the results of the associated company.			
(ii) Profit before taxation			
Profit before taxation is stated after charging:		Six months ended 30th June, 1987	Period ended 31st December, 1986
		FRF'000	FRF'000
Auditors' remuneration		200	250
Directors' emoluments		1,497	688
(iii) Fixed assets			
(a) Concession fixed assets			
Concession fixed assets are stated at cost.			
(b) Other tangible fixed assets			
Other tangible fixed assets comprised:		30th June, 1987	31st December, 1986
		FRF'000	FRF'000
Office fixtures and equipment and vehicles		3,769	1,302
At cost		(207)	(45)
Depreciation			
Net book value		<u>3,562</u>	<u>1,257</u>
(iv) Deferred charges			
Deferred charges represent bank commitment fees and expenses.			
(v) Debtors			
		30th June, 1987	31st December, 1986
		FRF'000	FRF'000
VAT recoverable		98,892	35,709
Other debtors and prepayments		1,376	348
		<u>100,268</u>	<u>36,057</u>

Accountants' report continued

(vi)	<i>Investments</i> Investments comprise mainly investments in SICAV		
(vii)	<i>Liquid funds</i>	30th June, 1987	31st December 1986
		FRF'000	FRF'000
	Bank current accounts	104,857	25,014
	Term deposits	222,162	651,000
	Interest receivable	2,293	6,777
		<u>329,312</u>	<u>682,791</u>
(viii)	<i>Share capital</i> Share capital at 30th June, 1987 comprised 11,237,678 shares of FRF 100 each. On 25th September, 1987 a resolution was passed at an extraordinary general meeting to sub-divide each share of FRF 100 into ten shares of FRF 10 each conditionally upon the events described in note (viii) to the combined accounts above.		
(ix)	<i>Share premium</i>	30th June, 1987	31st December, 1986
		FRF'000	FRF'000
	On issue of shares	171,692	171,692
	Cost of issues	(41,100)	(35,042)
		<u>130,592</u>	<u>136,650</u>
(x)	<i>Other creditors</i> Amounts falling due within one year:	30th June, 1987	31st December, 1986
		FRF'000	FRF'000
	Trade creditors and accruals	53,573	8,808
	Creditors for fixed assets and accruals	190,265	62,111
	Amounts owed to EPLC group companies	—	17,400
	Other creditors	7,389	3,220
		<u>251,227</u>	<u>91,539</u>
(xi)	<i>Commitments</i> ESA group companies, jointly with EPLC group companies, have contracted for expenditure under the construction contract as described in note (xii)(a) to the combined accounts above.		
(xii)	<i>Post balance sheet events</i> On 4th November, 1987 ESA group companies, jointly with EPLC group companies, entered into a Credit Agreement for the provision, subject to certain conditions precedent, of financing facilities totalling £2,600 million, FRF 21,000 million and US\$450 million.		

D. Pro forma combined net assets

On a pro forma basis, after taking account of the proceeds of the proposed issue, which are estimated by Eurotunnel to be £702 million after expenses, as if it had taken place on 30th June, 1987, the combined net assets of the Group would have been:

	£'000
Net assets at 30th June, 1987	254,224
Estimated proceeds of the proposed issue	<u>702,000</u>
Pro forma net assets	<u>956,224</u>
Pro forma net assets per Unit	<u>£2.88</u>

The calculation of pro forma combined net assets is based on the combined balance sheet of the Group at 30th June, 1987 as set out in this report. It does not take into account any results in respect of the period since 30th June, 1987 and has been made for illustrative purposes only.

Yours faithfully

Peat Marwick McLintock

Audit Continental S.A.

B.E.F.E.C.—Mulquin et Associés

Articles of EPLC and statuts of ESA

1. Articles of EPLC

The articles of association of EPLC, which were adopted, subject to the condition described below, in sub-paragraph 2(i)(c)(i) under the heading "Further information", pursuant to a special resolution passed at an extraordinary general meeting held on 25th September, 1987 contain, *inter alia* provisions to the following effect.

- (a) *Issues of shares and rights to subscribe for shares*
- (I) Subject to the provisions of the Companies Act 1985, the unissued shares in EPLC shall be at the disposal of the EPLC directors but no such shares may be allotted or be the subject of warrants to subscribe for shares unless such shares are or will be issued in the form of Units in conjunction with a simultaneous issue of shares by ESA, with each share comprised in any Unit being held by the same person.
 - (II) EPLC may only issue redeemable shares if they are redeemable on equivalent terms to redeemable shares issued by ESA and comprised in units of redeemable shares.
 - (III) EPLC may issue bearer shares upon such conditions as the EPLC directors may determine. Subject to these conditions and to the provisions of the Companies Act 1985, a holder of a bearer share shall be deemed to be a member of EPLC and shall be entitled to the same rights and privileges and be subject to the same restrictions on transfer as if his name had been included in the register of members as the holder of the shares comprised in such bearer share.
- (b) *Forfeiture and calls*
- (I) In addition to the power of forfeiture in the event of non-payment of a call on partly-paid shares in EPLC, EPLC will have a power of sale over the relevant shares. Calls on partly-paid shares in EPLC and forfeiture or sale in the event of non-payment of a call can only be made or invoked, as the case may be, by the EPLC directors when the ESA directors have equivalent powers in relation to shares in ESA, and in such event EPLC and ESA shall exercise such powers jointly in respect of the shares in EPLC and in ESA comprising the relevant Units.
 - (II) The EPLC directors have power to reject payment of moneys tendered in respect of a call on partly-paid shares in EPLC if, or to the extent that, the holder of such shares has failed to pay a call in respect of the ESA shares comprised in the relevant Units. In such event the provisions of the articles of EPLC may apply as if such call on the shares in EPLC was unpaid.
- (c) *Rights attaching to shares*
- (I) Voting: subject to disenfranchisement of a member in the event of non-payment of any calls or other moneys due and payable in respect of any shares in EPLC or non-compliance with a notice requiring disclosure as to beneficial ownership, on a show of hands every member present at a general meeting in person or, in the case of a corporate member, present by its duly authorised representative (who is not himself a member) shall have one vote and, on a poll, each member present in person or by such representative or by proxy shall have one vote in respect of each share in EPLC held by him.
 - (II) Dividends: subject to any special rights attached to any shares in EPLC issued in the future, the holders of shares are entitled, *pari passu* amongst themselves, but in proportion to the amounts paid up in respect of the nominal value of the shares held by them, to share in the whole of the profits of EPLC distributed as dividends. The EPLC directors may make arrangements for shareholders to receive dividends in currencies other than sterling. The EPLC directors may, in their discretion, fix any date as the record date for any dividend or distribution.
 - (III) Return of capital on a winding up: on a winding up the liquidator may, subject to the sanction of an extraordinary resolution and the requirements of the Companies Act 1985, divide among the members or vest in trustees the whole or any part of EPLC's assets.
- (d) *Variation of share rights*
- Subject to the provisions of the Companies Act 1985, if at any time the capital of EPLC is divided into different classes of shares, the rights attached to any class may only be varied if an equivalent variation is made to the rights attached to the class of shares in ESA which are twinned as units with that class of share in EPLC. Subject to this, such rights may be varied in such manner, if any, as may be provided by the relevant articles setting out those rights or with the consent in writing of the holders or not less than three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.
- (e) *Changes in share capital*
- Provided that ESA effects a similar change at the same time so that the number of shares in issue in EPLC and ESA shall be identical at all times and the classes of shares in issue in EPLC and ESA shall correspond so that all the shares in issue in both companies shall be twinned in the form of Units:
- (I) EPLC may by ordinary resolution increase its share capital, sub-divide and consolidate its shares and cancel any unissued shares; and,
 - (II) subject to the provisions of the Companies Act 1985, EPLC may purchase its own shares and may by special resolution reduce its share capital.

(f) *Transfer of shares*

No share in EPLC may be transferred unless the transferee also acquires the share in ESA which is twinned as a Unit with that share in EPLC and registration of each share transfer by EPLC and ESA must take effect at the same time. All transfers of shares in EPLC must be in the usual form or any other form approved by the EPLC directors. The instrument of transfer must be executed by or on behalf of the transferor and, if the shares in EPLC being transferred are not fully paid, also by or on behalf of the transferee; in the latter case the EPLC directors may decline to register any such transfer.

(g) *Unclaimed dividends*

Any dividend unclaimed after a period of 12 years from the date when it became due for payment may be forfeited in favour of EPLC.

(h) *Borrowing powers*

The EPLC directors may exercise all the powers of EPLC to borrow money and to mortgage or charge the whole or any part of its undertaking, property and uncalled capital and, subject to the provisions of the Companies Act 1985 and of the articles of EPLC, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of EPLC or of any third party.

(i) *Directors*

(I) Unless otherwise determined by ordinary resolution the number of EPLC directors shall not be more than 20 but shall not be less than three. The quorum for meetings of EPLC directors is three.

(II) An EPLC director who is also an ESA director or a *censeur* of ESA shall vacate his office as an EPLC director upon his ceasing to be an ESA director or a *censeur* of ESA.

(III) Section 293 of the Companies Act 1985, which concerns the retirement of directors attaining the age of 70, applies to EPLC directors.

(IV) The EPLC directors (other than executive directors) are subject to retirement by rotation. EPLC may by ordinary resolution appoint EPLC directors, either to fill vacancies or as additional directors. The EPLC directors have similar powers but any person so appointed shall retire at the next following annual general meeting. EPLC may by ordinary resolution remove an EPLC director before the expiration of his period of office and such removal is without prejudice to any claims for damages for breach of any contract of service.

(V) An EPLC director shall not be required to hold a qualification share and shall be entitled to attend and speak at meetings of shareholders.

(VI) An amount not exceeding £200,000 per annum (or such larger amount as EPLC may by ordinary resolution determine) may be fixed by the EPLC directors for their remuneration by way of fees. It shall be divided between the EPLC directors as they agree or, failing agreement, equally. Any EPLC director who holds any executive office may be paid such extra remuneration as the EPLC directors may determine.

(VII) The EPLC directors may from time to time appoint one or more of their body to the office of managing director or to any other executive office in the management of the business of EPLC, and, subject to the provisions of the Companies Act 1985, on such terms and for such period as they may determine. Unless otherwise agreed in any contract of service any appointment to an executive office shall terminate if the executive ceases to be an EPLC director but without prejudice to any claim for damages for breach of such contract of service.

(VIII) (A) The EPLC directors may delegate any of their powers:

(i) to any managing director of EPLC or any EPLC director holding any other executive office;

(ii) subject to sub-paragraph (iii), to any committee consisting of three or more EPLC directors and (if thought fit) one or more other persons, but a majority of the members of the committee shall be EPLC directors and no resolution of the committee shall be effective unless a majority of those present when it is passed are EPLC directors; or

(iii) (in respect of any matters to be decided jointly with the board of ESA) to any committee consisting of three or more EPLC directors, and (unless such directors are also directors or *censeurs* of ESA) one or more directors or *censeurs* of ESA and (if thought fit) one or more other persons.

Articles and statutes continued

- (B) Any such delegation may be subject to any conditions imposed by the EPLC directors and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject as aforesaid, the proceedings of any committee with three or more members shall be governed by the articles of EPLC so far as they are capable of applying
- (IX) The EPLC directors may grant pensions or other benefits to any former executive director and to persons connected with him.
- (X) Subject to the provisions of the Companies Act 1985 and provided that he has disclosed to the EPLC directors the nature and extent of any material interest, an EPLC director may be a party to, or otherwise interested in, any transaction or arrangement with EPLC or in which EPLC is otherwise interested and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by EPLC or in which EPLC is otherwise interested, and shall not, by reason of his office, be accountable to EPLC for any benefit which he thereby derives.
- (XI) (A) Except as stated in sub-paragraph (B) below an EPLC director shall not vote on, or be counted in the quorum relating to, any resolution concerning a matter in which he has, directly or indirectly, a material interest.
- (B) An EPLC director shall be entitled to vote and be counted in the quorum in respect of any resolution if his interest arises by virtue of his being a director (including an executive director) of ESA or any of its subsidiaries or an employee or consultant of a partnership in which EPLC or any of its subsidiaries is a partner, or if the relevant resolution concerns any of the following matters:
- (i) the giving of any guarantee, security or indemnity to him in respect of money lent to, or obligations incurred by him for the benefit of, EPLC or any of its subsidiaries;
 - (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of EPLC or any of its subsidiaries for which he himself has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares, debentures or other securities in EPLC for subscription, purchase or exchange in which he is or intends to become interested as a participant in the underwriting or sub-underwriting;
 - (iv) any proposal relating to a transaction or arrangement with any other company in which he is interested, directly or indirectly, provided that he is not the holder of or beneficially interested in one per cent. or more of the equity share capital of such company (or of any other company through which his interest is derived) and not entitled to exercise one per cent. or more of the voting rights available to members of the relevant company;
 - (v) any proposal concerning a retirement benefits scheme which has been approved by or is conditional upon approval by the Board of Inland Revenue of the UK for taxation purposes; or
 - (vi) an arrangement for the benefit of the employees of EPLC or any of its subsidiaries or of any partnership in which EPLC or any of its subsidiaries is a partner, including, but not limited to, any employees' share scheme, which does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom the arrangement relates.
- (C) Where proposals are under consideration concerning the appointment of two or more EPLC directors to offices or employments with EPLC or any partnership or body corporate in which EPLC is interested, such proposals may be divided and considered in relation to each EPLC director separately and in such case each of the EPLC directors concerned (if not debarred from voting under sub-paragraph (B)(iv) or by virtue of any other provision of English law or the articles of EPLC) shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (D) EPLC may by ordinary resolution suspend or relax all or any of the provisions of its articles prohibiting an EPLC director from voting at a meeting or committee of EPLC directors.
- (j) *General meetings*
- (i) Unless otherwise determined by the EPLC directors, annual general meetings of EPLC shall be held in England and France in alternate years and all general meetings shall be held on the same day and at the same place as the general meeting of ESA (if any) convened to consider the same matters.
 - (ii) The EPLC directors are empowered to make arrangements for the purpose of controlling the level of attendance at any place specified for the holding of a general meeting. These arrangements envisage simultaneous attendance and participation by shareholders at locations other than the place at which the meeting is being held.

(k) *Notices*

A shareholder whose registered address is not within the UK or France but who gives to EPLC an address within the UK or France at which notices are to be given to him shall be entitled to have notices given to him at that address, but otherwise no such member shall be entitled to receive any notice from EPLC. In respect of the bearer shares, notices are to be given by way of newspaper advertisement only which shall be deemed to have been given on the day the advertisement is published or, if it is published more than once, on the day it is first published.

2. Statute of ESA

The statute of ESA, which were modified by a resolution passed at an extraordinary general meeting held on 25th September, 1987, contain, *inter alia*, provisions to the following effect:

(a) *Issues of shares and rights to subscribe for shares*

- (I) According to French law, shares of a company may only be issued pursuant to an extraordinary resolution of the shareholders, which requires a two-thirds majority of the shareholders present or represented. No shares in ESA may be allotted or be the subject of warrants to subscribe for shares unless such shares are or will be issued in the form of Units in conjunction with a simultaneous issue of shares by EPLC, with each share comprised in any Unit being held by the same person.
- (II) Shares are at present all registered shares of nominal value of FRF 100 and, conditionally on listing, will each be divided into ten shares of FRF 10 and may be issued in both registered and bearer form. At the option of the shareholder, registered shares may be converted into bearer shares.

(b) *Forfeiture and calls*

- (I) In addition to the power of forfeiture in the event of non-payment of a call on partly-paid shares in ESA, ESA will have a power of sale over the relevant shares. Calls on partly-paid shares and compulsory sales in the event of non-payment thereof are to be made or effected by the ESA directors only when the EPLC directors have similar powers in relation to shares in EPLC and have decided to exercise such powers in a similar manner.
- (II) For payment in respect of calls on partly-paid shares in ESA to be effectively made payment must also be made by the shareholder in compliance with any call in respect of his shares in EPLC comprised in the relevant Units.

(c) *Rights attaching to shares*

- (I) Voting: subject to disenfranchisement of a member in the event of non-payment of any calls or other moneys due and payable in respect of any shares in ESA or by virtue of any legislative provisions or regulations, every member present in person at a general meeting or by proxy (being his spouse or another shareholder) or in the case of a corporate member present by its duly authorised representative shall have one vote in respect of each share in ESA owned.
- (II) Dividends: subject to any special rights attached to any shares issued by ESA in the future, the holders of shares in ESA are entitled to a share of the profits distributed by ESA as dividends *pro rata* to their rights in the share capital of ESA. The annual general meeting may grant to shareholders the option to receive payment of all or part of the dividends to be distributed in cash or in the form of shares. There is no fixed date on which the entitlement to any dividend or distribution arises: the shareholders in ordinary general meeting or the ESA directors may fix a date on which dividends are payable (such date not being later than nine months after the close of the relevant financial year).
- (III) Return of capital on a winding up: with the approval of the shareholders in ordinary general meeting, the assets remaining after payment of the debts and liabilities of ESA and the costs of the liquidation shall, subject to any special rights attaching to any shares issued by ESA in the future, be applied in repaying to the holders of shares the amounts paid up on such shares and any surplus shall be distributed amongst such holders according to the numbers of such shares held by them respectively.

Articles and statutes continued

(d) *Variation of share rights*

The statutes of ESA do not contain any provision dealing with variation of share rights. The statutes, however, provide that any modification of the statutes must not alter the system of issue of Units without similar modification being made by Epic. Pursuant to French law, any variation of share rights, when permitted, requires a two-thirds majority decision of the shareholders present or represented in general meeting.

(e) *Changes in share capital*

Provided that Epic effects a similar change at the same time, ESA may by extraordinary resolution:

- (i) increase its share capital;
- (ii) reduce its share capital; and
- (iii) in certain circumstances as defined under French law purchase its own shares.

(f) *Transfer of shares*

- (i) No share in ESA may be transferred unless the transferee also acquires simultaneously the share in Epic which is twinned as a Unit with that share in ESA and registration of the transfer by ESA and Epic takes effect at the same time. Once the Units are listed on the *Cote Officielle des Bourses de Valeurs de Paris*, ESA shares may be issued in either registered or bearer form. Transfer of shares in ESA in registered form will be registered in the *registre de mouvements de titres* of ESA. Units dealt in on the *Bourse* will be held in bearer form by SICOVAM, and transfers will be effected between the SICOVAM accounts of financial institutions affiliated with SICOVAM which act on behalf of holders of Units. ESA is entitled at any time to request that SICOVAM or any other competent organisation identifies shareholders in accordance with French law.
- (ii) If a share in ESA is not fully paid up it must be held in registered form and the shareholder, any intermediate transferee and the original subscriber are jointly and severally liable to pay any call in respect of that share until a period of two years has elapsed from the date on which the shareholder in question instructed ESA to register the transfer.

(g) *Unclaimed dividends*

According to French law, any dividend unclaimed after a period of five years from the date when it became due for payment shall be forfeited in favour of the French state.

(h) *Borrowing powers*

The ESA directors and the chairman (subject to any limitation of the powers of the chairman on which the ESA directors may from time to time decide) may exercise all the powers of ESA to borrow money and mortgage or charge the whole or any part of its undertaking and property (subject to the provisions of French law concerning guarantees issued as security for any debt or liability of any third party). Issues of debentures must have the prior authorisation of an ordinary general meeting of shareholders; issues of debentures or other securities convertible into or exchangeable against shares must be decided on by an extraordinary general meeting of shareholders.

(i) *Directors*

- (i) The number of directors of a company is limited by French law to a minimum of three and a maximum of 12 and consequently ESA will have in addition to its board of directors a committee of *censeurs* consisting of a maximum of eight individuals. A quorum of at least half of the number of directors is required to transact business.
- (ii) An ESA director who is also an Epic director shall vacate his office as an ESA director upon his ceasing to be an Epic director.
- (iii) At no time shall the board of directors have more than one-third of its members with an age exceeding 65 years.
- (iv) The ESA directors are appointed for a term of six years.
- (v) An ESA director is required to hold one qualification share which, temporarily, is not transferable.
- (vi) The total remuneration of the ESA directors in respect of attendance fees is determined by the shareholders and will be divided among the ESA directors as the ESA directors think fit. An ESA director may receive further remuneration only for particular tasks or, if he is an employee of ESA, in the form of a salary. Only employees who have completed at least two years' service may be elected as directors and the number of employees on the board of directors may not exceed one-third of its composition. Except as stated within this sub-paragraph no other form of remuneration of directors is permitted under French law.
- (vii) The ESA directors elect a chairman from among themselves who is responsible for the general management of ESA assisted by *directeurs-généraux*. The chairman may in turn be substituted and may delegate his powers to a certain extent. Upon attaining the age of 70, the chairman must retire but the ESA directors may extend his term of office by a maximum period of five years.

Articles and statuts continued

- (VIII) As regards third parties the chairman and/or the *directeurs-généraux* have all necessary authority to act on behalf of ESA. Individual ESA directors have no such general authority.
- (IX) The ESA directors may delegate certain specific tasks to one of themselves or to third parties or to committees whose composition and powers are determined by the ESA directors.
- (X) An ESA director may directly or indirectly through a company of which he is the owner, or a director, *directeur-général*, *gérant*, *membre du directoire*, *membre du conseil de surveillance*, or a shareholder with unlimited liability, enter into certain agreements with ESA provided that the requirements of article 101 and subsequent articles of the French *loi sur les sociétés commerciales* of 24th July 1966 are met. Such agreements must be authorised in advance by the ESA directors and later approved by a general meeting of shareholders acting upon a special report from the statutory auditors, provided that an ESA director may not vote on and is not counted in the quorum relating to any resolution authorising any agreement in which he is interested.
- (XI) An ESA director may not, directly or indirectly, seek any loan or guarantee from ESA.
- (j) **Censeurs**
- (i) A committee of *censeurs* consisting of a maximum of eight individuals, who may, but need not, be shareholders, has been established. The members of the committee of *censeurs* are appointed by the ESA directors for a term to be fixed by the ESA directors at the time of appointment. The *directeurs-généraux* may be appointed as *censeurs* if they are not already ESA directors.
- (ii) The ESA directors determine the remuneration of the *censeurs*.
- (iii) The *censeurs* attend all meetings of the ESA directors but do not have any voting rights. The absence of *censeurs* from any such meeting does not affect the validity of resolutions of the ESA directors passed at that meeting.
- (iv) The committee of *censeurs* is under a duty to monitor the observance of the *statuts* and to give their opinion on any question submitted to them by the ESA directors.
- (k) **General meetings**
- Annual general meetings must be held to approve accounts for each financial year within six months following the end of such financial year. General meetings shall be held at the head office or at any other place in France or elsewhere decided upon by the ESA directors.
- (l) **Notices**
- The provisions relating to the giving of notices to shareholders who hold bearer shares are set out below under the heading "Bearer Units". All registered shareholders who have held their ESA shares for at least one month prior to the notice convening the meeting will be advised of the shareholders' meetings by ordinary mail or, if they so request, by registered mail at their own expense.
- (m) **Fiscal equality**
- Whether ESA is operating as a going concern or is in liquidation, payment of an identical dividend to each shareholder will be ensured by consolidating all taxes and/or tax reliefs for which ESA may be liable or to which it may be entitled.

Bearer Units

Principal conditions attaching to Units in bearer form

Certain of the rights of the holders of Units in registered form (such as those comprised in the UK Offer) are described above under the heading "Articles of EPLC and Statute of ESA".

The rights of the holders of Units in bearer form will be governed, in the case of the EPLC shares comprised in the Units, by the articles of association of EPLC and the terms adopted by the board of directors of EPLC pursuant thereto by a resolution passed on 9th November 1987 and, in the case of the ESA shares comprised in the Units, by French law and a resolution of the board of directors of ESA passed on 9th November 1987. The following summarises these rights.

(a) Certificates and coupons

- (i) Units in bearer form will be represented by certificates ("bearer certificates"), which will both represent the ESA shares and constitute a share warrant to bearer (within the meaning of the Companies Act 1985) in respect of the EPLC shares comprised in the relevant Units. Bearer certificates may be held either (i) by SICOVAM on behalf of institutions affiliated with it which in turn hold for the account of investors or (ii) by investors outside the SICOVAM system.
- (ii) Bearer certificates will be in such form or forms, which may differ for those which may be held only by SICOVAM and those which may be held by investors outside the SICOVAM system (the latter being referred to below as "direct certificates"), as the boards of directors of EPLC and ESA may adopt and will be issued under the seal of ESA and signed on behalf of ESA. Each direct certificate will have attached to it a set of numbered coupons ("coupons") which must be surrendered in order to claim any dividends or other distributions in respect of the Units to which they relate.
- (iii) Direct certificates will be issued in such denominations of Units as the holder may request or, in the absence of such request, as EPLC, ESA or the registrars of ESA may think fit. The directors of EPLC and ESA reserve the right to charge fees upon the issue of any direct certificates.

(b) Notices of general meetings

- (i) Notices of any general meeting of EPLC and ESA will be given to holders of Units in bearer form by publication in at least one national daily newspaper in the UK and in the French financial press. The notice periods required will be the same as for holders of registered Units and for this purpose notice will be deemed duly given on the date of publication.
- (ii) Notice of general meetings of ESA will also be published in the BALO (*Bulletin des Annonces Légales Obligatoires*) at least 30 days before the meeting and a second notice will be published in a legal gazette and in the BALO at least 15 days before the meeting.

(c) Attendance at general meetings and voting rights

- (i) If the holder of a direct certificate wishes to attend and vote at a general meeting of EPLC or ESA in respect of the Units represented thereby, he must deposit his certificate at least five days before the meeting with a bank acceptable to EPLC and ESA for the purpose, together with a statement in writing of his name and address; the certificate must remain so deposited until the meeting, or any adjournment thereof, shall have been held.
- (ii) Upon the deposit of his direct certificate, the holder will be given a further certificate (a "voting certificate") stating his name and address, the number of Units represented by the direct certificate and the serial number thereof. The voting certificate will entitle him, or his duly appointed proxy, to attend and vote at the general meeting in the same way as if he were the registered holder of the Units specified in the direct certificate.
- (iii) In the case of holders of Units in bearer form which are held through an institution affiliated with SICOVAM, voting certificates will be available on request from the institution through whom the Units are held not later than five days prior to the date of the meeting.
- (iv) During the validity of a voting certificate the person named in it shall, for all purposes in connection with any general meeting of EPLC or ESA, be deemed to be the holder of the Units to which such voting certificate relates.

(d) Title and transfer

- (i) A bearer certificate entitles the bearer to the shares in EPLC and ESA specified in it.
- (ii) The bearer of a bearer certificate or coupon shall be treated as the absolute owner for all purposes notwithstanding any notice of ownership or of previous loss or theft or of trust or other interest therein (except as ordered by a court of competent jurisdiction or required by law) and neither EPLC nor ESA shall (except as aforesaid) be bound to recognise any other claim to or interest in the Units represented by the certificate or the rights represented by the coupon.

Bearer Units continued

- (iii) In the case of Units in bearer form held through an institution affiliated to SICOWAM, EPLC and ESA may recognise the interests of the persons identified by the affiliated institution as ultimately benefiting from the entries in the books of SICOWAM in respect of the Units. In the event of any doubt or dispute as to the identity of such persons, EPLC and ESA will recognise SICOWAM or the persons designated by SICOWAM for these purposes.
- (iv) Title to direct certificates and coupons will pass by delivery.
- (v) In the case of Units in bearer form held through an institution affiliated to SICOWAM, dealings in Units will be recorded in the books of SICOWAM and the affiliated institution.

(e) Conversions

- (i) Upon surrender of his certificate for registered Units to the registrar of EPLC together with the requisite conversion form (obtainable from the registrars of either EPLC or ESA) duly signed and a remittance for the bearer instrument duty (and/or any similar tax, charge or duty which may be payable) and any fee charged by EPLC and ESA, the registered holder will be entitled to the issue of a bearer certificate or certificates representing the relevant number of Units.
- (ii) Upon the surrender of his direct certificate to the registrar of ESA together with all unexpired coupons relating thereto, the requisite conversion form duly signed and any fee charged by EPLC and ESA, a holder of Units in bearer form will be entitled to have his name entered as a member in the registers of EPLC and ESA and to delivery of a registered certificate in respect of the number of Units represented by the direct certificate. In the case of Units in bearer form held through an institution affiliated to SICOWAM, the conversion will be effected by delivery of the requisite conversion form duly signed, together with any fee charged by EPLC and ESA, to the affiliated institution for onward delivery to the registrar of ESA and the registered certificate will be delivered to the affiliated institution.

(f) Dividends and other distributions

The holder of Units in bearer form will have the same rights to dividends and other distributions as a holder of Units in registered form. In the case of direct certificates, dividends and other distributions will be made against surrender of the relevant coupon. In the case of Units in bearer form held through SICOWAM, payment will be made by way of credit to the accounts of the affiliated institutions, which will in turn credit the accounts of their clients.

(g) Issue of further direct certificates and replacement direct certificates

- (i) If the holder of a direct certificate shall deliver it up for cancellation at the office of the registrar of ESA with all unexpired coupons (if any) attached and shall pay all taxes, stamp and other duties payable on issue of the new certificate(s) and such fees as the directors of EPLC and ESA may charge, he shall be entitled to the issue of a new direct certificate or certificates for the Units covered by the certificate delivered up for cancellation.
- (ii) EPLC and ESA may, in the absolute discretion of the Directors and subject to the provision of such evidence, indemnity and/or security as they may require, issue replacement direct certificates in lieu of lost, destroyed, mutilated or defaced direct certificates. Mutilated or defaced certificates must be surrendered, together with all unexpired coupons appertaining thereto, before replacements are issued.

(h) Other rights of bearer certificate holders as members of EPLC

The bearer of a bearer certificate shall be deemed to be a member of EPLC to the full extent in respect of the EPLC shares covered by his certificate. In order to exercise any such rights the bearer of a direct certificate must produce his direct certificate and state his name and address and (if the directors of EPLC so require) permit to be endorsed on his direct certificate details of the exercise of his rights.

(i) Amendment

The directors of EPLC may from time to time amend the terms which govern the rights of the holders of EPLC shares in bearer form, adopted by resolution passed on 9th November, 1987, but so that except with the sanction of a special resolution of EPLC in general meeting no such amendment will be made if its effect would be to deny to any holder of Units in bearer form any of the rights of membership of EPLC to which he would have been entitled if his Units had been held in registered form.

Description of the New Warrants

1. Principal characteristics

- (i) Each Unit acquired in the issue will have with it a warrant issued by Epc (an "Epc New Warrant") and a warrant issued by Esa (an "Esa New Warrant"), the Epc New Warrants and the Esa New Warrants being together referred to in this description as "New Eurotunnel Warrants". New Eurotunnel Warrants issued with Units in registered form will be in registered form and represented initially by letters of acceptance and those issued with Units in bearer form will be in bearer form. The Epc New Warrants and the Esa New Warrants will be subject to twinning arrangements similar to those applicable to the shares in the two companies, one Epc New Warrant together with one Esa New Warrant (both being in either registered or bearer form) being together referred to below as a "New Warrant". Ten New Warrants will (subject to the adjustment provisions described in paragraph 5 below) entitle the relevant warrant holder (a "New Warrantholder") to subscribe for one Unit, at an exercise price per New Warrant of 23p and FRF 2.30 (the "Exercise Amount").
- (ii) In view of the twinning arrangements referred to above and of the differing laws and practices of the United Kingdom and France, investors should not assume that the terms and conditions applicable to the New Eurotunnel Warrants correspond to conventional practice in either country. If in any doubt, they should consult a professional adviser.
- (iii) The Epc New Warrants will be issued subject to and with the benefit of an Instrument by way of deed poll (the "Instrument") governed by English law and dated 13th November, 1987. The Esa New Warrants will be issued subject to and with the benefit of Board Resolutions of Esa (the "Resolution") governed by French law and passed on 9th and 13th November, 1987. The New Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all the terms and conditions set out in the Instrument and the Resolution, copies of each of which may be inspected at the registered offices of both Epc and Esa.

2. Form and listing

- (i) UK investors are being offered New Warrants in registered form, French investors are being offered New Warrants in bearer form. Investors outside the UK and France are being offered New Warrants in registered and/or in bearer form. All the New Warrants in bearer form are to be held by SICOVAM for affiliated institutions including Cedel S.A. and Euroclear and are not to be held directly.
- (ii) Application has been made for the New Warrants to be admitted to the official lists of The Stock Exchange, in registered and bearer form, and the Bourse, in bearer form, and also for their admission to dealings under the SICOVAM system, all at the same time as the Units are so admitted. New Warrants will be listed separately from Units, and may be traded separately from Units.

3. Subscription rights and exercise period

- (i) New Warrants may be exercised only in tens and in integral multiples of ten. They may be exercised at any time (subject to paragraph 3(ii) below) during the period commencing on 15th November, 1990 and expiring on 15th November, 1992, at the Exercise Amount. In no circumstances may Epc New Warrants or Esa New Warrants be exercised separately.
- (ii) After 15th November, 1992, any New Eurotunnel Warrants which have not been exercised will lapse and will cease to be valid for any purpose.
- (iii) If there is an increase in the issued share capitals of Epc and Esa, they shall have the right to suspend the exercise of the New Warrants for a period not exceeding three months, provided that no such suspension shall be in effect during any part of the period from 15th September, 1992 to 15th November, 1992. No extension of the period for exercise of New Warrants will result from any suspension.

4. Method of exercise of New Warrants

- (i) In order to exercise a New Warrant in registered form, the relevant New Warrantholder must complete and sign the subscription form on every certificate relative to the New Eurotunnel Warrants being exercised and deliver such certificates, accompanied by a remittance for the Exercise Amount, to the specified office of the Epc registrar. New Warrants in bearer form will be exercisable by request either directly to the Esa registrar or through the SICOVAM affiliate acting for the New Warrantholder accompanied by a remittance not only for the Exercise Amount but also for the UK Bearer Instrument Duty or any similar charge or duty payable in respect of the issue in bearer form of certificates in respect of the Units to be issued pursuant to the exercise of such New Warrants (but, in any case, only in so far as the amount thereof exceeds any tax, charge or duty payable in respect of the issue of certificates in respect of Units in registered form). Epc and Esa reserve the right at any time to vary the procedures for the exercise of New Warrants upon giving the New Warrantholders not less than 30 days' advance notice in accordance with paragraph 7(f).
- (ii) Subject to the last sentence of paragraph 4(i), New Warrants will be deemed to be irrevocably exercised on the day upon which the relevant Registrar shall have received the documentation and remittance referred to in paragraph 4(i) above together, in the case of New Warrants in bearer form, with the evidence of the appropriate entry in the books of SICOVAM.
- (iii) Each New Warrantholder delivering New Warrants for exercise shall comply with any exchange control, fiscal or other laws and regulations for the time being applicable in respect of such exercise to such New Warrantholder and/or at the place of such delivery.
- (iv) As soon as practicable after the date of any exercise of New Warrants, certificates will be issued for the relevant number of Units in the form (registered or bearer) corresponding to the form of the relative New Warrants. The certificates for each Unit issued upon the exercise of New Warrants will, in the case of a Unit in registered form, be delivered by post at the risk of the registered Unitholder or, in the case of a Unit in bearer form, be held by SICOVAM or, on request, delivered to the Unitholder.

Description of the New Warrants continued

5. Adjustments

- (i) Certain events relating to EPLC and/or ESA occurring after the date of the issue will give rise to adjustments (as set out below) to the number of Units (the "Specified Number") for which each New Warrant entitles the New Warrantholder concerned to subscribe. For the avoidance of any possible discrepancy between the provisions of the Instrument and the Resolution, both provide that "circumstances require an adjustment under either of them, that adjustment will be required under both
- (ii) For the purposes of this description:—
- (A) "Expert" means the expert appointed by or pursuant to the Instrument (the "EPLC Expert" being initially Robert Fleming & Co. Limited or, as the case may be, by or pursuant to the Resolution (the "ESA Expert"), being initially Banque Indosuez,
- (B) "issue" shall include allot;
- (C) "NE" means the Specified Number after adjustment;
- (D) "OE" means the Specified Number prior to adjustment;
- (E) "Preferential Right" means any right of any holder of Units to subscribe, purchase, receive or otherwise acquire Units or other securities consequent upon any offer, grant, issue, distribution or other circumstance referred to in this paragraph 5,
- (F) the Market Price per Unit shall be ascertained separately by the EPLC Expert (in pounds sterling) and the ESA Expert (in French francs) and certified by them respectively as —
- (i) (in the case of the EPLC Expert) the average of the middle market quotation for a Unit derived from the Daily Official List of The Stock Exchange, dated each day on which The Stock Exchange is open for business during the period referred to in the relevant provision set out in paragraph 5(III) below; and
- (ii) (in the case of the ESA Expert) the average of the opening price for a Unit on the *Bourse marché à règlement mensuel* or, failing any listing of the Units on such market, on the *Bourse marché au comptant*, on each day upon which the *Bourse* is open for business during such period;
- PROVIDED ALWAYS that, if for any reason the provisions of (i) and/or (ii) are, in the joint opinion of the Experts, incapable of application, the Market Price per Unit shall be the fair market price thereof as between a willing buyer and a willing seller as conclusively ascertained by each such Expert (using such methods as it shall in its absolute discretion consider appropriate),
- (G) the Market Price of any Preferential Rights shall be ascertained separately by the EPLC Expert (in pounds sterling) and the ESA Expert (in French francs) and certified by each of them, in like manner (*mutatis mutandis*) as in paragraph 5(II)(F) above and subject to the like proviso;
- (H) in calculating any fraction by which OE is to be multiplied as set out below in paragraph 5(III), such fraction shall be separately determined by the EPLC Expert and the ESA Expert, and in relation to both the EPLC New Warrants and to the ESA New Warrants the average of the two fractions shall constitute the relevant multiplier;
- (I) upon any adjustment pursuant to the provisions of this paragraph 5, the Specified Number shall be rounded to the nearest one-hundredth of a Unit, half a hundredth being rounded downwards; and
- (J) an allotment of Units in lieu of dividends shall not give rise to any adjustment under any provision of this paragraph 5.
- (iii) (A) If and whenever EPLC and/or ESA shall, by way of Preferential Rights, offer, grant or issue to the holders of Units generally shares; or any securities which by their terms of issue are convertible into or exchangeable for or carry rights to subscribe for or otherwise acquire shares; or any options, warrants or rights to subscribe for or otherwise acquire shares or any such convertible or exchangeable securities, the Specified Number shall be adjusted in accordance with the following formula:—

$$NE = OE \times \frac{MPS + MPR}{MPS}$$

where:—

MPS means the Market Price per Unit after detachment of the Preferential Rights applicable to one Unit; and

MPR means the Market Price of the Preferential Rights applicable to one Unit,

the relevant period for the purposes of paragraph 5(II)(F) and (G) being the period during which such Preferential Rights may be taken up.

Description of the New Warrants continued

- (B) If and whenever E.P.C. and/or E.S.A. shall (1) make an issue of shares to holders of Units generally by way of capitalisation of reserves or (2) sub-divide its or their outstanding share capital into a greater number of shares or (3) consolidate its or their outstanding share capital into a smaller number of shares, the Specified Number shall be adjusted in accordance with the following formula —

$$NE = OE \times \frac{n}{N}$$

where:—

n means the number of shares outstanding immediately after such event takes effect, and

N means the number of shares outstanding immediately before such event takes effect.

- (C) If and whenever E.P.C. and/or E.S.A. shall increase by way of capitalisation of reserves the nominal value of its or their shares comprised in Units, the nominal value of the shares in E.P.C. and, or as the case may be E.S.A. comprised in any Unit issued upon exercise of a New Warrant shall be likewise increased.
- (D) If and whenever E.P.C. and/or E.S.A. shall distribute to holders of Units generally any of its or their assets (including cash or portfolio securities) out of its or their reserves (but excluding cash dividends payable out of distributable reserves) the Specified Number in effect immediately prior to such distribution shall be adjusted in accordance with the following formula —

$$NE = OE \times \frac{MPS}{KAPS - FMV}$$

where:—

MPS means the Market Price per Unit, the relevant period for the purposes of paragraph 5(II)(F) being the 20 consecutive trading days on The Stock Exchange or, as the case may be, the Bourse immediately preceding the date of such distribution, and

FMV shall be separately determined in pounds sterling by the E.P.C. Expert and in French francs by the E.S.A. Expert and means (1) the amount of any distribution in cash applicable to one Unit, (2) if the assets so distributed are listed securities, the average of the daily opening price (or equivalent) quoted on the exchange where such securities are listed on each of the 20 consecutive days next preceding the date of the distribution on which such an opening price (or equivalent) is quoted of the listed securities so distributed in respect of one Unit, or (3) other than in the case of a distribution in cash or of listed securities, the fair market value (as separately determined by the Experts in such manner as they respectively consider appropriate) on the date of implementation of such distribution of the proportionate share of the assets so distributed which ought in the opinion of the relevant Expert fairly to be attributed to one Unit, or any combination of such amounts and values. If the Experts jointly consider that the provisions set out above for determining FMV are for any reason incapable of application, the proviso to paragraph 5(II)(F) shall *mutatis mutandis* apply.

- (E) Upon any reduction of capital by way of cancellation of issued shares or capital paid-up or deemed paid-up on issued shares comprised within Units to reflect capital losses the rights of the New Warrantheolders will be reduced in consequence; the adjustment shall take effect as a corresponding reduction in the number of shares or in the nominal value of the shares (as the case may be) obtainable on exercise of the New Warrants.

The adjustments referred to in this paragraph (III) will apply to all New Warrants, other than those which are exercised in such manner that the resulting Units either entitle the holder to the benefit of the operation concerned or, as the case may be, fall by virtue of the relevant adjustment to be reduced in nominal value or in number.

- (IV) Whenever the Specified Number is adjusted, E.P.C. and E.S.A. shall promptly obtain a certificate from the Experts jointly setting out a description of the operation giving rise to the adjustment, the method of calculation of the adjustment and the Specified Number after such adjustment. Notice of such certification will be given to the New Warrantheolders in accordance with paragraph 7(f) below and a copy thereof will be made available for inspection by the New Warrantheolders at the registered offices of E.P.C. and E.S.A.
- (V) No exercise of New Warrants shall result in the issue of a fraction of a Unit. If, as a result of an adjustment pursuant to this paragraph 5, a New Warrantheolder exercising his New Warrants would, but for the preceding sentence, and after aggregating all the New Warrants being exercised by such New Warrantheolder, be entitled to receive a number of Units which includes a fraction of a Unit, his entitlement to receive Units shall be rounded down to the nearest integral number of Units and he shall be paid in cash an amount equal to the value of the fraction of Unit foregone, which amount shall be the average of the amounts calculated by the E.P.C. Expert and the E.S.A. Expert as the relevant proportion of the Market Price per Unit on the last day preceding the date of exercise of the relevant New Warrants upon which both The Stock Exchange and the Bourse were open for business. For the purposes of this paragraph 5(V), conversions into pounds sterling or French francs shall be carried out by the Experts on the basis of the average rate of exchange in London and Paris on the last banking day in London and Paris of the calendar month preceding that during which the New Warrants are exercised.

Description of the New Warrants continued

- (VI) In the event of a voluntary or involuntary liquidation or dissolution of either EPLC or ESA, all unexercised New Warrants will lapse and shall cease to be valid for any purpose, in the case of a voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, the date of the relevant court order but subject to any such order being contrary to the mandatory requirement of English or French law.
- (VII) No resolution shall be passed by either EPLC or ESA for its own voluntary liquidation unless, prior to the taking effect of such resolution, notice shall have been given to the New Warrantheolders in accordance with the provisions of paragraph 7(f) setting out the nature of the resolution, warning that upon the commencement of such liquidation all unexercised New Warrants will lapse, and affording the New Warrantheolders not less than 42 days within which to exercise their outstanding New Warrants.

6. Undertakings by EPLC and ESA

Whilst any New Warrant remains exercisable (unless otherwise authorised by an extraordinary resolution of the New Warrantheolders, save that no such resolution shall be effective to vary paragraph 6(III) or paragraph 6(VII)(B) below) the following shall apply:

- (I) All EPLC and ESA shares comprised within Units issued on exercise of New Eurotunnel Warrants shall —
- (A) be fully-paid;
 - (B) participate in full in all dividends paid, made or declared on EPLC and/or ESA shares in respect of profits of the financial year during which such shares are subscribed, but not in respect of preceding years, and
 - (C) otherwise rank *pari passu* in all respects with the shares comprised in the fully-paid Units in issue on the date of exercise.
- (II) EPLC and ESA shall use their best endeavours to procure that listings on The Stock Exchange and the Bourse are maintained for Units and for the New Warrants, that the Units and the New Warrants remain admitted to the operating system of SICOLIAM and that Units issued on the exercise of New Warrants are listed on The Stock Exchange and the Bourse and admitted as aforesaid.
- (III) EPLC and ESA undertake not to effect any reduction or redemption of share capital, share premium account or capital redemption reserve involving the repayment of money to shareholders and not to reduce any unpaid liability thereon.
- (IV) EPLC and ESA undertake that there will be no modification of the rights attached to the Units, nor any creation or issue of new classes of shares, and that they will not grant any options, warrants or rights to subscribe for, or issue any other securities convertible into, shares other than (in any such case) shares ranking *pari passu* in all respects with the shares comprised within the Units. EPLC and ESA will subject to the provisions of paragraph 5 be free to issue non-voting preference shares.
- (V) If any offer is made to holders of Units generally (other than the offeror and associated parties) to acquire the whole or a proportion of the Units, EPLC and ESA will as soon as possible give notice of such offer to the New Warrantheolders and use their best endeavours to procure that a like offer is extended in respect of any Units issued upon exercise of New Warrants during the period of the offer.
- (VI) EPLC and ESA will pay all taxes, stamp and other duties and charges in respect of the creation and issue of the New Eurotunnel Warrants and on the issue of Units on the exercise of New Warrants except in so far as, where such taxes, duties and charges arise on the issue of Units in bearer form upon the exercise of New Warrants, the amount thereof exceeds that which would have been payable in respect of the issue of Units in registered form. To that extent, taxes, stamp and other duties and charges will be borne by the New Warrantheolders.
- (VII) New Warrantheolders:—
- (A) will be notified, before the commencement of the operation concerned, by publication in at least one national daily newspaper in the UK, in the French financial press and by notice in the BALO (*Bulletin des Annonces Légales et Obligatoires*) of any operation involving any adjustment to the rights of New Warrantheolders; and
 - (B) will have made available to them, at the same time and in the same manner as the same are made available to holders of Units, copies of the audited accounts of EPLC and ESA (with the relevant directors' and auditors' reports), together with lists of the directors of EPLC and ESA, and copies of all other circulars or notices which are made available to holders of Units.
- (VIII) EPLC and ESA undertake that they shall not make, authorise, consent to or permit any offer, grant, issue or distribution to or in favour of the holders of existing Units if the effect would be that, on exercise of a New Warrant EPLC shares would be required to be issued at a discount.
- (IX) EPLC and ESA undertake that they shall not make, authorise, consent to or permit any offer or sale to the holders of existing Units generally of any assets of any member of the Group, or of rights to acquire any such assets, except (a) at a price which is, in the opinion of the EPLC Expert and the ESA Expert, not lower than the fair market price of such assets as between a willing buyer and a willing seller, or (b) where the offer or sale extends to include on the same terms the New Warrantheolders

Description of the New Warrants continued

7. General

(a) Title

- (I) Save as provided in paragraph 7(a)(II), the registered holder of a New Warrant in bearer form and SICOVAM shall be treated as the absolute owner thereof for all purposes notwithstanding any notice of ownership or notice of previous loss or theft or of trust or other interest therein (except as ordered by a court of competent jurisdiction or required by law) and neither EPLC nor ESA shall (except as aforesaid) be bound to recognise any other claim to or interest in any New Warrant.
- (II) In the case of New Warrants in bearer form held by SICOVAM, EPLC and ESA will recognise the interests of the persons identified by the institutions affiliated to SICOVAM as ultimate beneficiaries from the entries in the books of SICOVAM in respect of the New Warrants for the purposes of attending and voting at meetings of New Warrantheolders and exercising New Warrants, and may do so for other purposes. In the event of any doubt or dispute as to the identity of such persons or the exercise of such rights EPLC and ESA will recognise SICOVAM or the persons designated by SICOVAM for all such purposes.

(b) Exchange

There are provisions for the exchange of registered New Warrants for bearer New Warrants and vice versa upon application to the EPLC registrar (where registered New Warrants are to be exchanged) or the ESA registrar (where bearer New Warrants are to be exchanged) and payment by the New Warrantheolder requesting the exchange of the charges set by EPLC and ESA and all relevant taxes (including bearer instrument duty).

(c) Purchase and cancellation

EPLC and/or ESA may at any time purchase New Warrants:—

- (I) on The Stock Exchange or the *Bourse* or by tender (available to all New Warrantheolders alike) at any price; or
- (II) by private treaty at a price, exclusive of expenses, not exceeding 110 per cent. of the average of the middle market quotation derived from the Daily Official List of The Stock Exchange and the opening price on the *Bourse* on the day prior to the date of purchase on which both exchanges are open for business, but not otherwise.

All New Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or sold.

(d) Meetings of New Warrantheolders and modification of rights

- (I) There are provisions for meetings of New Warrantheolders (in the form of combined meetings of the EPLC and the ESA New Warrantheolders) to consider matters affecting their interests including the approval by extraordinary resolution of the modification of the provisions of the Instrument and/or the Resolution and/or of the terms and conditions of the New Warrants and the making of any adjustment not specifically referred to above. Any such extraordinary resolution will be binding on all New Warrantheolders.
- (II) The quorum for meetings of New Warrantheolders shall be two or more New Warrantheolders holding New Warrants and/or being proxies and being or representing in the aggregate the holders of not less than half, or at an adjourned meeting where a quorum was not present at the original meeting, one-twentieth of the New Warrants for the time being outstanding.
- (III) The requisite majority for the passing of an extraordinary resolution shall be a majority consisting of not less than two-thirds of the votes of those present or represented, each New Warrantheolder having one vote for each New Warrant held by him.

(e) Transfers

New Warrants shall be transferable individually and in integral multiples, in the case of New Warrants in registered form, by an instrument of transfer in any usual or common form or such other form as may be approved by or on behalf of EPLC and ESA. Dealings in respect of New Warrants in bearer form may be effected by means of appropriate entries in the books of SICOVAM and its affiliated institutions. Both the Instrument and the Resolution contain provisions relating to the transfer, transmission and registration of the New Eurotunnel Warrants, the principal such provision being that New Eurotunnel Warrants may be transferred or transmitted only in the form of New Warrants.

(f) Notices

All notices to the New Warrantheolders will be duly given if published in the manner set out in paragraph 6(VII)(A) above, and shall be deemed to have been given on the date of such publication in all three publications as therein provided or, if published more than once in all three such publications (or once only but on different dates), on the date upon which publication has first been effected in all three such publications.

1. EPLC and ESA**(i) EPLC****(a) Incorporation**

EPLC was incorporated in England on 18th November, 1985 under the Companies Act 1985 as a private company limited by shares with the name *Precis (481) Limited* and the registered number 1960271. On 20th February, 1986 a special resolution of EPLC was passed to change its name to *Eurotunnel Limited*; the change of name became effective on 25th February, 1986. On 1st July, 1986 EPLC was re-registered as a public limited company with the name *Eurotunnel P.L.C.*

(b) Principal objects

Clause 4 of the memorandum of association of EPLC provides that the principal objects of EPLC are to purchase the entire issued share capital of *The Channel Tunnel Group Limited* and to act as a holding and co-ordinating company in respect thereof and to carry on all or any of the businesses of designing, developing, constructing, financing and operating tunnels or other fixed transport links under the English Channel and any ancillary activities.

(c) Place of business in the UK

EPLC's principal place of business in the UK is at Portland House, Stag Place, London SW1E 5BT.

(d) Financial year

EPLC's financial year is from 1st January to 31st December.

(ii) ESA**(a) Incorporation**

ESA was incorporated in France on 18th December, 1985 under the *loi sur les sociétés commerciales* of 24th July, 1966, as amended, as a *société anonyme* with the name *Mestral S.A.* It was registered in Paris at the *Registre du Commerce et des Sociétés* with number RCS Paris B 334 192 408. On 18th April, 1986 ESA changed its name to its present name. Subject to further extension or prior dissolution by decision of its shareholders in general meeting, ESA's duration expires on 18th December, 2084.

(b) Principal object

Article 2 of the *statuts* of ESA provides that the principal object of ESA is to enter into business arrangements in all ventures which directly or indirectly have as their object the construction and operation of a cross-Channel fixed link or any other fixed link, and all incidental financial, commercial and industrial operations.

(c) Place of business in the UK

ESA has no place of business in the UK.

(d) Financial year

ESA's financial year is from 1st January to 31st December.

**2. Share capitals
of EPLC and ESA****(i) EPLC****(a) Issues of shares and warrants**

Since the incorporation of EPLC, the following allotments and issues of its shares and of warrants to subscribe for its shares have been, or are proposed to be, made:

- (i) on incorporation, two shares of £1 each were issued at par, nil paid;
- (ii) on 30th May, 1986, five shares of £1 each were issued at par, nil paid;
- (iii) on 30th May, 1986, seven shares of £1 each were issued at par, credited as fully paid, to certain of the Founder Shareholders to satisfy the consideration of £7 for the sale to EPLC of the whole of the issued share capital of *The Channel Tunnel Group Limited*;
- (iv) between 30th May, 1986 and 26th June, 1986, the nil paid shares referred to in sub-paragraphs (i) and (ii) above were fully paid up in cash;
- (v) on 26th June, 1986, 14 shares of £1 each were issued at par, fully paid in cash;
- (vi) on 26th June, 1986, 49,980 shares of £1 each were issued at par, 25p paid in cash per share;
- (vii) on 1st September, 1986, the partly-paid shares referred to in sub-paragraph (vi) above were fully paid up in cash;

Further information continued

- (VIII) on 1st September, 1986, 1,327,172 shares of £4 each were issued, fully paid, for an aggregate cash consideration of £12,904,454;
- (IX) on 1st September, 1986, 1,314,670 shares of £4 each were issued, fully paid, for an aggregate cash consideration of £7,545,558;
- (X) on 1st September, 1986, Founder Shareholder Warrants to subscribe at £9.72 per share for an aggregate of 2,652,000 shares of £4 each (subject to adjustment and on the further terms described below in section 5) were issued and remain unexercised; and
- (XI) on 31st October, 1986, 8,583,334 shares of £4 each were issued, fully paid, combined into units with 8,583,334 shares of FRF100 each in Esa, at a price of £12 and FRF120 per unit.
- (b) *Increases in authorised share capital and consolidation and sub-division of share capital*
EPLC was incorporated with an authorised share capital of £100, divided into 100 shares of £1 each. Since the incorporation of EPLC:
- (I) on 26th June, 1986 a special resolution was passed at an extraordinary general meeting of EPLC, pursuant to which:
- (A) the authorised share capital was increased from £100 to £50,008 by the creation of 49,908 shares of £1 each; and
- (B) the authorised and issued share capital of £50,008 divided into 50,008 shares of £1 each was consolidated and divided into 12,502 shares of £4 each.
- (II) on 1st September, 1986 a special resolution was passed at an extraordinary general meeting of EPLC, pursuant to which the authorised share capital was increased from £50,008 to £62,000,000 by the creation of 15,487,498 shares of £4 each.
- (III) the authorised share capital is proposed to be increased, and the share capital is proposed to be sub-divided, in connection with the issue as described in paragraph (c) below.
- (c) *The Issue*
- (I) On 25th September, 1987 a special resolution was passed at an extraordinary general meeting of EPLC, pursuant to which, conditionally upon (a) the Council of The Stock Exchange agreeing to admit the whole of the issued share capitals of EPLC and Esa to the Official List and (b) the *Commission des Opérations de Bourse* deciding to admit the shares in EPLC and Esa (or the Units) to the *Cote Officielle de la Bourse de Paris*, in each case not later than 31st January, 1988:
- (A) each of the existing 15,500,000 shares of £4 in the capital of EPLC was sub-divided into ten shares of 40p each;
- (B) the authorised share capital was increased from £62,000,000 to £208,000,000 by the creation of 365,000,000 shares of 40p each;
- (C) the EPLC directors were generally authorised pursuant to section 80 of the Companies Act 1985 to allot shares up to an aggregate nominal value of £163,049,288, such authority to expire at the conclusion of the next annual general meeting of EPLC; and
- (D) the EPLC directors were empowered pursuant to section 95 of the Companies Act 1985 to allot shares pursuant to the authority described in sub-paragraph (C) above as if section 89(1) of the Companies Act 1985 did not apply to the allotment, provided that such authority shall expire at the conclusion of the next annual general meeting of EPLC.
- (II) In respect of the share option scheme referred to below in section 7, adopted by special resolution passed at an extraordinary general meeting of EPLC on 25th September, 1987, the general meeting passed resolutions pursuant to which:
- (A) the EPLC directors were generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to allot shares up to an aggregate nominal value of £2,247,536, such authority to expire at the conclusion of the next annual general meeting of EPLC or upon the resolution mentioned at sub-paragraph (I) above becoming unconditional, whichever is the earlier; and
- (B) the EPLC directors were empowered to allot shares pursuant to the authority described in sub-paragraph (A) above as if section 89(1) of the Companies Act 1985 did not apply to the allotment.

(III) On 13th November, 1987, pursuant to the authorities conferred on them by the resolutions referred to in sub-paragraphs (I) and (II) above, the Epc directors provisionally allotted 101,000,000 shares of 40p each and 101,000,000 Epc warrants to the UK Issuing Houses at 175p per share with warrant, nil paid, on and subject to the terms and conditions set out in the offer for sale agreement for the UK Offer referred to below in section 13, conditionally as stated in sub-paragraph (I) above and subject to adjustment as mentioned below under the heading "Issue arrangements".

(IV) It is intended that the Epc directors will on or about 3rd December, 1987 make such further allotments as may be required to reflect any adjustment made in the numbers of Units with New Warrants comprised in the UK Offer and will allot the remainder of the shares of 40p each and Epc warrants comprised in the issue to, or in accordance with the instructions of, the French Issuing Houses at FRF17.50 per share with warrant and the International Managers at 175p per share with warrant, payable in full upon allotment.

(d) *Share capital following the Issue*

Immediately following the Issue, the authorised share capital will be £208,000,000, divided into 520,000,000 shares of 40p each, of which 332,376,780 will be issued and fully paid or credited as fully paid. Of the remaining 187,623,220 authorised but unissued shares, 61,281,697 will be reserved for issue as described above under the heading "Description of the New Warrants" and below in sections 5, 6 and 7, together constituting 18.4 per cent. of such enlarged share capital.

(e) *Rights of pre-emption*

The allotment of shares is subject to the provisions of section 80 of the Companies Act 1985 (which governs the authority of directors to allot relevant securities, as defined in sub-section (2) of that section) and section 89 of the Companies Act 1985 (which, to the extent not disappplied, confers on shareholders rights of pre-emption in respect of the allotment of equity securities, as defined in section 94(5) of the Companies Act 1985, which are, or are to be, paid up in cash (other than the allotment of equity securities to employees under an employees' share scheme, as defined in section 743 of the Companies Act 1985)).

Authority to allot pursuant to section 80 of the Companies Act 1985 has been given to the Epc directors, and shareholders' pre-emption rights under section 89 of the Companies Act 1985 have been disappplied, on the terms, and to the extent, set out in the resolutions referred to in sub-paragraphs (c)(I) and (II) above.

(II) *ESA*

(a) *Issues of shares and warrants*

Since the incorporation of ESA, the following issues of its shares and of warrants to subscribe for its shares have been, or are proposed to be, made:

- (I) on 18th December, 1985, at the time of registration of ESA, 2,500 shares of FRF 100 each were issued at FRF 110, FRF 35 paid in cash per share;
- (II) on 18th April, 1986, the partly-paid shares referred to in sub-paragraph (I) above were fully paid up in cash;
- (III) on 30th May 1986, 560,000 shares of FRF 100 each were issued at par, fully paid in cash,
- (IV) on 30th May, 1986, Founder Shareholder Warrants to subscribe for 2,652,000 shares of FRF 100 each (subject to adjustment and on the further terms described below in section 5) were issued and remain unexercised;
- (V) on 1st September, 1986, 2,091,844 shares of FRF 100 each were issued at par, fully paid in cash;
- (VI) on 1st September, 1986, the ESA directors were authorised by the shareholders to issue déventures with warrants attached (*obligations à bons de souscription d'actions*) to subscribe for units exercisable not later than 30th June, 2000 to Banque Nationale de Paris, Credit Lyonnais and Banque Indosuez;
- (VII) on 16th October, 1986, pursuant to the authority given to them by the shareholders on 17th June and 14th October, 1986 the ESA directors resolved to issue 8,583,334 shares of FRF 100 each, fully paid, combined into units with 8,583,334 shares of £4 each in Epc at a price of FRF 120 and £12 per unit, which issue was effected on 31st October, 1986, and

Further information continued

(viii) on 25th September, 1987, the shareholders' resolution of 1st September, 1986, was extended to 25th September, 1989 and extended, *inter alia*, to permit the ESA directors to determine the features of the debentures with warrants attached and of the warrants and to determine the number and price of shares to be issued pursuant to the exercise thereof

(b) *Sub-division of share capital*

The share capital is proposed to be sub-divided in connection with the issue, as described in paragraph (c) below:

(c) *The Issue*

(i) On 25th September, 1987, resolutions were passed at an extraordinary general meeting of ESA, pursuant to which conditionally upon (a) the *Commission des Operations de Bourse* deciding to admit shares in ESA and EPIC (or the Units) to the *Cote Officielle de la Bourse de Paris* and (b) the Council of The Stock Exchange agreeing to admit the whole of the issued share capitals of ESA and EPIC to the Official List, in each case not later than 31st January, 1988:

- (A) each existing share of FRF 100 was sub-divided into ten shares of FRF 10 each,
- (B) subject as provided above in this sub-paragraph (i), the terms of the Founder Shareholder Warrants were amended to take account of the sub-division referred to above in sub-paragraph (A);
- (C) the ESA directors were authorised to increase the share capital by a maximum of FRF 3,500,000,000 (nominal) with or without warrants; and
- (D) the rights of pre-emption of the existing shareholders were waived in order to facilitate the issue.

(ii) In respect of the share option scheme referred to below in section 7, on 25th September, 1987, a resolution was passed at an extraordinary general meeting of ESA pursuant to which the ESA directors were generally authorised to allot shares, to a maximum nominal amount of FRF 213,000,000. In accordance with French law this authorisation implies the renunciation by the shareholders of their preferential right to subscribe in favour of those who have the option of subscribing shares to be issued as and when such options are exercised.

(iii) On 13th November, 1987, the ESA directors entered into undertakings to issue 101,000,000 shares of FRF 10 each and 101,000,000 ESA New Warrants to the UK Issuing Houses at FRF 17.50 per share with warrant, nil paid, on and subject to the terms and conditions set out in the offer for sale agreement for the UK Offer referred to below in section 13, on the conditions and subject to the adjustments mentioned below under the heading "Issue arrangements".

(iv) It is intended that the ESA directors will on or about 3rd December, 1987 issue the shares of FRF 10 each and ESA warrants comprised in the issue to, or in accordance with the instructions of, the UK Issuing Houses, the French Issuing Houses and the International Managers at FRF 17.50 per share with warrant, payable in full upon issue.

(d) *Share capital following the Issue*

Immediately following the issue, the share capital of ESA will be FRF 3,323,767,800, divided into 332,376,780 shares of FRF 10 each, all of which will be issued and fully paid. In addition a maximum of 61,281,697 shares may be issued as described above under the heading "Description of the New Warrants" and below in sections 5, 6 and 7 together constituting 18.4 per cent. of such enlarged share capital.

(e) *Rights of pre-emption*

The issue of shares by ESA and the grant of rights to convert into or subscribe for such shares must, according to French law, be authorised by an extraordinary general meeting of shareholders. Pursuant to Article 180 of the *loi sur les sociétés commerciales* of 24th July, 1966, the ESA directors can subsequently give effect to such issues or grants of rights in accordance with the terms of such resolutions. Unless the resolution authorising the issue of shares provides otherwise or shareholders have individually renounced their rights, shares issued by ESA must first be offered to the shareholders

(iii) **General**

Except as stated in this document:

- (i) since the respective dates of incorporation of EPLC and ESA, there has been no issue of any share or loan capital of either EPLC or ESA, fully or partly-paid, either for cash or for a consideration other than cash, and none is proposed;
- (ii) no discounts or other special terms have been granted or agreed to be granted or are proposed to be granted in connection with the issue or sale or proposed issue or sale of any share or loan capital of EPLC or ESA;
- (iii) no share or loan capital of EPLC or ESA is under option or has been agreed, conditionally or unconditionally, to be put under option; and
- (iv) no material issue of shares in EPLC or ESA (other than to shareholders of EPLC and ESA respectively *pro rata* to their existing holdings or pursuant to the share option scheme referred to below in section 7) will be made within one year of the date of this document without prior approval of the shareholders of EPLC and ESA, respectively, in general meeting.

3. Group structure

(i) **EPLC is the beneficial owner of:**

- (i) the whole of the issued share capital of The Channel Tunnel Group Limited which is itself the beneficial owner of 51 per cent. of the issued share capital of Eurotunnel Services Limited and of 10 per cent. of the issued share capital of Eurotunnel Services G.I.E.;
- (ii) the whole of the issued share capital of Eurotunnel Developments Limited which is itself the owner of 10 per cent. of the issued share capital of Eurotunnel Services G.I.E.;
- (iii) 79 per cent. of the issued share capital of Eurotunnel Finance Limited, which is itself the owner of 10 per cent. of the issued share capital of Eurotunnel Services G.I.E.; and
- (iv) 20 per cent. of the issued share capital of Eurotunnel Services G.I.E.

(ii) **ESA is the owner of:**

- (i) the whole of the issued share capital of France Manche S.A. (other than directors' qualification shares), which is itself the owner of 49 per cent. of the issued share capital of Eurotunnel Services Limited and the owner of 10 per cent. of the issued share capital of Eurotunnel Services G.I.E.;
- (ii) the whole of the issued share capital of Eurotunnel Développements S.A. (other than directors' qualification shares), which is itself the owner of 10 per cent. of the issued share capital of Eurotunnel Services G.I.E.;
- (iii) the whole of the issued share capital of Eurotunnel Finance S.A. (other than directors' qualification shares), which is itself the owner of 10 per cent. of the issued share capital of Eurotunnel Services G.I.E. and the owner of 21 per cent. of the issued share capital of Eurotunnel Finance Limited; and
- (iv) 20 per cent. of the issued share capital of Eurotunnel Services G.I.E.

4. Subsidiaries of EPLC and ESA

(i) **English subsidiaries**

The Group includes four English subsidiaries: The Channel Tunnel Group Limited, Eurotunnel Developments Limited, Eurotunnel Finance Limited and Eurotunnel Services Limited. The businesses of the subsidiaries are respectively: to engage in the design, financing, construction and operation of the System; to develop activities which may improve the profitability of the Group; to manage the cash resources and borrowing activities of the Group; and to facilitate the business activities of its members and to this effect provide its members with services. Each of the subsidiaries has its registered office at Portland House, Stag Place, London SW1E 5BT. Their respective share capitals are as follows:

The Channel Tunnel Group Limited:	authorised share capital of £1,000 divided into 1,000 shares of £1 each, of which 7 are issued and fully paid.
Eurotunnel Developments Limited:	authorised share capital of £100 divided into 100 shares of £1 each, of which 2 are issued and fully paid.
Eurotunnel Finance Limited:	authorised share capital of £1,000 divided into 1,000 shares of £1 each, all of which are issued and fully paid.
Eurotunnel Services Limited:	authorised share capital of £100 divided into 100 shares of £1 each, all of which are issued and fully paid.

(ii) French subsidiaries

The Group includes four French subsidiaries: France Manche S.A., Eurotunnel Developpements S.A., Eurotunnel Finance S.A. and Eurotunnel Services G.I.E., of which Eurotunnel Developpements S.A. and Eurotunnel Services G.I.E. are in the course of incorporation. The businesses of the subsidiaries are respectively: to engage in the design, financing, construction and operation of the System, to develop activities which may improve the profitability of the Eurotunnel project, to manage the cash resources and borrowing activities of the Group; and to facilitate the business activities of its members and to this effect to provide its members with services. Each of the subsidiaries has its registered office at Tour Franklin, 100 Terrasse Boieldieu, Puteaux Cedex 11, 92081 Paris La Defense. Their respective share capitals are as follows:

France Manche S.A.:	issued share capital of FRF 1,650,000 divided into 16,500 shares of FRF 100 each, all of which are fully paid
Eurotunnel Developpements S.A.:	issued share capital of FRF 250,000 divided into 2,500 shares of FRF 100 each, all of which are fully paid
Eurotunnel Finance S.A.:	issued share capital of FRF 250,000 divided into 2,500 shares of FRF 100 each, all of which are fully paid
Eurotunnel Services G.I.E.:	issued share capital of FRF 10,000 divided into 100 shares of FRF 100 each, all of which are fully paid

(iii) General

(i) Except as stated in this document:

- (A) since the respective dates of their incorporation or, if later, the date of acquisition by the Group, there has been no issue of any share or loan capital of any of the subsidiaries referred to in paragraphs (i) and (ii) above (other than intra-Group issues and issues of directors' qualification shares), fully or partly-paid, either for cash or for a consideration other than cash, and none is proposed; and
- (B) no share or loan capital of any of the subsidiaries referred to in paragraphs (i) and (ii) above is under option or has been agreed, conditionally or unconditionally, to be put under option.

(ii) Neither EPLC nor ESA has any subsidiary or related companies apart from the subsidiaries referred to in paragraphs (i) and (ii) above.

5. Founder Shareholder Warrants

- (i) EPLC On 1st September, 1986 EPLC issued Founder Shareholder Warrants, pursuant to a board resolution passed on that date, to subscribe for an aggregate of 2,652,000 shares of £4 each in EPLC. The terms and conditions of the Founder Shareholder Warrants are set out in a warrant instrument executed by EPLC on 1st September, 1986 (referred to below in section 14)
- (ii) Following the sub-division of the shares in EPLC, each Founder Shareholder Warrant permits its holder to subscribe for ten shares of 40p in EPLC at any time between 1st July, 1989 and 30th June, 1995 inclusive at a price of 97.2p per share.
- (iii) The number of shares which may be sub-divided and/or the nominal value of such shares and/or the subscription price per share will be appropriately adjusted to take account of any rights issue, reduction of share capital or sub-division or consolidation of shares before exercise of the Founder Shareholder Warrants.
- (iv) So long as any of the subscription rights attaching to the Founder Shareholder Warrants remain exercisable EPLC may not take certain actions, except with the consent (in certain circumstances) of an extraordinary resolution of the holders.
- (v) The warrant instrument contains provisions designed to "twin" Founder Shareholder Warrants issued by EPLC and Founder Shareholder Warrants issued by ESA, including a stipulation that no rights to subscribe for shares in EPLC may be transferred and the transfer or transmission of such rights may not be registered, unless a corresponding transaction is carried out in relation to rights to subscribe for the same number of shares in ESA.
- (ii) ESA
- (i) On 30th May, 1986 ESA issued Founder Shareholder Warrants, the terms and conditions of which are set out in a board resolution passed on 13th August, 1986, to subscribe for an aggregate of 2,652,000 shares of FRF 100 each in ESA.
- (ii) Following the sub-division of the shares in ESA, each Founder Shareholder Warrant permits its holder to subscribe for ten shares of FRF 10 in ESA at any time between 1st July, 1989 and 30th June, 1995 inclusive at a price of FRF 10 per share. The terms and conditions of the Founder Shareholder Warrants are set out in a resolution passed by the ESA directors on 13th August, 1986 (referred to below in section 14) which includes similar provisions to those relating to the Founder Shareholder Warrants relating to EPLC shares summarised above in paragraph (i).

(iii) Holders of warrants

Set out below are the names of those who, on 6th November 1987, held options to acquire Units by subscribing for shares in EPLC or ESA pursuant to the Founder Shareholder Warrants described in paragraphs (i) and (ii) above, together with the number of Units which, subject to adjustment, may be so acquired by each of them

Holder of warrants	Number of Units
Agfimo S.A.	57,940
Arep	11,660
Balfour Beatty Construction Limited	1,928,110
Banco Commerciale Italiana	70,020
Banque Arabe et Internationale d'Investissement	56,240
Banque Indosuez	1,393,810
Banque Nationale de Paris	1,393,810
Bolgamanche S.A.	251,800
Bouygues S.A.	1,705,570
Caisse des Dépôts et Consignations	115,890
Compagnie Financière de Suez	208,620
Compagnie Française d'Entreprises	23,180
Costain UK Limited	1,928,110
Crédit Foncier de France	92,710
Crédit Lyonnais	1,393,810
Crica	11,660
Dumiez S.A.	1,705,570
Gan Incendie Accidents	34,990
George Wimpey International Limited	1,928,110
Midland Equity (Projects) Limited	1,691,340
Mutuelle Générale Française Accidents	11,610
Mutuelle Générale Française Vie	11,610
Mutuelles Unies Iard	29,030
National Westminster Bank PLC	1,928,110
Providence Iard	29,030
Société Auxiliaire d'Entreprises S.A.	1,317,930
Société Générale d'Entreprises S.A.	1,317,930
Spie Batignolles S.A.	1,705,570
Tarmac Construction Limited	1,928,110
Taylor Woodrow Construction Limited	1,928,110
Union des Assurances de Paris Accidents	35,010
Union des Assurances de Paris Capitalisation	35,010
Union des Assurances de Paris Vie	35,010
Union d'Etudes et d'Investissements	224,980
	<u>26,520,000</u>

(iv) Listing of Founder Shareholder Warrants

It is intended to seek a listing of the Founder Shareholder Warrants in their twinned form on The Stock Exchange and the Bourse in late 1988.

6. Bank Warrants

(i) EPLC

- (i) EPLC has entered into a share warrant agreement (referred to below in section 14) with the banks which have underwritten the credit facilities whereby it will issue Bank Warrants to subscribe for 7,142,857 shares in EPLC. The terms and conditions of the Bank Warrants are set out in the share warrant agreement.
- (ii) Each EPLC Bank Warrant will allow its holder to subscribe for one share of 40p in EPLC at a price of 175p at any time during the period of three months commencing on whichever first occurs of:
 - (A) the date on which, all advances previously made having been repaid and all letters of credit (as the same are defined in the Credit Agreement) previously issued having been cancelled, the Credit Agreement is determined;
 - (B) the permitted refinancing date (as the same is defined in the Credit Agreement); and
 - (C) 31st March, 2000.
- (iii) The number of shares which may be subscribed and the subscription price will be appropriately adjusted to take account of any rights issue, any reduction of share capital or sub-division or consolidation of shares or any distribution of assets (other than normal dividends) which takes place before the exercise of the Bank Warrants.

Further information continued

(IV) So long as any of the subscription rights attaching to the Bank Warrants remain exercisable EpLC may not take certain actions (including certain changes in share capital and corporate reorganisations) except, in certain circumstances, with the consent of an extraordinary resolution of the holders.

(V) The share warrant agreement contains provisions designed to "twin" Bank Warrants issued by EpLC and Bank Warrants issued by ESA

(ii) ESA

(i) ESA has also entered into a share warrant agreement (referred to below in section 14) whereby ESA will issue Bank Warrants, attached to debt obligations created pursuant to the Credit Agreement, to subscribe for 7,142,857 shares in ESA at a price of FRF17.50. The terms and conditions of the ESA Bank Warrants are set out in the share warrant agreement and include provisions comparable to those set out above in relation to the EpLC Bank Warrants.

(ii) Each ESA Bank Warrant will allow its holder to subscribe for one share of FRF 10 in ESA during the subscription period referred to above in paragraph (i).

(iii) Listing of Bank Warrants

It is intended to seek a listing of the Bank Warrants in their twinned form on The Stock Exchange and the *Bourse*, upon issue.

7. Share option scheme

(i) General rules

(i) A share option scheme was approved by the shareholders of EpLC and ESA at their respective extraordinary general meetings on 25th September, 1987. The share option scheme enables options over Units to be granted to full-time employees of the Group, including directors. The share option scheme comprises two sub-schemes, one UK and one French; the UK sub-scheme has been approved by the Inland Revenue authorities in the UK.

(ii) The maximum number of Units over which options may be granted in the 10-year period following 25th September, 1987 is five per cent. of the Units in issue at the date they are first listed. This limit will be adjusted in certain circumstances, for example, in the event of any capitalisation issue, rights issue, consolidation or reduction of share capital.

(iii) The price per Unit at which options may be exercised will be the highest of the aggregate nominal values of a share in EpLC and a share in ESA; the market value of a Unit at the date of the grant of the option, (such market value being the issue price in the case of options granted prior to listing); and 80 per cent. of the average middle market quotation for a Unit on the 20 dealing days immediately preceding the date of grant of the option.

(iv) Options may only be granted during the period of 42 days following the announcement of EpLC's and ESA's interim and/or annual results except that the first grant may be within the 42 days commencing on the date on which the UK sub-scheme was approved by the Inland Revenue.

(v) Options will not be transferable or in any way alienable.

(vi) Options will normally be exercisable only between the third and tenth anniversaries of the date of grant.

(vii) Options may not be exercised at any time when a participant has or has had in the preceding 12 months an interest of 10 per cent. or more in the share capital of EpLC or ESA.

(viii) Full-time employees of the Group, including directors, are eligible to participate but, with the exception of M. Bénard, no person may be granted options to acquire Units if he is within two years of reaching pensionable age.

(ix) The Directors have a discretion both as to the persons to whom options may be granted and as to the number of Units over which options may be granted. The total price of Units over which options may be granted to an individual employee shall not exceed four times relevant annual earnings.

(x) The Directors may not alter to the advantage of participants any of the major terms without the prior approval of the shareholders.

(ii) Specific rules applicable to the UK sub-scheme

(i) No amendment may be made to the sub-scheme without the prior approval of the Inland Revenue.

(ii) The share option scheme will close on its fifth anniversary; however, the EpLC directors intend to seek the consent of the shareholders to extend the share option scheme for a further five years from the fifth anniversary.

(iii) Specific rules applicable to the French sub-scheme

- (i) Options may be exercised only after the third anniversary of the French sub-scheme
- (ii) The authority of the ESA directors to grant options will expire on the fifth anniversary of the date of the general meeting granting such authority.

8. Pensions

The Group has established funded pension arrangements for its employees which are designed to be approved by the Inland Revenue under the Finance Act 1970. Contributions are being paid to meet the cost of the arrangements in accordance with advice provided to scheme trustees by consulting actuaries.

9. Taxation

(i) Dividends

The information below is based on current UK and French legislation and practice. This may change by the time the first dividends are paid.

(a) *EPIC dividends*

- (i) No tax will be withheld by EPIC when it pays a dividend. However, when paying a dividend EPIC is obliged to account to the Inland Revenue for advance corporation tax ("ACT"). The rate of ACT is fixed by reference to the basic rate of income tax and at present equals 27 per cent of the aggregate of the dividend and the related ACT.
- (ii) A holder of Units who is resident (for UK tax purposes) in the UK and who receives a dividend from EPIC will be entitled to a tax credit of an amount equal to the related ACT. In the hands of a company so resident any dividend received and the related tax credit will be treated as franked investment income. An individual so resident will be taxable upon the total of the dividend received and the tax credit, but the tax credit will discharge his liability to basic rate income tax and, if the tax credit exceeds his liability to tax on the dividend, he will be able to claim the excess.
- (iii) Subject to certain exceptions for Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands and certain others, the right of a holder of Units who is not resident in the UK to claim any part of the tax credit attaching to an EPIC dividend will depend upon the existence and terms of any double tax convention between the UK and the country in which he is resident. A holder who is not resident in the UK should consult his own advisers concerning his tax liabilities on dividends received, whether he is entitled to claim any part of the tax credit and, if so, the procedure for doing so.

(b) *ESA dividends: UK Unitholders*

- (i) In accordance with the Double Tax Convention between the UK and France of 22nd May, 1968 (the "Convention") (as amended) a holder of Units who (for the purposes of the Convention) is a resident of the UK, and who receives dividends from ESA in respect of which he is subject to tax in the UK will generally be entitled to a payment in respect of the *avoir fiscal* (a French tax credit on dividends) to which he would have been entitled in respect of that dividend had he been resident (for tax purposes) in France, and a reduced rate of French tax of 15 per cent (calculated by reference to the aggregate of the dividend and the *avoir fiscal*).
- (ii) When an ESA dividend is paid by or credited to an account with a UK bank, the bank is required to deduct from the dividend (and to account to the Inland Revenue for) an amount equal to basic rate UK income tax (at present 27 per cent.). No credit can be given by the bank for French tax withheld from the dividend in calculating the amount of UK tax to be so deducted. Similarly, where coupons for dividends are sold by a holder to a UK dealer in coupons, or on behalf of a holder by a UK bank, or where the dividend is collected from an agent of ESA in the UK, the proceeds of sale of the coupons or the amount of the dividend will be paid subject to a withholding on account of basic rate UK income tax.
- (iii) In ascertaining a UK Unitholder's eventual liability to UK tax on a dividend received from ESA credit will be given for any French or UK tax withheld from it.

(ii) *Taxation of capital gains*

A holder of Units and/or New Warrants may be taxed on capital gains accruing on the disposal of Units and/or New Warrants if the holder is resident or ordinarily resident (for UK tax purposes) in the UK or carries on a trade in the UK through a branch or agency and the Units are used, held or acquired for the purposes of the trade or branch or agency. It is understood that it is the practice of the Inland Revenue to attribute the price paid by subscribers between Units and New Warrants for those purposes by reference to their market values on the day that they are first quoted. Individuals resident or ordinarily resident, but not domiciled, in the UK should note that Units and New Warrants in bearer form held in the UK, and such parts of Units and New Warrants in registered form as are attributable to shares in EPIC, are assets situated in the UK for the purposes of UK capital gains tax.

(iii) *Gift and death taxes*

- (i) Units and New Warrants in bearer form held in the UK, and such parts of Units and New Warrants in registered form as are attributable to shares in EPIC, are (subject to the terms of any appropriate double taxation treaty) assets situated in the UK for the purposes of UK inheritance tax, a gift of such assets or the death of a holder of such assets may accordingly give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled in the UK.

Further information continued

- (ii) French inheritance duties may also be levied on the value of that part of the Units and New Warrants corresponding to the ESA shares. Under the relevant UK/French convention an individual domiciled in the UK may credit such French tax against a corresponding UK tax liability.

Any person who is in doubt as to his taxation position should consult a professional adviser

10. Issue and transfer taxes

The following is a summary of the relevant rules of stamp duty and stamp duty reserve tax ("SDRT") which are UK taxes, and registration tax and stock exchange duty which are French taxes applicable to the issue of Units with New Warrants and to subsequent transactions in them. It is based upon the law in force at the date of this document and proposed changes to the law which have been announced and is subject to any further changes to the law (including changes of rates of tax) which may occur. Persons in any doubt as to the application of these taxes to transactions which they propose should consult a professional adviser.

- (i) No stamp duty, SDRT, registration tax or stock exchange duty will generally be payable in respect of allocations of Units or New Warrants under the UK Offer, the French Offer or the International Placing.
- (ii) Subject to paragraph (iii) below, an agreement to transfer registered Units and New Warrants in registered form and renounceable letters of acceptance will generally give rise to a liability to SDRT at the rate of 50p for every £100 or part of £100 of the consideration unless neither party to the agreement is resident in the UK and the transaction is carried out wholly outside the UK.
- (iii) Where a transfer of registered Units or New Warrants is executed pursuant to a sale agreement stamp duty will generally be payable at the rate of 50p per £100, or part of £100, of the whole of the consideration payable for the Units or New Warrants. This liability replaces the liability to SDRT that would otherwise arise.
- (iv) Where the transferee (or any other holder) of Units or New Warrants in registered form exchanges them for Units or New Warrants in bearer form (for example, in order to deal on the Bourse), stamp duty will be payable at the rate of £1.50 per £100, or part of £100 of the value of the Units or New Warrants. This liability will be in addition to any liability to stamp duty incurred as described in paragraph (iii) above.
- (v) Neither SDRT nor stamp duty is payable on an agreement to transfer, or the transfer (by delivery or book entry) of, Units or New Warrants already in bearer form.
- (vi) Neither SDRT nor stamp duty is payable on the exchange of Units or New Warrants in bearer form for those in registered form.
- (vii) On the exercise of New Warrants to obtain Units in bearer form, stamp duty will be payable at the rate of £1.50 per £100 or part of £100 of the value of the Units.
- (viii) Stamp duty or SDRT at the higher rate of £1.50 per £100, or part of £100, of the value of letters of acceptance, registered Units or New Warrants in registered form will (subject to the reduced rate applicable where the transferor is a qualified dealer other than a market maker) be payable where they are transferred into a clearance service or depositary receipt arrangement.
- (ix) Where SDRT is payable the person liable to pay it is generally the person who agrees to acquire the securities concerned (or, where appropriate, the provider of clearance services or issuer of depositary receipts or its nominee or agent). However, where securities are acquired (otherwise than by a member of The Stock Exchange) from a member of The Stock Exchange or a qualified dealer SDRT will generally be accounted for by The Stock Exchange member or qualified dealer concerned.
- (x) Where stamp duty is payable it will generally be paid by the transferee. The Stock Exchange will, however, account for stamp duty payable on transfers of Units or New Warrants effected through it. The stamp duty payable on an exchange of Units or New Warrants in registered form for those in bearer form and on the issue of Units in bearer form on exercise of the New Warrants will be the liability of EPLC but the holder of Units requesting such exchange or exercising the New Warrants will be required to indemnify EPLC against the duty so payable.
- (xi) French registration tax will be payable on a transfer of Units only if the transfer is documented by a written document additional to any necessary transfer form which document is either signed in France or between two persons resident in France. When applicable, French registration tax will be payable on the transfer at 4.8 per cent. of the price paid for the Units or, if higher, their actual value.
- (xii) Transfers of Units and New Warrants effected through a stockbroker, bank or other professional financial intermediary in France will attract French stock exchange duty The duty, which is chargeable, where appropriate, both on any French financial intermediary acting for the vendor and any French financial intermediary acting for the purchaser, is at the rate of 0.3 per cent. of the amount of the consideration unless the consideration exceeds FRF 1 million, in which case this rate will be halved.

11. Existing holdings of Units

Salomon Brothers Inc and the Suez group (Compagnie Financière de Suez, Banque Indosuez and Compagnie Française d'Entreprises) are directly or indirectly interested in 5.56 per cent and 5.66 per cent respectively of the issued share capitals of both Epic and Esa which holdings would represent 1.88 per cent and 1.91 per cent, respectively of the increased share capitals following the Issue. Save as aforesaid the Directors are not aware of any person who directly or indirectly is interested in five per cent or more of the issued share capital of Epic or Esa.

The Directors are not aware of any person who, directly or indirectly jointly or severally exercises or could exercise control over Epic or Esa.

Certain of the UK Issuing Houses, the French Issuing Houses and the International Managers, and/or companies associated with them, are holders of existing Units.

12. Directors

(a) The Directors

Each of the Directors is a director of Epic (the appointment of T. M. Ridley and Sir Robert Scholey to take effect on the special resolution referred to above adopting the new articles of association of Epic becoming unconditional) and either a member of the conseil d'administration or a censeur of Esa. The censeurs of Esa are J.-L. Dherse, R. Durand-Rival, R.L.E. Lion, Sir Kit McMahon, T. M. Ridley and Sir Robert Scholey.

(b) Directors' interests in Units and options

The table below shows the interests, all of which are beneficial, of the Directors (including members of their immediate families) in the Units immediately following the Issue (not taking into account any Units which the Directors may acquire in connection with the Issue) which, in the case of Epic will be required to be entered in the register maintained under section 325 of the Companies Act 1985, and in options granted under the share option scheme referred to above in section 7.

Directors	Number	
	Units	Options
B. Auburger	10	—
A.P.J. Benard	10	128,000
D. M. Child	10	—
J.-L. Dherse	500	—
A. Dumont	10	—
P. Durand-Rival	—	107,000
Sir Alistair Frame	10	—
R. de la Geniere	10	—
Sir Nicholas Henderson	2,000	—
R. Lion	—	—
Sir Kit McMahon	—	—
R. Malpas	10	—
R. A. Morton	500	128,000
J.-P. Parayre	10	—
Lord Pennock	10	—
T. M. Ridley	—	—
Sir Robert Scholey	—	—
B. Tholon	10	—

(c) Remuneration

(i) It is estimated that the aggregate of the amounts payable, under the arrangements in force at the date of this document, to the Directors by any member of the Group for the current financial year will not exceed the equivalent of £850,000.

(ii) The aggregate of the remuneration paid and benefits in kind granted to the Directors by any member of the Group for the period from 30th October, 1985 to 31st December, 1986 was the equivalent of £226,008.

(d) Directors' interests in transactions

The transactions referred to are described either below in sections 13 or 14 or above under the heading "Legislative and contractual arrangements".

(i) B. Auburger is chief executive of Caisse Nationale de Crédit Agricole.

Caisse Nationale de Crédit Agricole is an underwriting bank under the underwriting agreement dated 26th August, 1987, a lending bank under the Credit Agreement, a FRF lender under the interim loan facility and a French Issuing House under the French Offer.

(ii) D. M. Child is a director of National Westminster Bank PLC, of which County NatWest Securities Limited, County NatWest Limited and International Westminster Bank PLC are subsidiaries. National Westminster Bank PLC is an arranging bank and agent under the underwriting agreement dated 26th August, 1987 and is an arranging bank and agent under the Credit Agreement. It is the beneficiary of the counter-indemnity referred to below in section 14 in addition it is a receiving bank for the UK Offer and registrar of Epic. County NatWest Securities Limited are joint brokers to the UK Offer. County NatWest Limited is a UK Underwriter, as defined below in section 13(IV). International Westminster Bank PLC is an underwriting bank under the underwriting agreement dated 26th August, 1987 and a paying bank and a lending bank under the Credit Agreement.

Further information continued

- (iii) A Dumont is chairman of Belgamansha S.A. and is a managing director of Racteco S.A. of which Tractoniel Electrotech Engineering and Generale Bank S.A./N.V. are affiliates. Tractoniel Electrotech Engineering will receive fees under the Maître d'Œuvres contract. Generale Bank S.A./N.V. is an underwriting bank under the underwriting agreement dated 26th August, 1987 and a lending bank under the Credit Agreement and a manager in the international placing. Belgamansha S.A. is a £ lender under the interim loan facility.
- (iv) Sir Nicholas Merson is a director of Tarmac PLC, of which Tarmac Construction Limited is a subsidiary. Tarmac Construction Limited is a party to the construction contract.
- (v) R. L. E. Lian is chief executive of Caisse des Dépôts et Consignations and a director of Crédit National and Crédit Foncier de France. Caisse des Dépôts et Consignations is a FRF lender under the interim loan facility and a French Issuing House. Crédit National is an underwriting bank under the underwriting agreement dated 26th August, 1987 and a lending bank under the Credit Agreement and is expected to be a lender to Eurotunnel as described above under the heading "Legislative and contracted arrangements". Crédit Foncier is a lending bank under the Credit Agreement.
- (vi) Sir Kit McMahon is chairman of Midland Bank plc, of which Midland Bank S.A. and Samuel Montagu & Co. Limited are subsidiaries. Midland Bank plc is an arranging bank, agent and underwriting bank under the underwriting agreement dated 26th August, 1987 and is an arranging bank, agent and lending bank under the Credit Agreement and a paying agent and £ lender under the interim loan facility. In addition it is a receiving bank for the UK Offer. Midland Bank S.A. is a FRF lender under the interim loan facility. Samuel Montagu & Co. Limited is a UK Underwriter, as defined below in section 13(IV).
- (vii) R. A. Morton is a director of Banque Nationale de Paris PLC which is a subsidiary of Banque Nationale de Paris, an arranging bank, agent and underwriting bank under the underwriting agreement dated 26th August, 1987, an arranging bank, agent and lending bank under the Credit Agreement, a FRF lender under the interim loan facility and a French Issuing House. It received fees as a placing bank in the private placing of 1986.
- (viii) J.P. Parayre is a director of Crédit National and a member of the managing board of Dumez S.A., and has an indirect interest in the shares of Dumez S.A. Details of Crédit National are set out above in (v). Dumez S.A. is a party to the construction contract.
- (ix) Lord Pennock is an executive director of Morgan Grenfell Group plc, of which Morgan Grenfell & Co. Limited is a subsidiary and a director of Standard Chartered PLC, of which Standard Chartered Bank is a subsidiary. Morgan Grenfell & Co. Limited is a £ lender under the interim loan facility and a UK Issuing House. It also received fees as a placing bank in the private placing of 1986. Standard Chartered Bank is an underwriting bank under the underwriting agreement dated 26th August, 1987 and a lending bank under the Credit Agreement.
- (x) Renaud de la Genière is chairman of Banque Indosuez. Banque Indosuez is an arranging bank and underwriting bank under the underwriting agreement dated 26th August, 1987, an arranging bank and a lending bank under the Credit Agreement, a FRF lender, FRF paying agent and agent under the interim loan facility, a French Issuing House, the receiving bank under the French Offer and a registrar of ESA. It received fees as a placing bank in the private placing of 1986.
- (xi) B. Tholon is chief executive of Crédit Lyonnais, vice-chairman of Union de Banques Arabes et Françaises (UBAF) and a director of Bouygues S.A. Crédit Lyonnais is an arranging bank, agent and underwriting bank under the underwriting agreement dated 26th August, 1987, an arranging bank, agent, paying bank and lending bank under the Credit Agreement, a FRF lender under the interim loan facility and a French Issuing House. It received fees as a placing bank in the private placing of 1986. UBAF is an underwriting bank under the underwriting agreement dated 26th August, 1987 and a lending bank under the Credit Agreement. Bouygues S.A. is a party to the construction contract.
- Except as stated above, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which has been effected by EPLC or ESA since 30th October, 1985.
- (e) **Loans and guarantees**
There are no outstanding loans granted by any member of the Group to any of the Directors and no guarantees provided by any member of the Group for the benefit of any of them.

(10) **Contracts of service**

A. Richard has a service contract with a company in the Group ending on 31st December, 1989. His remuneration for further periods of one year or agreement between the parties, until such time as he ceases to receive a salary at the current rate of £150,000 per annum together with pension and other benefits.

B. A. Martin has a service contract with a company in the Group extending to 31st December, 1989, under which he is entitled to receive 40 shares in the company at the current rate of £150,000 per annum together with a supplement until at least 30th September, 1989, at the rate of £50,000 per annum together with other usual benefits.

M. Ghersi and R. Purvis each have service contracts with companies in the Group running for five years' notice by such companies, under which they are entitled to receive salaries of £100,000 and £120,000 and £120,000 and £150,000 per annum respectively together with other usual benefits. Apart from these contracts, there are no existing or proposed contracts of service between any of the Directors and any member of the Group.

(11) **Directors' addresses**

The business addresses of the Directors are, in respect of Eric Portland House, Step Road, London E16 1JH, and, in respect of E.A. Tour Franklin, 100 Avenue de la République, Paris La Defense.

The following arrangements have been made for underwriting the issue:

12. **Underwriting**

(1)

(a) an agreement (the "Master Underwriting Agreement") dated 16th November, 1987 has been entered into between Erc and Esa (1), Banca Indosuez, Crédit Lyonnais, Banque Nat Ondle de Paris (the "French Lead Underwriters") (2) and the UK Issuing Houses (3), pursuant to which Erc, Esa, the French Lead Underwriters and the UK Issuing Houses have agreed provisions for the coordination of the UK Offer, the French Offer and the International Placing;

(b) an agreement (the "UK Offer for Sale Agreement") dated 16th November, 1987 has been entered into between Erc and Esa (1), the Directors (2) and the UK Issuing Houses (3), pursuant to which the UK Issuing Houses have agreed (conditionally, *inter alia*, upon the Council of The Stock Exchange agreeing to the admission of the Units and New Warrants issued and to be issued under the issue to the Official List not later than 15th December, 1987), to subscribe for and to offer to the public 101,000,000 Units with New Warrants at a price of 250p per Unit, on the terms set out in this document. Erc and Esa have agreed to pay to the UK Issuing Houses a total commission of 4% per cent. of the aggregate issue price of such Units with New Warrants, together with any value added tax, out of which the UK Issuing Houses will pay commissions to County NatWest Limited and Samuel Montagu & Co Limited, the sub-underwriters and any persons agreeing to submit priority application forms as part of the underwriting arrangements, as well as a fee to Citicorp Scrimgeour Vickers Limited, County NatWest Securities Limited and S. G. Warburg Securities for their services in connection with the UK Offer. Erc and Esa have agreed to pay the selling commissions and distribution commissions referred to below under the heading "issue arrangements", together with any value added tax, all costs and expenses relating and incidental to the UK Offer and the costs of the application for admission of the Units and New Warrants to the Official List;

(c) an agreement (the "French Underwriting Agreement") dated 16th November, 1987 has been entered into between Erc and Esa (1) and the French Issuing Houses *and Crédis*

Indosuez et Générale de Paris (the "French Underwriters") (2), pursuant to which the French Underwriters have agreed to procure subscribers for or, failing such subscription, themselves to subscribe for 101,000,000 Units with New Warrants at a price of FRF 35 per Unit. Erc and Esa have agreed to pay to the French Issuing Houses commissions amounting to 5 per cent. of the aggregate issue price of such Units with New Warrants, subject to adjustment if that number is varied, together with value added tax, out of which the French Issuing Houses will pay selling commissions amounting in total to 2 per cent. of such aggregate issue price. Erc and Esa have agreed to pay all costs and expenses relating and incidental to the French Offer and the application for admission of the Units and New Warrants to the *Bourse*;

(d)

an agreement (the "International Subscription Agreement") dated 15th November, 1987 has been entered into between Erc and Esa (1), the UK Issuing Houses, S. G. Warburg Securities, Banque Indosuez, Crédit Lyonnais, BNP Capital Markets Limited, Nomura International Limited, Salomon Brothers Inc, Generale Bank, Al Bank Al Saudi Al Fransi-Jeddah, Banque Internationale à Luxembourg S.A., Enskilda Securities, Skandinaviska Enskilda Limited, S. G. Warburg Securities (Japan) Inc. and S. G. Warburg & Co. Inc. (together, the "International Managers") (2), pursuant to which the International Managers, jointly and severally among groups of International Managers established for specified territories and numbers of Units with New Warrants but severally between such groups, have agreed (conditionally, *inter alia*, on the UK Offer for Sale Agreement and the French Underwriting Agreement becoming unconditional) to procure subscribers or, failing such subscription, themselves to subscribe for a total of 12,000,000 Units with New Warrants at a price of 175p and FRF 17.50 per Unit. Erc and Esa have agreed to pay commissions amounting to 2½ per cent. of the aggregate issue price of such Units with New Warrants and to allow a selling concession of a further 2½ per cent. of such issue price. Erc and Esa have agreed to pay all their own costs and expenses relating and incidental to the International Placing and to reimburse the International Managers in respect of their expenses (up to a maximum of £125,000).

Further information continued

- (ii) The UK Offer for Sale Agreement, the French Underwriting Agreement and the International Subscription Agreement contain warranties and indemnities in favour of the Issuing Houses and International Managers concerned by EPLC and ESA and (in the case of certain warranties in the UK Offer for Sale Agreement) the Directors, given (in the case of the UK Offer for Sale Agreement) to the Issuing Houses for the benefit of themselves (*inter alios*) and the UK Underwriters (as defined below), as agents for National Westminster Bank PLC and Midland Bank plc, and as agents for (*inter alios*) the UK Underwriters. They also contain authorities to the relevant Issuing Houses and International Managers, as principals and not on behalf of EPLC and ESA, to effect or cause to be effected transactions in Units and/or New Warrants at prices other than those which might otherwise prevail in the open market. Such agreements contain, *inter alia*, provisions for termination in the event of breaches thereof or of material changes in circumstances affecting the said warranties. The Master Underwriting Agreement provides that if any of the three underwriting agreements is terminated pursuant to these provisions, they will all (if permitted by applicable law) be so terminated. In this event, certain provisions are made in relation to commissions and expenses.
- (iii) The UK Offer for Sale Agreement, the French Underwriting Agreement and the International Subscription Agreement are inter-conditional. In the event that they do not become unconditional, each of them makes certain provisions regarding commissions and expenses.
- (iv) The UK Issuing Houses have entered into an agreement dated 16th November, 1987 with County NatWest Limited and Samuel Montagu & Co. Limited (the "UK Underwriters") under which the UK Underwriters have agreed to share with the UK Issuing Houses the primary underwriting of the UK Offer.
- (v) The UK Issuing Houses and the French Issuing Houses have entered into an agreement concerning the management of the UK Offer and the French Offer and the International Managers have entered into an agreement concerning the management of the International Placing.

14. Material contracts

- The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by or on behalf of members of the Group since the respective dates of their incorporation and are, or may be, material:
- (i) the concession agreement signed as of 14th March, 1986, made between The Secretary of State for Transport (1), *Le Ministre de l'Urbanisme, du Logement et des Transports* (2), The Channel Tunnel Group Limited (3) and France Manche S.A. (4), referred to above under the heading "Legislative and contractual arrangements";
 - (ii) a resolution of the board of directors of ESA dated 13th August, 1986, setting out the terms and conditions of Founder Shareholder Warrants to subscribe for an aggregate of 2,652,000 shares as referred to above in section 5;
 - (iii) the construction contract dated 13th August, 1986, as amended by agreements dated 25th September, 1986 and 27th January, 1987, in each case made between The Channel Tunnel Group Limited and France Manche S.A. (1) and the Contractor (2), referred to above under the heading "Legislative and contractual arrangements";
 - (iv) the corporate structure agreement dated 13th August, 1986, made between ESA (1), France Manche S.A. (2), EPLC (3), The Channel Tunnel Group Limited (4) and the Founder Shareholders (5), pursuant to which the Founder Shareholders agreed, *inter alia*, to subscribe for the shares in EPLC and ESA which were issued on 1st September, 1986;
 - (v) the partnership agreement dated 13th August, 1986, as amended by supplemental agreements dated 25th September, 1986, 23rd July 1987 and 14th October, 1987, in each case made between France Manche S.A. (1), The Channel Tunnel Group Limited (2), ESA (3) and EPLC (4) pursuant to which The Channel Tunnel Group Limited and France Manche S.A. established an association constituting a partnership under English law and a *société en participation* under French law for the operation and maintenance of the Eurotunnel System. Under this agreement costs and expenses borne by France Manche S.A. and The Channel Tunnel Group Limited for the purposes of the partnership shall be shared equally between France Manche S.A. and The Channel Tunnel Group Limited, who contribute to the partnership the use and benefit of all agreements and property owned by them relating to the purposes of the partnership. France Manche S.A. and The Channel Tunnel Group Limited shall share the profits and bear the losses of the partnership equally;
 - (vi) the Maître d'Oeuvre contract dated 13th August, 1986, made between The Channel Tunnel Group Limited (1), France Manche S.A. (2), W.S. Atkins & Partners (3) and Société d'Etudes Techniques et Economiques S.A. (4), providing, *inter alia*, for independent project managers to undertake the monitoring and control of the construction contract and of the design, supply construction, testing and commissioning of the Eurotunnel System;
 - (vii) a warrant instrument dated 1st September, 1986, upon the terms of which EPLC issued Founder Shareholder Warrants to subscribe for an aggregate of 2,652,000 shares as referred to above in section 5;
 - (viii) the placing agreement dated 20th October, 1986, made between EPLC (1), ESA (2), the Founder Shareholders (3), Robert Fleming & Co. Limited, Morgan Grenfell & Co. Limited, Banque Indosuez, Banque Nationale de Paris and Crédit Lyonnais (the "Placing Banks") (4) and the directors of EPLC and ESA (5), whereby the Placing Banks agreed to use their reasonable endeavours to procure subscribers for the units issued on 31st October, 1986 and referred to above in section 2 and EPLC and ESA agreed to pay to the Placing Banks a commission equivalent to three per cent. of the aggregate placing price of such units, together with certain costs and expenses;

- (7) an agreement dated 20th October, 1985, made between the Placing Banks (1) and The Nomura Securities Co. Limited (2), whereby The Nomura Securities Co. Limited agreed to use its reasonable endeavours to seek to procure a group of Japanese institutional investors to subscribe for units as part of the placing of 31st October, 1985, and the Placing Banks agreed to pay a commission of 1.5% of the aggregate placing price of such units, together with certain costs and expenses;
- (8) an agreement dated 20th October, 1985, made between the Placing Banks (1) and Salomon Brothers Inc (2), whereby Salomon Brothers Inc agreed to use its reasonable endeavours to procure subscribers for units as part of the placing of 31st October, 1985, and the Placing Banks agreed to pay a commission of 1.5% of the aggregate placing price of such units, together with certain costs and expenses;
- (9) an agreement dated 21st July, 1987, made between The Channel Tunnel Group Limited and France Manche S.A. (the "Employer") (1), E.C.C. plc, Costain Group PLC, Armac PLC, Taylor Woodrow Plc, S. Dumex S.A. Societe Auxiliaire d'Entreprises S.A., Societe Generale d'Entreprises S.A. and Spie Batignolles S.A. (the "Transmanche Guarantors") (2) whereby the Translink Guarantors and Transmanche Guarantors guaranteed to the Employer the Contractor's obligations up to the limits therein specified;
- (10) the railway usage contract dated 29th July, 1987, as confirmed and varied by a memorandum dated 21st October, 1987, each made between The Channel Tunnel Group Limited (1), France Manche S.A. (2), The British Railways Board (3) and SNCF (4), referred to above under the heading "Legislative and contractual arrangements";
- (11) an interim loan facility agreement dated 18th August, 1987, made between Esa and Epc (1), Banque Indosuez, Banque Nationale de Paris, Credit Lyonnais, Caisse des Depots et Consignations, Caisse Nationale de Credit Agricole and Midland Bank S.A. (2), Midland Bank plc, Robert Fleming & Co Limited, Belgamanche S.A., Morgan Grenfell & Co Limited and S. G. Warburg & Co. Ltd. (3), Banque Indosuez and Midland Bank plc (4) and Banque Indosuez (5);
- (12) a counter-indemnity dated 26th August, 1987 given by The Channel Tunnel Group Limited and Epc to National Westminster Bank PLC for £1,500,000, being the amount guaranteed by National Westminster Bank PLC on behalf of The Channel Tunnel Group Limited to the Secretary of State for Transport by a guarantee of the same date representing the likely amount payable for land to be acquired from the Secretary of State for Transport by Eurotunnel as provided for in the Concession;
- (13) the underwriting agreement dated 26th August, 1987, made between Eurotunnel Finance Limited and Epc (1), Epc and Esa (2), Credit Lyonnais, National Westminster Bank PLC, Banque Nationale de Paris, Midland Bank plc and Banque Indosuez (3), Credit Lyonnais, National Westminster Bank PLC, Banque Nationale de Paris and Midland Bank plc (4), the original underwriting banks (as defined in the agreement) (5) and the new underwriting banks (as defined in the agreement) (6), pursuant to which the original underwriting banks and the new underwriting banks agreed to underwrite the full amount of the credit facilities made available under the Credit Agreement referred to above under the heading "Legislative and contractual arrangements";
- (14) the agreement dated 7th September, 1987, made between the European Investment Bank (1) Eurotunnel Finance Limited (2) and Eurotunnel Finance S.A. (3), referred to above under the heading "Legislative and contractual arrangements";
- (15) a debenture dated 4th November, 1987, made between Epc (1), The Channel Tunnel Group Limited (2), Eurotunnel Finance Limited (3), Eurotunnel Developments Limited (4), Esa (5), France Manche S.A. (6) and Banque Indosuez (7), pursuant to which the parties thereto other than Banque Indosuez have created fixed and floating charges over the property therein referred to as security for the payment of all amounts due under the interim loan facility agreement referred to in paragraph (11) above;
- (16) the Credit Agreement dated 4th November, 1987, made between Eurotunnel Finance Limited and Eurotunnel Finance S.A. (1), Credit Lyonnais, National Westminster Bank PLC, Banque Nationale de Paris, Midland Bank plc and Banque Indosuez (2), Credit Lyonnais, National Westminster Bank PLC, Banque Nationale de Paris and Midland Bank plc (3), Credit Lyonnais and International Westminster Bank PLC (4) and the banks (as defined in the agreement) (5), referred to above under the heading "Legislative and contractual arrangements";
- (17) a share warrant agreement dated 4th November, 1987, made between Epc and Esa (1), Credit Lyonnais, National Westminster Bank PLC, Banque Nationale de Paris and Midland Bank plc (2) and certain of the banks comprising the fifth party to the Credit Agreement (3) whereby Epc and Esa agreed to issue Bank Warrants, and
- (18) the underwriting agreements referred to above in section 13(1).

Further information continued

15. Competition law (i)

UK domestic law

- (i) A number of agreements to which Eurotunnel is party may be registrable and have been furnished to the Office of Fair Trading under the Restrictive Trade Practices Act 1976. To the extent that this arises because two or more companies within the Group are parties to the agreements, the problem will be solved for the future by an Order under the Channel Tunnel Act 1987, which will have the effect of deeming Eurotunnel to be a single party. Exemptions are being sought for certain of these agreements under section 29 of the Act as agreements of national importance.
- (ii) So far as Eurotunnel itself is concerned, it expects in the future to be in the same position in relation to restrictive practices legislation as any other group of companies under common control, registrability of its agreements will then depend on other factors including the specific content of each agreement. The Group's policy is to comply with filing requirements under the relevant legislation.

(ii) French and European law

Eurotunnel has notified the major agreements relating to the project works to the Commission of the European Communities following preliminary discussions with the Commission. Eurotunnel's policy is to comply with French and European competition law and Eurotunnel is not on notice of any particular problems relating to the agreements to which it is party.

16. Property

(i) Offices

Details of office space in the UK and France occupied by the Group are as follows.

Location	Gross internal area in square feet (unless otherwise indicated)	Tenure	Current annual rent and date of next rent review
11th floor, Portland House, Stag Place, London SW1E 5BT	11,000	Leasehold for a term of 5 years from 25th March, 1986.	£176,000 (no rent review)
12th floor, Portland House, Stag Place, London SW1E 5BT	11,000	Leasehold for a term of 5 years from 25th March, 1986.	£176,000 (no rent review)
13th floor, Portland House, Stag Place, London SW1E 5BT	11,000	Leasehold for a term of 6 years from 29th September, 1986.	£200,000 rising to £220,000 from 29th September, 1991
Part of 17th floor, Portland House, Stag Place, London SW1E 5BT	7,000	Leasehold for a term of 5 years from 1st November, 1986.	£129,960 (no rent review)
Tour Franklin, 100 Terrasse Boieldieu, Puteaux Cedex 11, 92081 Paris La Defense	950m ²	Leasehold for a term from 26th June, 1986 to 1st July 1995.	FRF 1,220,000 1st July, 1988
70, rue Mollin, 62100 Calais	434m ²	Leasehold for a term from 18th September, 1986 to 15th June, 1995.	FRF 182,280 15th June, 1988
Ground floor and 1st floor, Tontine House, Tontine Street, Folkestone, Kent CT20 1SR	3,943	Leasehold renewable for a term of one year from 1st February 1986.	£11,000

(ii) Concession land

(a) UK

- (i) Land in the UK required for the construction and operation of the System will be purchased by the Secretary of State for Transport or purchased by the Group and transferred to the Secretary of State. The land will then be leased to the Group by the Secretary of State under the terms of the Concession.
- (ii) Pursuant to parliamentary undertakings the Group has purchased the freehold interest in a number of residential properties in villages in Kent which will be affected by the construction of the System.

(b) France

The French state has made available to the Group land owned by it required for the construction and operation of the System under the terms of the Concession. Land which is not owned by the French state and is required for the construction and operation of the System will be acquired by agreement or by compulsory purchase under the *Déclaration d'Utilité Publique* dated 6th May 1987.

17. Litigation and claims

(i) UK
Channel Tunnel Investments PLC, on behalf of itself and Technical Studies Inc., has claimed compensation from E.P.C and ESA for the alleged use of data said to belong to members of the Channel Tunnel Study Group. Neither Channel Tunnel Investments PLC nor the Channel Tunnel Study Group has any connection with E.P.C or ESA. The value of the claimants' interests in the data has been put by them at £1,590,000 at 1972 prices. The data in question are not essential to the construction of the Eurotunnel System. The Directors have rejected this claim and intend vigorously to defend any action which may be commenced by Channel Tunnel Investments PLC; they have been advised that the claim is unlikely to succeed.

(ii) France

(i) The administrative authorisations which permit France Manche S.A. to occupy land in order to carry out surveys and exploratory works were challenged before the Administrative Tribunal of Lille. By its judgment dated 29th October, 1987 the Tribunal rejected each of the claims made. The claimants may lodge an appeal against this decision with the Conseil d'Etat within a period of two months. Since France Manche S.A. has, in any event, taken options to purchase the land from all the owners concerned, there will not be a significant financial effect on the project whatever the outcome of the suit.

(ii) On 7th July, 1987, the *Déclaration d'Utilité Publique* was challenged before the Conseil d'Etat by nine individuals and an association from Sangatte. Details of the claim will not become known until a brief is filed, the contents of which will be notified to the defendants, who are the French state and France Manche S.A., before the end of November 1987. Exchanges of arguments will not take place before 1988 and in the meantime the *Déclaration d'Utilité Publique* remains fully in force. ESA and its legal advisers presently know of no reason to believe why the *Déclaration d'Utilité Publique* should not continue to remain in force.

(iii) General

(i) Notice has been given of a number of claims by the Contractor under the terms of the construction contract, as is usual with major construction projects. These claims relate, *inter alia*, to extensions of time and/or increases in costs arising from time lost in the early part of the construction contract. The Directors believe that the claims notified to date are unlikely to be substantiated to any extent which is material to the overall project costs.

(ii) Except as stated above, there are no legal or arbitration proceedings pending or threatened against any member of the Group which may have or have had during the twelve months preceding the date of this document a significant effect on the Group's financial position.

18. General

(a) Expenses of the Issue

The estimated overall amount of the charges relating to the Issue payable by E.P.C and ESA amounts to £68,000,000, including £41,500,000 payable to the various financial intermediaries (including the receiving banks).

(b) Consents

The following have given, and have not withdrawn, their written consent to the issue of this document with the inclusion in this document (as applicable) of their respective reports and/or letters and references to these and to themselves, in the form and context in which they are included

Peat Marwick McLintock
Audit Continental S.A.
B.E.F.E.C.-Mulquin et Associés
Wilbur Smith Associates
Alastair Dick & Associates
SETEC Economie
W. S. Atkins & Partners
Société d'Etudes Techniques et Economiques
Bureau de Recherches Géologiques et Minières
Mott, Hay & Anderson

(c) Financial information

(i) The summarised financial information relating to the Group set out above under the heading "Accountants' report" does not amount to full accounts within the meaning of section 254 of the Companies Act 1985.

- (II) (A) Full audited accounts of EPLC and of Eurotunnel Finance Limited in respect of their respective financial periods ended on 31st December, 1986, and of The Channel Tunnel Group Limited in respect of its financial periods ended on 31st December, 1985 and 31st December, 1986, have been delivered to the Registrar of Companies in England and Wales. Peat Marwick McLintock, Chartered Accountants (formerly practising as Peat, Marwick, Mitchell & Co.), auditors to each of these companies since the respective dates of their incorporation, gave unqualified reports (as defined in section 236 of the Companies Act 1965) on these accounts.
- (B) Full audited accounts of ESA and of France Manche S.A. in respect of their respective financial periods ended on 31st December, 1986 have been delivered to the *Registre du Commerce et des Sociétés* of Nanterre. Audit Continental S.A. and B.E.F.E.C. - Mulquin et Associés, *Commissaires aux Comptes*, auditors to both of these companies since the respective dates of their incorporation, gave general reports on these accounts.
- (III) Apart from the summarised financial information set out above under the heading "Accountants' report", none of the information in this document has been audited

(d) **Offer price**
 The price of each Unit under the UK Offer, which is payable in full on application, is 350p. This represents a price of 175p for each share in EPLC (being a premium of 135p over the par value of 40p) and a price of FRF 17.50 for each share in ESA (being a premium of FRF 7.50 over the nominal value of FRF10). No part of the price will be attributed by EPLC or ESA to the grant of the New Warrants.

(e) **Employees**
 At 2nd November, 1987, there were 143 employees employed by the Group in the categories set out below:

Department	No. of employees
Executive	11
Administration	31
Commercial	7
Corporate affairs	22
Finance	18
Secretarial	10
Operating division	44

There were 25 employees as at 31st December, 1986.

(f) **Financial and trading position**
 Except as stated in this document, there has been no significant change in the financial or trading position of the Group since the date of publication of the audited interim financial statements of EPLC and ESA for the period ended on 30th June, 1987.

(g) **Currency fluctuations**
 In order to minimise the effect of fluctuations of exchange rates between the French franc and the pound sterling during the period following the date when the Issue price was fixed, EPLC and ESA have requested National Westminster Bank PLC and Banque Indosuez to carry out, as part of the arrangements for completion of the Issue, an exchange between the proceeds of the Issue in pounds relating to ESA shares and the proceeds of the Issue in francs relating to EPLC shares. These arrangements, which apply automatically in the event that the same number of Units is issued in France and in the UK, will be adjusted if the number of Units subscribed in France is different from that subscribed in the UK as a result of the provisions referred to below under the heading "Issue arrangements".

(h) **Eurotunnel**
 "Eurotunnel" is a trademark exclusively owned by The Channel Tunnel Group Limited and France Manche S.A., both of which are wholly-owned subsidiaries of, respectively, EPLC and ESA

(i) **Close company status**
 The Directors have been advised that EPLC is expected not to be a close company, as defined in the Income and Corporation Taxes Act 1970, immediately following the Issue

(j) **Trustee Investments Act 1961**
 Following the Issue, the Units and the New Warrants will not be "wider range investments" within the meaning of the Trustee Investments Act 1961.

19. Documents available for inspection

Copies of the following documents, with certified English translations where the original document is in French, will be available for inspection at Herbert Smith, 35 Cannon Street, London EC4, up to and including 2nd December, 1987.

- (i) the memorandum and articles of association of EPLC;
- (ii) the statutes of ESA and the enactments under which it was incorporated;
- (iii) (A) the letter from SETEC Economie and Wilbur Smith Associates with Alastair Dick & Associates set out above under the heading "Financial projections";
(B) the letter from Peat Marwick McLintock, Audit Continental S.A. and B.E.F.E.C.-Mulquin et Associés set out above under the heading "Financial projections";
(C) the report prepared by SETEC Economie, Wilbur Smith Associates with Alastair Dick & Associates referred to above under the heading "Revenues and costs"; and
(D) the report prepared by Peat Marwick McLintock, Audit Continental S.A. and B.E.F.E.C.-Mulquin et Associés set out above under the heading "Accountants' report";
- (iv) the contracts referred to above in section 14 (save for certain parts of the railway usage contract which are regarded by the Directors as commercially sensitive);
- (v) (A) The Channel Tunnel Act 1987;
(B) Laws Nos. 87-383 and 87-384 of 15th June, 1987; and
(C) the *Déclaration d'Utilité Publique* of 6th May, 1987;
- (vi) the directors' service contracts referred to above in section 12(f);
- (vii) the consolidated audited accounts of EPLC for the financial period ended on 31st December, 1986, and the audited accounts of ESA, of The Channel Tunnel Group Limited and of France Manche S.A. for the financial period ended on 31st December, 1986 and for The Channel Tunnel Group Limited for the financial period ended on 31st December, 1985;
- (viii) the consolidated audited accounts of EPLC and ESA and the audited accounts of The Channel Tunnel Group Limited and of France Manche S.A. for the financial period ended on 30th June, 1987;
- (ix) each of the written consents referred to above in section 18(b);
- (x) (A) the Founder Shareholder Warrant, New Warrant and Bank Warrant documents of ESA referred to above in sections 5 and 6 and under the heading "Description of the New Warrants"; and
(B) the Founder Shareholder Warrant, New Warrant and Bank Warrant instruments and resolutions of the board of EPLC referred to above in sections 5 and 6 and under the heading "Description of the New Warrants";
- (xi) the rules of the share option scheme referred to above in section 7;
- (xii) the bearer share provisions adopted by the directors of EPLC; and
- (xiii) the terms and conditions of travel privileges adopted by the directors of EPLC.

Definitions

The following definitions apply throughout this document, unless the context requires otherwise

<p>"Bank Warrants"</p>	<p>the warrants to be issued to lending banks in connection with the Credit Agreement, being warrants exercisable during a specified three month period which must be exercised before the year 2000</p>
<p>"the Bourse"</p>	<p>La Bourse de Valeurs de Paris</p>
<p>"Concession"</p>	<p>the concession agreement between the UK government, the French government, The Channel Tunnel Group Limited (a subsidiary of EPLC) and France Manche S.A. (a subsidiary of ESA) in relation to the development, financing, construction and operation of the Eurotunnel System, which entered into force on 29th July 1987.</p>
<p>"construction contract"</p>	<p>the contract dated 13th August, 1986, as amended by agreements dated 25th September, 1986 and 27th January, 1987, in each case made between The Channel Tunnel Group Limited and France Manche S.A. (1) and the Contractor (2) providing for the design and construction of the System</p>
<p>"Contractor"</p>	<p>Transmanche Link, a joint venture of Translink and Transmanche Construction, the first a joint venture between Balfour Beatty Construction Limited, Costain Civil Engineering Limited, Tarmac Construction Limited, Taylor Woodrow Construction Limited and Wimpey Major Projects Limited, and the second a <i>groupement d'intérêt économique</i> between Bouygues S.A., Dumez S.A., Societe Auxiliaire d'Entreprises S.A., Société Generale d'Entreprises S.A. and Spie Batignolles S.A.</p>
<p>"Credit Agreement"</p>	<p>the agreement dated 4th November, 1987 between Eurotunnel Finance Limited (a subsidiary of EPLC), Eurotunnel Finance S.A. (a subsidiary of ESA) and the banks named therein, setting out the terms and conditions of loan and letter of credit facilities in the aggregate amount of the equivalent of £5,000 million (at the exchange rates referred to herein).</p>
<p>"credit facilities"</p>	<p>the facilities the terms and conditions of which are set out in the Credit Agreement and the facilities granted to Eurotunnel Finance Limited and Eurotunnel Finance S.A. under an agreement dated 7th September, 1987 by the European Investment Bank.</p>
<p>"Directors"</p>	<p>the directors of EPLC and/or, as the context may require, the directors and <i>censeurs</i> of ESA.</p>
<p>"EPLC"</p>	<p>Eurotunnel P.L.C.</p>
<p>"ESA"</p>	<p>Eurotunnel S.A.</p>
<p>"Eurotunnel" or "Group"</p>	<p>EPLC, ESA and/or any of their respective subsidiaries.</p>
<p>"Eurotunnel System" or "System"</p>	<p>the proposed twin-bored rail tunnel link and service tunnel under the English Channel together with their associated permits, rolling stock, fixed equipment and ancillary facilities.</p>
<p>"Founder Shareholders"</p>	<p>Balfour Beatty Construction Limited, Costain UK Limited, Tarmac Construction Limited, Taylor Woodrow Construction Limited, George Wimpey International Limited, Midland Bank plc (or, as the case may be, its subsidiary Midland Equity (Projects) Limited), National Westminster Bank PLC, Bouygues S.A., Dumez S.A., Société Générale d'Entreprises S.A., Société Auxiliaire d'Entreprises S.A., Spie Batignolles S.A., Crédit Lyonnais, Banque Nationale de Paris and Banque Indosuez.</p>
<p>"Founder Shareholder Warrants"</p>	<p>the warrants issued to the Founder Shareholders exercisable between 1989 and 1995</p>
<p>"French Issuing Houses"</p>	<p>Banque Indosuez, Banque Nationale de Paris, Crédit Lyonnais, Caisse des Dépôts et Consignations and Caisse Nationale de Crédit Agricole</p>
<p>"French Offer"</p>	<p>the offer of Units with New Warrants to the public in France</p>

Definitions continued

"International Managers"	the managers of the International Placing
"International Placing"	the placing of Units with New Warrants in international markets (excluding the UK and France)
"Issue"	the issue of Units pursuant to the UK Offer, the French Offer and the International Placing
"New Warrants"	the warrants being issued together with Units as part of the Issue, each comprising the right to subscribe for one-tenth of a share in EMLC and one-tenth of a share in ESA
"Railways"	The British Railways Board and SNCF
"railway usage contract"	the agreement dated 29th July 1987 between The Channel Tunnel Group Limited, France Manche S.A. and the Railways as amended, relating to the use of the tunnel by the Railways, the provision of infrastructure and related matters.
"SICOVAM"	La Société Interprofessionnelle pour la Compensation des Valeurs Mobilières, being the organisation responsible for facilitating dealings in securities listed in France.
"SNCF"	La Société Nationale des Chemins de Fer Français.
"The Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited.
"Treaty"	the treaty between the UK and France relating to the Channel Tunnel, signed on 12th February, 1986 and ratified on 29th July, 1987.
"UK Issuing Houses"	Robert Fleming & Co. Limited, Morgan Grenfell & Co. Limited and S. G. Warburg & Co. Ltd.
"UK Offer"	the offer of Units with New Warrants to the public in the UK, on the terms and conditions contained in this document
"Unit"	one share with a par value of 40p in EMLC and one share with a nominal value of FRF10 in ESA, combined as a unit

References in this document to tonnes are to gross tonnes unless specified to the contrary.

Travel privileges

Individuals who continue to hold registered Units acquired by them pursuant to the Issue will be granted by EPLC the right, subject to payment of an annual registration fee, as described below, to make the following number of trips on Eurotunnel shuttles at a nominal charge of £1 (travelling from the UK) or FRF 10 (travelling from France) per vehicle per one-way journey. This entitlement will also extend to individual shareholders of EPLC on the register of members at the close of business on 6th November, 1987 and to certain individuals who acquire Units in bearer form pursuant to the French Offer and the International Placing, but will not apply in respect of Units acquired after the Issue. The terms and conditions of these travel privileges are set out in Rules adopted by the Board of Directors of EPLC on 9th November, 1987 and the following is a summary of the Rules as they apply in relation to Units purchased pursuant to the UK Offer.

(a) Eligibility

To be eligible for travel privileges, an applicant must be an individual purchasing Units in his own name and solely for his own benefit (or the first-named of two individuals purchasing Units jointly solely for the benefit of one or both of them). Companies, partnerships, businesses, firms, trusts, associations and persons purchasing either through or as nominees will not therefore be eligible. An application may be made for the benefit of a named child under 18 years of age in order to qualify that child for travel privileges.

If you are an eligible individual and wish to obtain travel privileges or you are applying on behalf of a child of whom you are a parent, grandparent or guardian and you would like that child to have the benefit of the travel privileges, you should write YES in Box 4 of the application form.

(b) Entitlement

The entitlement to travel through the System on Eurotunnel shuttles for a private motor car and its occupants (which must include the eligible individual) or a private motor cycle or pedal cycle and its rider or riders (which must include the eligible individual) at the nominal charge referred to above is as follows.—

	<i>Number of Units</i>	<i>Entitlement</i>
(i)	100	One return shuttle journey at any time during the period of one year commencing on the opening date of the Eurotunnel System.
(ii)	500	One return shuttle journey in the year during which the Eurotunnel System opens and in each of the following nine years.
(iii)	1,000	Two return shuttle journeys in the year during which the Eurotunnel System opens and in each of the following years until the end of the Concession period.
(iv)	1,500	An unlimited number of shuttle journeys until the end of the Concession period.

For the purposes of (ii) and (iii) above, the directors of EPLC may specify 12-month periods other than calendar years during which the annual privilege may be exercised. It is expected that these periods will run from 1st May to 30th April, but the actual periods will be announced nearer the date when the System opens. The annual qualifying dates, to which the relevant number of Units must be held, will also be announced.

In the event of the UK Offer being oversubscribed, no accepted application from an eligible individual (or on behalf of a child) bearing YES in Box 4 of the application form will be scaled down to below the highest qualifying number of Units which would otherwise have applied. However, balloting may be necessary and no travel privileges will accrue unless the relevant number of Units are actually allotted to the applicant.

(c) Qualification

In order to qualify for travel privileges, an eligible individual must acquire pursuant to the Issue and (except as mentioned below in (d)) hold continuously until and including the relevant qualifying date not less than the relevant number of Units specified in the table above.

To register for travel privileges in respect of any period, an eligible individual must submit to EPLC a duly completed registration application form and pay the annual registration fee (together with value added tax or similar, if applicable). This will be fixed by the directors of EPLC from time to time but is expected to be the equivalent of £10 (at 1987 prices). EPLC will send registration application forms to qualifying Unitholders before the System opens.

(d) Disposal of Units or privileges

If before the relevant qualifying date an eligible individual disposes of any of his Units so that his holding is reduced to below the level which entitled him to the privileges that he previously enjoyed, his entitlement to travel privileges will be reduced accordingly or (if his holding is reduced to below 100 Units) lost altogether (whether or not he subsequently acquires Units). Where Units are acquired after the Issue, subsequent disposals of Units will be treated as disposals of Units qualifying for travel privileges only to the extent that the aggregate number of Units disposed of exceeds the aggregate number so acquired (i.e. the "last in, first out" principle will be operated to protect, so far as possible, the travel privileges).

Travel privileges continued

It should be noted that "disposal" for these purposes includes a conversion of Units from registered to bearer form. In the case of joint holders, a disposal by either of them will (except as mentioned below) be treated as a disposal by both.

A transfer will not result in a loss of entitlement if it is made after 22nd January 1988 and —

- (i) it is to a person who is then at least 18 years of age but who was under 18 years of age on 27th November, 1987 and for whose sole benefit the Units have at all times been held; or
- (ii) on registration of the transfer, the transferee is an individual who holds the Units for the sole benefit of a person who is then under 18 years of age and for whose sole benefit the Units have at all times been held; or
- (iii) the Units are transferred upon the death of one joint holder into the sole name of the other for the sole benefit of such other.

A special form of confirmation, which will be obtainable from Epc's registrars, must be delivered together with any such transfer.

Rights to travel privileges are personal and, except as mentioned above, may not be assigned, transferred, transmitted or otherwise disposed of.

(e) Adjustments

The number of Units which must be held to continue to qualify for travel privileges will be adjusted appropriately (ignoring fractions) if there is any capitalisation issue or any consolidation or sub-division of the share capital of Epc. No provision will be made for adjustment in other circumstances.

(f) Termination and amendment of travel privileges

The directors of Epc may by notice to qualifying Unitholders terminate the travel privileges if they determine that their continuance may be or become (a) illegal, or (b) materially prejudicial to the Unitholders as a whole, or (c) no longer of material benefit to qualifying Unitholders, or (d) materially prejudicial to any of the Group companies, as a result of a change in the present law or the interpretation or application thereof.

Such notice shall not be given unless the directors of Epc have first received a report from an appropriate independent adviser stating that in his view the directors' determination is reasonable.

The directors of Epc may from time to time amend the Rules relating to the operation and administration of travel privileges summarised herein in such manner as they may think fit provided that such amendments do not in the opinion of the directors materially prejudice the rights of the persons for the time being entitled to such privileges. Copies of the Rules from time to time in force will be available for inspection by Unitholders at the registered office of Epc during normal business hours.

(g) General

Travel privileges do not extend to persons travelling on through rail journeys or to commercial vehicles or motorised caravans. Travel privileges will be available for private cars towing caravans or trailers but the normal charge will be made for the carriage of the caravan or trailer.

The entitlement will be available for private use only (except that travel in the course of a person's employment or business will be permitted provided that such travel does not involve the commercial carriage of passengers or goods) and must not be used for gain or reward.

The right is reserved to refuse travel privileges to any person who, in the opinion of Eurotunnel, is abusing those privileges or interfering with the use of the System by others.

Issue arrangements

1. Issue structure

A total of 270,000,000 Units with New Warrants is being offered under the Issue. This number will not be increased or decreased under the arrangements referred to below.

The Issue comprises three separate offers:

- (i) the UK Offer of 101,000,000 Units with New Warrants at a price of 350p per Unit,
- (ii) the French Offer of 101,000,000 Units with New Warrants at a price of FRF35 per Unit, and
- (iii) the International Placing of 18,000,000 Units with New Warrants at a price of 175p plus FRF17.50 per Unit.

The prices per Unit for the French Offer and the International Placing represent the approximate equivalent on 12th November, 1987 of the price per Unit in the UK Offer.

Arrangements have been made between EPLC, ESA, the UK Issuing Houses and certain of the French Issuing Houses for the numbers of Units with New Warrants comprised in the UK Offer, the French Offer and the International Placing to be varied. These arrangements provide for EPLC, ESA and the relevant Issuing Houses to determine the final numbers of Units with New Warrants comprised in each of the three offerings on 29th November, 1987 in the light of the applications and indications of interest received. These arrangements may lead to the number of Units with New Warrants comprised in the UK Offer being increased or decreased. However, such number will not be increased beyond the number for which valid applications (accompanied by payment in full) shall have been received pursuant to the UK Offer or reduced below the number of Units with New Warrants shown above as being included in the UK Offer if valid applications (accompanied by payment in full) shall have been received in respect of those Units with New Warrants.

As described below under the heading "Applications and allocations", in allocating a proportion of the Units with New Warrants comprised in the UK Offer, preference will be given to applications from Eurotunnel personnel and to priority applications from certain institutional investors and their investment clients.

2. Conditions

The UK Offer is conditional upon the Council of The Stock Exchange agreeing to admit all the Units, issued and to be issued under the Issue, and the New Warrants to the Official List of The Stock Exchange and upon the *Commission des Opérations de Bourse* deciding to admit all such Units and New Warrants to *La Cote Officielle* on the *Bourse*, in both cases not later than 15th December, 1987. It should be noted that the issue is not conditional upon the posting of a Notice under Rule 520 by The Stock Exchange, which posting is required in order to make the listing of the Units with New Warrants on The Stock Exchange effective. To include such a condition would be impracticable for reasons associated with the increase of capital in ESA under French law. However, The Stock Exchange has indicated that it will, prior to the Issue becoming unconditional, confirm in writing that such a Notice will be posted on the projected first day of dealings in Units and New Warrants, subject only to the despatch of documents of title and the publication of any supplemental listing particulars which may be required by The Stock Exchange.

The UK Offer is also conditional upon the UK Offer for Sale Agreement becoming unconditional and upon the provisions relating to termination of the UK Offer for Sale Agreement not being implemented.

No Units with New Warrants will be issued unless all the Units with New Warrants comprised in the UK Offer, the French Offer and the International Placing are issued.

3. Commissions

(a) Selling commission

For the purposes of this paragraph:

- (i) "Selling Agent" means a member firm of The Stock Exchange, licensed dealer, member of the Financial Intermediaries, Managers and Brokers Regulatory Association or exempted dealer, but not a UK Clearing Bank.
- (ii) "UK Clearing Bank" means a member of Cheque and Credit Clearing Company Limited or a retail banking subsidiary of such a member.
- (iii) "Financial Intermediary" means an authorised institution (within the meaning of the Banking Act 1987, but excluding a UK Clearing Bank), solicitor, member of one of the institutes of chartered accountants, member of the Chartered Association of Certified Accountants, insurance broker registered pursuant to the Insurance Brokers (Registration) Act 1977 or a member of the British Insurance Brokers' Association.

Selling Agents are eligible to receive selling commissions from EPLC and ESA. Financial Intermediaries may be entitled to reallowances of selling commission. Only Units with New Warrants allocated to successful applicants will qualify for such selling commission or reallowances.

The amount of selling commission payable to each Selling Agent will be whichever is the lower of the two aggregate amounts calculated by applying the applicable rates mentioned below to

Issue arrangements continued

- (i) the value (at the UK Offer price) of each allocation of such Units with New Warrants resulting from successful applications submitted to the receiving banks bearing such Selling Agent's stamp and VAT registration number, and
- (ii) the value of each allocation of such Units with New Warrants resulting from successful applications shown on the requisite claim forms submitted by that Selling Agent to National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD on or before 15th January 1988.

Such selling commissions will be payable to Selling Agents and, where applicable, must be reallowed by them to Financial Intermediaries, on the relevant allocations at the following rates.

- (i) on any such allocation with a value of up to and including £10,000, 1.75 per cent. to the regional co-ordinators listed at the end of this document and 1.25 per cent. to others (of which 0.5 per cent. will be reallowable to Financial Intermediaries), and
- (ii) on any such allocation with a value of more than £10,000, 1.75 per cent. to the regional co-ordinators listed at the end of this document and 1.25 per cent. to others on the first £10,000 (of which 0.3 per cent. will be so reallowable) and 0.5 per cent. on the balance, subject to a maximum payment per allocation of £375 (of which 0.25 per cent. will be so reallowable, subject to a maximum reallowance per allocation of £150).

Commissions will be rounded down to the nearest 50p and will be paid together with VAT on them as applicable. No selling commission will be payable to any Selling Agent who would otherwise be entitled to a payment of less than £10 in total. None of EPLC, ESA and the UK Issuing Houses shall be liable for any failure by a Selling Agent to reallow selling commission to a Financial Intermediary.

Commissions must not be reallowed to any person other than a Financial Intermediary. Applications in respect of which a Financial Intermediary wishes to claim a reallowance must bear the Financial Intermediary's stamp and also the stamp of the Selling Agent by whom commission is to be reallowed. The requisite claim forms completed by Financial Intermediaries must be provided to the relevant Selling Agent by 31st December, 1987. Claim forms may be obtained from the regional co-ordinators referred to below under the section headed "Availability of prospectuses". Where an application form has been stamped by a UK Clearing Bank, no selling commission will be payable. Claims will be subject to audit by Pear Marwick McLintock. Those claiming commissions or reallowances must keep adequate records of the application forms which they distribute and submit.

There will be no right to selling commissions or reallowances in respect of application forms which are, or are believed to be, multiple applications.

(b) *Distribution commission*

Distribution commission (plus VAT if applicable) will be payable by EPLC and ESA to UK Clearing Banks on the value of each allocation of Units with New Warrants resulting from successful applications made on application forms distributed by them and bearing their stamps and their VAT registration numbers (if any), at the rate of 0.375 per cent., subject to a maximum of £37.50 per allocation. Distribution commission will not be payable on applications which are, or are believed to be, multiple applications. Distribution commissions will be rounded down to the nearest 50p and no such commission will be payable to a UK Clearing Bank which would otherwise be entitled to a payment of less than £10.

Applications and allocations

1. Applications

Special application forms with full details on how to use them are being sent by the Eurotunnel Share Information Office to those who registered their interest by 11th November, 1987.

Others wishing to apply for Units with New Warrants should complete an application form, such as the form at the end of this document, in accordance with the instructions set out below under the heading "How to apply under the UK Offer".

There are special arrangements for persons who, whether or not employees of Eurotunnel, are working on a substantially full-time basis for or on behalf of Eurotunnel and have been so working for at least six months and Directors ("Eurotunnel personnel").

In addition, as part of the underwriting arrangements, special priority application forms will be issued to certain institutional investors and their investment clients.

Only one application on a public application form should be made for the benefit of any person. Eurotunnel personnel who apply on a preferential application form may also apply on a public application form. Applying for the benefit of one or more children will not prevent you from making an application on your own behalf.

Multiple applications or suspected multiple applications are liable to be rejected. Photocopies of application forms (other than priority application forms) will not be accepted in any circumstances.

2. Non-UK applications

No person receiving a copy of this document and/or an application form in any territory other than the UK, the Channel Islands or the Isle of Man may treat the same as constituting an invitation to him or her, nor should he or she in any event use such application form, unless in the relevant territory such an invitation could lawfully be made to him or her without compliance with any unfulfilled registration or other legal requirements. It is the responsibility of any person outside the UK, the Channel Islands and the Isle of Man receiving a copy of this document and/or an application form and wishing to make an application hereunder to satisfy himself or herself as to full observance of the laws of the relevant territory in connection therewith, including the obtaining of any governmental or other consents or the compliance with other necessary formalities, and to pay any transfer or other taxes requiring to be paid in such territory in respect of the Units with New Warrants acquired by him or her under the UK Offer.

Units with New Warrants offered pursuant to the UK Offer have not been, and will not be, registered under the Securities Act of 1933 of the United States of America, as amended. Such Units with New Warrants and the shares and warrants included therein ("Securities") may not be offered, sold, resold, delivered, renounced or transferred, directly or indirectly, in the United States or to or for the account of any United States person or to any person purchasing such securities for re-offer, resale, renunciation or transfer in the United States or to or for the benefit of any United States person as part of the distribution of the Securities. "United States person" means any national or resident of the United States or the estate or trust of any such person, any corporation, partnership or other entity created or organised in or under the laws of the United States, or any political sub-division thereof, and any United States branch of a non-United States person; "United States" means the United States of America (including the States and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

Neither the shares in EPLC or ESA (whether or not in the form of Units) nor warrants to subscribe such shares (whether or not in the form of New Warrants) have been or are expected to be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and none of them may be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan or to others for offering or sale, directly or indirectly, in Japan or to or for the account of any resident of Japan, otherwise than in compliance with the Securities and Exchange Law and other relevant Japanese laws and regulations.

3. Payment

The right is reserved to present for payment all cheques or banker's drafts received, but this will be avoided so far as practicable in respect of applications for which it is not expected to make an allocation, unless they are, or are suspected to be, multiple applications. All cheques must be honoured on first presentation.

4. Allocations

The application list will open at 10.00 a.m. (London time) on 27th November, 1987 and may be closed at any time thereafter. The basis of allocation for non-preferential applications under the UK Offer will be determined by the UK Issuing Houses with the consent of EPLC and ESA. The basis of allocation of Units with New Warrants is expected to be announced on Monday, 30th November, 1987.

If you are successful, in whole or in part, you will be sent renounceable letters of acceptance for the Units with New Warrants allocated to you. If there is heavy demand, you may receive fewer Units with New Warrants than you applied for or, in some cases, none at all. If your application is not accepted, all money paid on application will be returned (without interest). If your application is accepted in part, you will receive (without interest) a refund cheque in respect of the balance of the money paid on application.

In making allocations under the UK Offer, preference will be given in respect of a maximum of 2,400,000 Units with New Warrants (1.1 per cent. of the Issue, and 2.4 per cent. of the UK Offer before any variation as mentioned above) to applications received on preferential application forms relating to the UK Offer from Eurotunnel personnel. In the event of excess preferential applications being received from such persons, the basis of allocation will be determined by EPLC and ESA after consultation with the UK Issuing Houses.

In addition, a number of Units with New Warrants (not exceeding 23 per cent. of the Issue or 50 per cent. of the UK Offer before any variation as mentioned above) will be allocated in full to certain institutional investors which agree to submit the priority application forms referred to above and their investment clients, as part of the underwriting arrangements for the UK Offer.

Terms and conditions of application under the UK Offer

- 1 The contracts created by the acceptance of applications under the UK Offer will be conditional upon (i) the Council of The Stock Exchange agreeing not later than 15th December, 1987 to admit all the Units and the New Warrants issued and to be issued under the issue, to the Official List of the *Commission des Operations de Bourse* deciding not later than 15th December, 1987 to admit all the Units and the New Warrants issued and to be issued under the issue, to *La Cote Officielle* on the Bourse, and (ii) the provisions relating to termination of the UK Offer for Sale Agreement, the French Underwriting Agreement and the International Subscription Agreement referred to in section 13 under the heading "Further information" in the Prospectus (as defined below) not being implemented. Application moneys will be returned (without interest) if any of these conditions is not satisfied and, in the meantime, if presented for payment, will be retained by the receiving banks in separate accounts.
 - 2 Except where the context otherwise requires, terms defined in the full prospectus relating to the UK Offer dated 16th November, 1987, comprising listing particulars regarding Epc and Esa (the "Prospectus"), bear the same meaning when used in these terms and conditions or in the application form.
 - 3 Shares of 400 each in Epc, shares of FRF 10 each in Esa and New Warrants issued pursuant to applications received under the UK Offer will be registered in the names of successful applicants or persons in whose favour renounceable letters of acceptance are duly renounced, free of registration fees, provided that, in cases of renunciation, letters of acceptance (duly completed in accordance with the instructions therein) are lodged for registration not later than 3 00 p.m. (London time) on 22nd January, 1988.
 - 4 The right is reserved to reject in whole or in part or to scale down any application received under the UK Offer including, without limitation, multiple or suspected multiple applications and to present for payment any cheques or banker's drafts received. If any application is not accepted in whole or in part or is scaled down, the application moneys or, as the case may be, the balance of those moneys will be returned (without interest) by posting to the first-named applicant the cheque or banker's draft accompanying the application or a crossed cheque in favour of the applicant or applicants.
 - 5 The right is reserved to treat any application received as valid and binding on an applicant or applicants even if the application form is not complete in all respects or is not accompanied by a power of attorney, where required.
 - 6 If you are an individual eligible for travel privileges, or if you are applying on behalf of a named child under 18 years of age, Epc will, in consideration of your making payment for the Units with New Warrants for which your application is accepted, make available the entitlement to travel privileges on the terms and conditions set out in the section entitled "Travel privileges" in the Prospectus. If you do not complete the box on the application form relating to the UK Offer claiming travel privileges, you will not be entitled to any travel privileges.
 - 7 By completing and delivering an application form relating to the UK Offer you
 - (i) offer to purchase from any one or more of the UK Issuing Houses that number of Epc shares and that number of Esa shares as represents the number of Units (each with one New Warrant) specified in your application form (or any smaller number for which the application is accepted) at the price per Unit indicated in the application form, subject to the Prospectus, these terms and conditions and, in due course, the memorandum and articles of association of Epc and the statutes of Esa and the terms and conditions of the New Warrants set out in the relevant warrant instrument/board resolution;
 - (ii) authorise National Westminster Bank PLC and Midland Bank plc (together, the "Receiving Banks") and each of them, on behalf of the UK Issuing Houses to send a renounceable letter of acceptance representing the number of Units with New Warrants for which your application is accepted and, where appropriate, a crossed cheque for any money returnable, or the cheque or banker's draft accompanying the application, by post to your address as set out in your application form and to procure that your name, together with the name or names of any other joint applicant or applicants, is or are placed on the registers of members of Epc and of Esa in respect of such Units and New Warrants as comprise Units and New Warrants the rights to which have not been duly renounced, and in these terms and conditions references to rights being duly renounced mean the renouncee(s) being registered by a Receiving Bank in relation to such rights.
 - (iii) agree that, as a collateral contract between you and the UK Issuing Houses effective upon receipt by a Receiving Bank of your application, and in consideration of the UK Issuing Houses agreeing not to offer for sale any Units or New Warrants prior to 16th December, 1987 other than pursuant to the issue of your application may not be revoked until after 15th December, 1987.
 - (iv) agree that, in respect of those Units and New Warrants for which your application has been received and processed and is not rejected, acceptance of your application shall be constituted at the election of the UK Issuing Houses, either by notification to The Stock Exchange of the basis of allocation (in which case such acceptance shall be on that basis) or by notification of such acceptance to a Receiving Bank.
 - (v) authorise National Westminster Bank PLC to enter into such arrangements as it may think fit with Banque Indosuez the issuing bank for the French Offer, whether before or after the issue, shall have become unconditional, with a view to ensuring that Esa receives sufficient funds in French francs to permit the shares to be issued by it under the UK Offer to be duly issued in accordance with French law.
 - (vi) warrant that your remittance will be honoured on first presentation.
 - (vii) agree that any letter of acceptance and any moneys returnable to you may be retained pending clearance of your remittance.
 - (viii) if you complete the box on the application form relating to the UK Offer claiming travel privileges, warrant that you are eligible to do so as set out in the section entitled "Travel privileges" in the Prospectus.
 - (ix) agree that all documents in connection with the travel privileges may be posted at the risk of the person entitled thereto to the address set out in the relevant application form or such other address as may from time to time be recorded in the register of members of Epc.
 - (x) agree that, without prejudice to any other rights to which you may be entitled, you will not be able to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application.
 - (xi) agree that all applications, acceptances of applications and contracts relating to the UK Offer will be governed by and construed in accordance with English law and agree to submit to the jurisdiction of the English courts.
 - (xii) agree that time shall be of the essence of the contract constituted by the acceptance of your application.
 - (xiii) warrant that, if you sign the application form on behalf of somebody else or on behalf of a corporation, you have due authority so to do.
 - (xiv) warrant that you are not a United States or Canadian person (as defined in paragraph 2 of the section entitled "Applications and allocations" of the Prospectus) and that you are not applying on behalf of such a person; and
 - (xv) confirm that in making your application you are not relying on any information or representation relating to Eurotunnel, the UK Offer or the issue other than the information and representations contained in the Prospectus, or in the mini prospectus published in connection with the UK Offer when taken together with the Prospectus, and you accordingly agree that no person responsible for the Prospectus or the mini prospectus or any part of either of them will have any liability for any such other information or representation.
8. All documents, banker's drafts and cheques sent by post by any of the UK Issuing Houses or any Receiving Bank will be sent at the risk of the person or persons entitled thereto.

How to apply under the UK Offer

- 1** Put in Box 1 of the application form (in figures) the number of Units with New Warrants for which you are applying. You may only apply for one of the numbers of Units with New Warrants indicated below.

Number of Units with New Warrants for which you are applying	Amount payable
100	£350
200	£700
300	£1,050
400	£1,400
500	£1,750
750	£2,625
1,000	£3,500
1,250	£4,375
1,500	£5,250
2,000	£7,000
Above 2,000 Units with New Warrants, applications must be in the following denominations:	
<i>Applications</i>	<i>Multiples of</i>
2,000 to 10,000 Units with New Warrants	1,000
over 10,000 Units with New Warrants	10,000

- 2** Using the right hand column of the table above, put in Box 2 of the application form (in figures) the amount payable.

- 3** Sign the application form in Box 3 and date it.
The application form may be signed by someone else on your behalf if he or she is authorised to do so. An agent should enclose the power of attorney appointing him (unless he is a Selling Agent, Financial Intermediary or UK Clearing Bank (as defined in the Prospectus) and should state the capacity in which he signs.
A corporation must sign under the hand of a duly authorised official whose name and representative capacity must be stated.

- 4** If you are an individual and wish to claim travel privileges write 'YES' in Box 4 of the application form.

If you do not write 'YES' in Box 4 you will not be entitled to any travel privileges. Please read the section of the prospectus entitled 'Travel privileges' before completing the box. If you are a joint applicant you should read **7** below.

- 5** Put in Box 5 your full name and address in block capitals.

Only one application should be made for the benefit of any person.

Applications may only be made by persons over 18. However, a parent, grandparent or guardian of a child under 18 may apply for the benefit of that child. Not more than one application may be made for the benefit of a particular child. To apply for the benefit of a child, you should put your own name in Box 5 and, after your surname, write "a/c" followed by the full name of the child and the child's date of birth. Applying for one or more children will not prevent you from making a single application for your own benefit.

The right is reserved to reject multiple or suspected multiple applications.

- 6** Pin to Box 6 where indicated a cheque or banker's draft for the amount you have entered in Box 2. The cheque must be made payable to "Eurotunnel UK Offer" and crossed "Not negotiable". A separate cheque or banker's draft must accompany each application.

The payment must relate solely to this application. No receipt will be issued.

The cheque or banker's draft must be drawn in pounds sterling on an account of a branch of a bank in the UK, the Channel Islands or the Isle of Man and must bear a UK bank sort code number in the top right hand corner. If you do not have a cheque account, you can obtain a cheque or banker's draft from your building society, your bank or a third party, in which case you should print your full name(s) and address on the back of the cheque or banker's draft.

An application may be accompanied by a cheque drawn by someone other than the applicant(s) or by banker's draft, but any moneys returned will be sent by cheque crossed "Not negotiable—a/c payee only" in favour of the applicant(s).

- 7** Joint applications
You may apply jointly with up to three other people, provided each applicant is aged 18 or over. They should complete and sign Box 7. The first-named of two joint holders will, during his lifetime, be eligible for the travel privileges. However, if more than two persons apply jointly, none of them will qualify for travel privileges.
Anyone signing on behalf of any joint applicant(s) should follow the instructions for agents in **3** above.

You must return your completed application form, together with a cheque or banker's draft for payment, so as to arrive by 10.00 a.m. on Friday, 27th November, 1987 (or by 3.30 p.m. on Thursday, 26th November, 1987 if the form is taken by hand to one of the additional receiving centres listed at the end of this document). See the instructions at the end of this document.

Photocopies of this application form will not be accepted in any circumstances.



Application form

Before completing this form, you should read carefully the notes opposite.
To: Robert Fleming & Co. Limited, Morgan Grenfell & Co. Limited, S. G. Warburg & Co. Ltd.,
Eurotunnel P.L.C. and Eurotunnel S.A.

I/We offer to purchase

Units with New Warrants

1

on and subject to the terms and conditions set out in the full prospectus dated 16th November, 1987 relating to the UK Offer, comprising listing particulars regarding EMLC and ESA (the "Prospectus"), at a price of 350p per Unit (with one New Warrant attached)

and I/we attach a cheque or banker's draft for the amount payable of

£

2

Signature Date 1987

3

If you wish to receive travel privileges and are an individual eligible for travel privileges or are applying on behalf of a child, write 'YES' in the box. If you do not write 'YES' in the box, you will not be entitled to any travel privileges. Details are set out in the section in the Prospectus entitled "Travel privileges".

4

Please use block capitals Sole or First Joint Applicant

5

Mr., Mrs., Miss, Ms or title	Forename(s) in full
Surname	
Address	
Postcode	

← Pin here a cheque or banker's draft for the amount in Box 2, payable to "Eurotunnel UK Offer" and crossed "Not negotiable".

6

JOINT APPLICANTS. Insert below the names of the other joint applicants in BLOCK CAPITALS who must sign in the right hand column. Travel privileges will not be available if there are more than two applicants

I/We join in this application and give the declarations set out above.

	Mr., Mrs., Miss, Ms or title	Forename(s) in full	Surname	Signature
2nd joint applicant				
3rd joint applicant				
4th joint applicant				

FOR OFFICIAL USE ONLY

Those claiming commission (or reallowance of commission) should stamp in boxes applicable to them.

Stamp of person claiming commission and VAT reg. no.	Stamp of other intermediary claiming reallowance of commission and VAT reg. no.
(if not registered for VAT, put "none")	(if not registered for VAT, put "none")
Acceptance no.	Units accepted
Commission calculated	

Stamp of person claiming commission and VAT reg. no.	Stamp of other intermediary claiming reallowance of commission and VAT reg. no.
(if not registered for VAT, put "none")	(if not registered for VAT, put "none")
Acceptance no.	Units accepted
Commissions calculated	

For office use only
1 Acceptance number
2 Units accepted
3 Amount received
£
4 Amount payable
£
5 Amount returned
£
6 Cheque number

