



Avis Europe plc
Press Release

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Press Release
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Avis Europe plc

Avis Europe plc ("Avis") advised at its interim announcement in September that it was undertaking a review of its back-office and IT restructuring project. The results of that review are announced today. Avis is also updating the market on Centrus debtor collections and on trading.

Back-office and IT restructuring project update

The original objectives of the project were to:

1. centralise back-office and administrative processes to Central Europe
2. implement a new ERP system
3. progress an associated restructuring of the IT function

Following the review, the position against each of these objectives is as follows:

1. A new shared service centre was opened in Budapest in February 2004 and a number of back office activities based on existing systems have already been transferred there. The review has concluded that the centralisation of activities into Central Europe has been successful and that Avis should implement this element of the project progressively for all its major markets.
2. As previously advised the new ERP system has encountered substantial delays and consequently higher cost due to a number of fundamental problems with its design and implementation. A decision has therefore been taken to terminate the development of the new system as quickly as practicable to avoid further cost.
3. The associated IT restructuring project, including outsourcing of elements of the function, will also be substantially reduced in scope.

Underlying business operations have not been disrupted by these issues, as the new ERP system has not been rolled out to any operations.

Centrus

Last year the Centrus credit hire business was closed and provisions were made in respect of outstanding receivables and closure costs. Recent receivable collection performance has been substantially better than forecast, and partly as a consequence we now believe that termination costs will be significantly lower.

Financial Implications

The reduction in scope of the back-office and IT restructuring project will result in a write-off of the capitalised expenditure incurred on developing the system to date and a provision for contract termination and restructuring costs. It is intended that mitigating actions will be taken, which may lead to an exceptional credit in future accounting periods.

Following the better Centrus collection performance and lower termination costs, it is now anticipated that a partial provision release can be made in the second half of this year.

As a result of the actions on the back-office and IT restructuring project, the previously expected operating margin benefit of circa 1% will be significantly reduced.

In addition to exceptionals of €3.9 million at 30th June, the combined effect of the above in the second half of 2004 is anticipated to be an additional pre-tax net exceptional charge of between €40 million and €45 million.

We now expect to incur a lower than previously advised project cost of circa €14 million over future accounting periods to complete the centralisation of activities from Avis' major markets into Budapest.

Trading

The Board's expectations for the Group's profit before tax and exceptional items for the full year remain unchanged, although the continued focus on yield throughout the summer months has resulted in lower revenues, offset by cost efficiencies and lower interest charge on tight capital management.

Commenting on today's developments, Murray Hennessy, Chief Executive, Avis Europe plc, said, "We have moved with urgency to review our back office and IT restructuring project. We will continue to implement the successful aspects of the project, but we will halt immediately the parts of the project that are not going well or will no longer deliver a satisfactory return on investment. We are very disappointed that major IT parts of the project have incurred significant exceptional costs and will not deliver the anticipated benefits. We felt it was right to take decisive action on the results of the review. Our existing systems continue to function as normal and there will be no impact on the Group's underlying operations. We remain focussed on implementing the first phase of our recovery strategy as outlined at our interim results."

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