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AVIS GROUP

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2006

Avis Europe plc, the leading car rental company in Europe, Africa, the Middle East and Asia, announces interim results for the six months ended 30 June 2006 and provides an update on the implementation of its margin improvement strategy.

Operating Highlights

- Good first half volume growth; utilisation improvement mitigating continuing competitive pricing
- Lower operating profit mainly on anticipated higher fleet cost
- Benefits from the overhead restructuring programme ahead of expectations; one-time costs lower
- Selective re-investment of savings in revenue management and web development initiatives
- Overall expectations for 2006 remain broadly unchanged

Financial Overview

- Revenue up 5.5% to €614 million
- Underlying* loss before tax €3.2 million (2005: profit of €3.2 million)
- Exceptional charges of €13.6 million
- Total loss before tax €11.9 million (2005: €4.6 million)
- Underlying* loss per share 0.3 euro cents (2005: earnings per share 0.3 euro cents)
- Total loss per share 0.9 euro cents (2005: loss per share 0.5 euro cents)

** Underlying (see basis of preparation) excludes exceptional charges of €13.6 million, certain re-measurement gains of €3.6 million and economic hedging gains of €1.3 million.*

Commenting on the results, Murray Hennessy, Group Chief Executive, said:

"We have delivered good volume growth in the first half, and although the pricing environment remains challenging, we have achieved another good utilisation performance. The lower operating profit was as expected and driven mainly by anticipated higher fleet costs.

Performance in the second half should improve with continued positive volume trends and the further benefits of our recovery strategy taking effect. The effect of the overhead restructuring programme will be higher than expected in the full year. However, we are choosing to invest in web development and revenue management, which are both key to our margin improvement strategy.

The effect of the recent security alerts and consequent travel disruption has not been material to date, although it is too early to assess any medium term impact on travel patterns and how such changes may affect the car rental industry.

Our outlook for the full year remains broadly unchanged."

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RESULTS OVERVIEW

In the first half of 2006 Group revenue was €614 million, 5.5% higher than prior year. Billed days for Avis Corporate were up 5.7%, with both the number of rentals and rental length improved. Demand strengthened from Easter onwards especially in the leisure sector.

Pricing, in terms of revenue per billed day, was down 1.1%, principally as a consequence of continuing market pressures and some change in country mix. Utilisation improved by 1.3 percentage points, partly from early benefits from the Group's revenue management initiative.

Underlying operating profit (excluding exceptional items, certain remeasurement items and economic hedges) of €25.0 million was €7.7 million lower than 2005, largely due to anticipated fleet cost increases together with a shift towards more operating leases. This underlying operating profit was in line with the trading statement made in July.

Underlying loss before taxation was €3.2 million (2005: underlying profit €3.2 million) and on the same basis, at the earnings per share level, the Group generated a loss per share of 0.3 euro cents (2005: earnings per share 0.3 euro cents).

The net exceptional charge before tax of €13.6 million (2005: €5.8 million) was primarily due to restructuring costs announced in February 2006. Certain re-measurement items and economic hedges generated a net valuation gain of €4.9 million (2005: loss €2.0 million). The total loss before tax was therefore €11.9 million (2005: loss €4.6 million) and the total loss per share was 0.9 euro cents (2005: loss per share 0.5 euro cents).

Group net debt of €1,130.4 million was €63.1 million lower than 30 June 2005, primarily due to receipt of the net proceeds of the rights issue in July 2005, offset by the expected impact from the reversing of certain supplier credit terms in the period.

REVENUE OVERVIEW

€ million	**2006**	**2005**	***% change***
Avis Corporate	580	553	*5.0*
Avis Licensees	14	11	*18.4*
Avis	**594**	**564**	***5.2***
Budget Corporate	16	14	*13.9*
Budget Licensees	4	4	*16.6*
Budget	**20**	**18**	***14.4***
Group Revenue	**614**	**582**	***5.5***

Group revenue of €614 million comprised €580 million from Avis Corporate markets, €14 million from Avis Licensee markets and €20 million from the Budget business. In total, revenue was 5.5% ahead of last year.

Avis Corporate revenue

Avis Corporate revenue was up 5.0% on the comparative period, with positive revenue trends across all major markets. Revenue in each of the corporate, leisure and premium customer groups showed good growth, with replacement being marginally lower.

Revenue performance was driven by strong volume growth. Both the number of rentals and rental length improved, resulting in a billed day increase of 5.7%. Revenue per day was down 1.1%, following a 1.3% reduction in the second half of 2005. This reduction in revenue per day reflects ongoing difficult trading conditions, together with some changes in customer group mix. The reduction in revenue per day was countered by further improved utilisation, with revenue per car month slightly up.

As a proportion of revenues, the leisure customer group revenue represented 34%, corporate 24%, replacement 23% and premium 19%.

Leisure

Overall leisure revenues were up 8.3%, driven by double-digit volume growth, partly offset by competitive pricing, particularly in the weaker North American inbound market.

Domestic leisure (31 % of the customer group) was up 6.7% with positive volume and pricing performance in most major markets, with especially strong growth in France and the UK.

Intra-Europe leisure revenue (45 % of the customer group) grew by 12.1%, with strong performances in Germany and Italy, supported in particular by marketing activities around both the World Cup and Winter Olympics. Good performances were also achieved in the UK, France and Spain, benefiting from strategic initiatives linked to the margin improvement strategy.

International leisure revenue (24% of the customer group) was up 3.6% on the comparative period, with further weakness in North American inbound business being more than offset by strong growth from the rest of the world.

Corporate

Corporate revenue was ahead by 6.4%, continuing the positive growth trend from the second half of 2005. All major markets were ahead, particularly Spain and France.

Replacement

Replacement revenue was 0.5% lower. France was ahead of last year, but all other major markets were behind, particularly Germany.

Premium

Premium revenue increased by 4.9%. Italy, which last year was impacted by a general vehicle transportation strike, was significantly improved, with a mixed performance elsewhere.

Avis Licensee revenue

Avis Licensee revenue of €13.5 million grew from €11.4 million in the comparative period, mainly as a consequence of higher volume in the majority of markets, with above average growth across the Middle East and the emerging Asian market in particular.

Budget Corporate revenue

Budget Corporate revenue of €16.4 million grew from €14.4 million in the comparative period, increasing in both France and the UK.

Budget Licensee revenue

Budget Licensee revenue of €4.2 million grew from €3.6 million in the comparative period, driven by strong growth in particular in Saudi Arabia, South Africa and Portugal.

OPERATING PROFIT OVERVIEW

€ million	**2006**	**2005**	***% change***
Corporate	42.9	53.3	*(19.5)*
Licensee	12.3	10.2	*20.6*
Avis	**55.2**	**63.5**	***(13.1)***
Corporate	(4.7)	(5.0)	*6.0*
Licensee	0.1	(0.4)	*n/m*
Budget	**(4.6)**	**(5.4)**	***14.8***
Unallocated	(25.6)	(25.4)	*(0.8)*
Group underlying	**25.0**	**32.7**	***(23.5)***
Underlying adjustments	(11.2)	(10.0)	*(12.0)*
Total Group operating profit	**13.8**	**22.7**	***(39.2)***

Underlying operating profit was €25.0 million (2005: €32.7 million), including a €4.6 million loss from Budget (2005: loss €5.4 million). Currency translation effects were not material. Underlying adjustments of €11.2 million (2005: €10.0 million) comprised €13.6 million of net exceptional charges and €2.4 million of gains on re-measurement and economic hedge items. Total operating profit therefore totalled €13.8 million (2005: €22.7 million).

Avis operating result

Underlying Avis operating profit of €55.2 million compared to €63.5 million in the comparative period. This, after deducting slightly higher unallocated costs (European HQ and shared service centres), resulted in an underlying operating profit of €29.6 million,

compared to €38.1 million in the prior period largely reflecting the anticipated increase in fleet costs.

Underlying operating margin, after unallocated costs, was 5.0% compared to 6.8% in the comparative period. A strong volume performance was achieved in the period. Pricing was 1.1% lower, mitigated by further improved utilisation, up 1.3 percentage points.

Underlying operating costs increased by €38.0 million to €564.2 million. This increase of 7.2% compares to a volume increase of 5.8%.

Selling costs were reduced by €1.8 million. The increase in variable costs arising from revenue growth was more than offset by lower spend on initiatives this year and the benefit arising from the reduction in travel agency commissions, following the change of terms announced last year.

Revenue related costs increased in line with trading.

Rental related costs were €3.8 million higher reflecting both volume growth and fuel cost inflation, the latter impacting both directly, where fuel is supplied to customers and indirectly, through transportation costs.

Fleet costs were up €22.8 million. Running costs increased broadly in line with volume. However, holding costs increased ahead of volume growth, being impacted by an increased mix of operating lease fleet (which increases fleet costs but reduces net finance costs) and, as previously advised, more difficult fleet market conditions. This was partially mitigated by an improvement in utilisation.

Staff costs increased by €7.7 million, mainly driven by salary increases in line with inflation, pension increases and the higher rental volume, together with investment in significantly strengthening the Group's revenue management and web development capabilities. This was partially mitigated by improved productivity and some early savings from the restructuring project towards the end of the period

Overheads were up €4.3 million. However, after adjusting the comparative for the profits on the sale of certain properties in Spain and Belgium, they were broadly flat. Higher rental costs at a number of locations and general increases in costs in line with inflation in the current period were partially offset by initial savings from overhead restructuring. The comparative period also included some non-recurring investment spend on the margin improvement strategy.

Avis Licensee operating profit of €12.3 million was 20.6% ahead of the prior period and was attributable to the strong revenue performance.

Budget operating result

The underlying operating loss of €4.6 million was €0.8 million lower than the comparative period. Corporate operating losses were broadly flat after adjusting the prior period results for a goodwill impairment charge of €0.4 million. Strong revenue performance in the corporate locations was offset by a number of factors: start-up costs in Italy; the full period impact of the earlier investment in a new sales and marketing team; and a reduction in

income from the sub-franchise network as the network is repositioned on a more sustainable basis. Licensee underlying operating profit increased by €0.5 million in line with the improvement in revenue.

Net finance costs

€ million	**2006**	**2005**
Underlying net finance costs*	28.3	29.3
Average net debt	950	1,078
Average finance rate	5.7%	5.2%

* Excludes certain re-measurement items and economic hedges

Underlying net finance costs were €1.0 million lower than the comparative period. This was mainly due to lower average net debt, largely as a result of the receipt of the rights issue proceeds in July 2005 and a greater use of operating leases. An increase in the amount of debt at fixed rates and a rise in underlying market rates resulted in a higher average finance rate of 5.7% (2005: 5.2%).

Net exceptional charges

Net exceptional charges before taxation of €13.6 million were incurred in the period.

Lower than expected restructuring costs of €14.3 million were incurred in the period in connection with the restructuring project the Group commenced in late 2005 covering the roles of its European headquarters, corporate operations, shared service centre and call centres. These restructuring costs are net of a pension curtailment of €1.2 million.

Following the Group's decision in 2004 to terminate the agreement with the principal contractor on an IT back-office project, additional termination costs of €2.9 million have been recognised in 2006 in respect of the mitigating action being taken against the termination costs, which may lead to a net exceptional credit in future accounting periods.

During the period the collection of credit hire receivables in the closed Centrus business again continued to be more successful than anticipated and resulted in an exceptional credit of €0.4 million.

Additionally, in June 2006, significant changes to the unfunded pension scheme in Germany were made which resulted in a credit of €3.2 million.

Certain re-measurement items and economic hedges

The following additional items have been incurred in the period, but are excluded from reported underlying profit before tax. Re-measurement gains of €3.6 million arose from fair value movements of certain derivatives that are used to hedge underlying economic positions and foreign exchange on net debt. Recognised movements in the equivalent economically hedged underlying item totalled €1.3 million credit.

Taxation

€ million	2006	2005
Underlying taxation (credit) / charge	(0.9)	0.9
Taxation credit on exceptional items	(3.8)	(1.2)
Taxation charge/(credit) on re-measurement items and economic hedges	1.4	(0.7)
Total taxation credit	(3.3)	(1.0)

The tax credit on the underlying loss for the six months to 30 June 2006 has been calculated on the basis of an estimate of the annual effective tax rate for the year ended 31 December 2006. The effective rate is estimated at 29%, compared to 27% in 2005.

The increase in the effective rate is primarily a consequence of the mix of profits and losses in different jurisdictions, and restrictions on the ability to recognise deferred tax assets in loss making subsidiaries. The tax credit on exceptional, certain re-measurement items and economic hedges in 2006 was €2.4 million.

STRATEGY UPDATE

The strategy is designed to increase operating margins by three to five percentage points from the level reported in 2004 over the next two to three years, whilst further developing the Group's market leading position.

The four main elements of the strategy are as follows:

Rigorous cost reduction

The Group has ongoing initiatives underway to reduce variable costs, including improving both post-rental revenue adjustments and the collection of fuel and damage charges. To help manage fleet holding costs, investments are being made in fleet system enhancements and vehicle re-marketing capabilities.

In addition, the Group has substantially progressed a significant organisational restructuring and re-design of key processes to address fixed costs. This comprised a significant reduction in staff and running costs at the European Headquarters, which was largely completed during the period; an acceleration of the transfer of back-office activities into the shared service centre in Budapest; consolidation of all call centre activities into the existing Barcelona facility, which will be completed by October 2006; and a number of staff and overhead cost reductions in country head offices. These changes are designed to create a more effective and efficient business. At the time of announcing the restructuring in February 2006, the benefit to operating profit for the current year, largely arising in the second half, was estimated at €7 million, and the one-time costs to effect the changes €40 million. Certain actions have been accelerated, and the restructuring achieved more effectively, and these figures are now expected to be some €11 million and €30 million respectively.

Improving price, yield and utilisation

A new central revenue management function has been formed with the goal of improving price, yield and vehicle utilisation, and has assisted in the achievement of a 1.3 percentage point improvement in utilisation in the period. Selective investment is being made in this function. The new team is developing a number of new data tools to assist with demand forecasting and pricing management, together with the optimisation of fleet levels. New processes are being designed and implemented at European, country and station level.

Target most profitable customer groups

Actions are underway to migrate business towards more profitable customer groups. Initiatives include a re-launched "Avis Preferred" service to enhance customer loyalty, a vehicle return service using hand-held technology, and a simplified multi-lingual rental agreement. These changes were supported with a pan-European advertising campaign. Further investment in the development of our websites has assisted channel shift, with internet penetration expected to average around 29% for the full year (2005: 24%).

Tight capital control

The initiatives on price, yield and utilisation, and targeted growth support the Group's focus on capital discipline. Continued attention to returns from payables/receivables management, fleet efficiency and the network are priority areas for the Group.

<u>SUMMARY AND OUTLOOK</u>

As anticipated, positive revenue trends in the first half were driven by continuing volume growth in all customer groups except replacement, and across all major countries. Difficult pricing conditions were mitigated by further improvements in utilisation. The lower operating profit was as expected and was driven mainly by the anticipated higher fleet costs, with other costs increasing largely in line with inflation and increased volumes.

Performance in the second half should improve with further benefits of the margin improvement strategy taking effect. Improved volume trends are expected to continue. A considerably stronger second half performance is expected in France and the UK as these markets continue to recover, which should more than offset the continued weakness in Germany.

In July, one of the key summer trading months, revenues remained strong, but pricing was weaker, reflecting continued competitive conditions in some markets and, to a degree, improved rental length.

Whilst benefits from the restructuring programme announced in February will be higher than expected, we are reinvesting in certain key areas, principally web development and revenue management. The latter will assist further improvements in utilisation, which helps mitigate the continuing difficult pricing environment.

As previously advised, interest costs will be higher, following the reversing of certain supplier credit terms and the issuance of the new medium-term notes in July.

We are monitoring closely the effect on the business of the recent security alerts and consequent travel disruption, in particular on the North American inbound and intra-European business from and to the UK. Whilst the effect so far has not been material, it is too early to determine any medium-term impact on travel patterns in general and on our industry in particular.

The Group's expectations for the underlying result for the full year outcome remain broadly unchanged.