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AVIS EUROPE PLC

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2007

Avis Europe plc, a leading car rental company in Europe, Africa, the Middle East and Asia, announces interim results for the six months ended 30 June 2007.

Operating Highlights

- Continuing good volume growth
- Pricing is on an improving trend, although remaining below the prior period
- Higher fleet costs, mitigated by improved utilisation
- Continued benefits from restructuring programme
- Further strong result from the Avis licensee network
- Continuation of Budget turnaround
- Network optimisation with developments in Greece, Spain and Germany
- New website roll-out; internet reservations improved to 31% of reservations

Financial Highlights

- Revenue excluding discontinued operation up 4.7% to €604 million
- Underlying¹ loss before tax excluding discontinued operation of €1.9 million (2006: €4.5 million loss)
- Net exceptional pre-tax charge excluding discontinued operation of €7.6 million – primarily goodwill write-off
- Total loss before tax excluding discontinued operation of €7.9 million (2006: €13.2 million loss)
- Total loss after tax of €12.8 million (2006: €8.6 million loss)
- Total loss per share of 1.4 euro cents (2006: 0.9 euro cents loss)
- Overall expectations for full year 2007 remain unchanged

¹ Underlying (see Basis of Preparation) excludes exceptional charges of €7.6 million, certain net re-measurement gains of €2.8 million and economic hedging losses of €1.2 million. Underlying is not a defined term under IFRS, and is not intended to be a substitute for, or superior to, IFRS measures of profit.

Murray Hennessy, Group Chief Executive, said:

“First half trading saw further good volume growth and utilisation improvements, higher licensee fee income, and the continued Budget turnaround. However, overall pricing was lower, but with some improvement since Easter, partially driven by revenue management actions. In addition, cost pressures continued, particularly relating to fleet and interest costs.

In line with our strategy to improve margins and returns, recent actions to optimise the structure of the Group's network include the disposal and licensing of operations in Greece, the licensing of the operation in the Canary Islands and the acquisition of a strategically important licensee in Germany. The net capital released from these transactions, which in aggregate amounts to approximately €200 million, will be progressively re-deployed into higher return areas of the business.

In July and August to date, part of the key summer trading period, revenues remained strong as planned, with both good volume and continued improving pricing trends. The Group's expectations for the underlying result for the full year outcome remain unchanged."

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Strategy implementation

The Group continues to implement its strategy to improve margin and return on capital, through a combination of rigorous cost reduction, revenue management initiatives to improve price/yield and utilisation, and focus on key customer groups. In addition, the Group is taking actions to optimise the network to improve overall returns and leverage fixed costs.

Rigorous cost reduction

Significant cost pressures continue to face the industry, specifically from fleet suppliers, but also more generally from interest costs and inflationary increases in areas such as staff costs. Therefore, cost reduction is an ongoing core focus of management. The Group has substantially completed a significant organisational restructuring and redesign of key processes to address fixed costs. Areas currently being progressed include: insurance costs; damage costs; and lower selling costs through further investment in websites and other direct marketing initiatives.

Revenue management

Revenue management is designed to improve price/yield and utilisation. A new demand forecasting system has been developed, is operational across all major markets and is beginning to deliver benefits. Planned enhancements and further developments will assist with the fast implementation of tactical price changes and the optimisation of fleet levels.

Focus on key customer groups

Actions are underway to migrate business towards more profitable customer groups, whilst seeking to improve returns on the remaining business.

Customer service initiatives to improve speed, transparency and choice are being progressively implemented across the network. A new “three minute promise” for Avis Preferred customers was successfully trialled in France and is now being rolled out across all major locations. This new service promises to deliver members of our free Avis Preferred programme their rental car keys in less than three minutes from the time they enter the rental station.

The Group’s new significantly enhanced website is easy to use, provides customers with clearer information in selecting the rental car of their choice and is designed to work more effectively with third parties such as search engines. These changes should over time lead to an increase in the number of customers that book directly through the on-line channel. The new website also allows customers to amend their personal details on-line and to sign up for our loyalty programme, Avis Preferred. It is now operational in five major markets and will be rolled out to our other corporate operations and licensee network. Internet reservations continue to increase, ending the period at 30.8% (December 2006: 28.7%).

Network optimisation

The Group continues to review the structure of the network, with a view to improving overall returns and leveraging fixed costs. Recent developments include the disposal and licensing of the Group’s subsidiary in Greece (primarily a long-term rental business) and operations in the Canary Islands (seasonal and operationally complex). The Group has also acquired its largest licensee in Germany, based in a strategically important region, which strengthens the Group’s position in that market.

Key performance indicators

The Group's Board monitors a range of financial and non-financial performance indicators, reported on a periodic basis, to measure the Group's performance. Of these, the key measures are set out in the table below.

Performance indicators *

	2007	2006
Number of billed days ¹ (% change)	6.0	5.6
Revenue per day ² (% change)	(1.6)	(0.8)
Average fleet utilisation ³ (% pts. change)	0.6	1.4
Group Operating margin (%)	4.7	3.6
Return on capital employed (% pts. change)	1.0	(2.2)

* All financial and operating data refer to Avis corporate data, which excludes Avis licensees, Budget and the discontinued operation in Greece. Excluding Greece has no material effect on the change in the indicators presented above.

¹ Includes any day or period less than a day for which a vehicle rental is invoiced to a customer.

² Total revenues divided by total billed days.

³ The average period of time during which vehicles are on rent as a percentage of their holding period.

FINANCIAL REVIEW

Results Overview

Total revenue, excluding the discontinued business in Greece, was €604 million, up 4.7%. On the same basis, underlying operating profit was €28.6 million (2006: €20.8 million) and the underlying loss before tax was €1.9 million (2006: €4.5 million loss). Further good corporate volume growth and fleet utilisation, higher licensee fee income and the continued Budget turnaround were offset by weaker pricing and cost inflation, particularly relating to fleet and an increase in net finance costs. Underlying losses per share on continuing operations were 0.3 euro cents (2006: 0.3 euro cents loss).

The net exceptional charge on continuing operations before tax, together with certain re-measurement items and economic hedge adjustments, totalled €6.0 million (2006: €8.7 million). Total loss before tax on continuing operations, after allowing for certain re-measurement items and economic hedges, was €7.9 million (2006: loss before tax €13.2 million) and total loss per share on continuing operations was 0.9 euro cents (2006: 1.0 euro cents).

Underlying profit before tax for the discontinued Greece operation was €1.4 million. After adjusting for an exceptional goodwill impairment charge of €7.1 million the discontinued result was a total loss before tax of €5.7 million.

Portugal malpractice and subsequent independent review

On 11 June 2007 the Group announced that it had identified potential malpractice in its local subsidiary in Portugal, a business that represents some 3% of Group revenues.

An independent forensic investigation by KPMG was promptly instigated and completed in July. This confirmed that certain actions had been taken locally, which were not compliant with Group policy. Interim management was quickly appointed to oversee the operation and considerable resource applied for the key summer trading period to enhance both operational and commercial control measures. It is believed that the results of the operation in Portugal will be substantially improved in future periods.

The adjustments required as a consequence of the non-compliance with Group policy in Portugal result in a reduction to previously reported net assets of €1.1 million as at 31 December 2005 and of €4.6 million at 31 December 2006. Accordingly, the comparative underlying pre-tax profit in the income statement of the 2007 Report & Accounts will be reduced by €3.5 million, all of which is attributable to the second half. Furthermore, it is expected that underlying pre-tax profit in the current financial year will be around €2 million lower than anticipated prior to the above announcement, largely in the second half.

KPMG was also asked to review various operational processes throughout the Group's other operations in Europe. This was completed in August and confirmed that these processes were compliant with Group policy. A €3.4 million exceptional charge, primarily resulting from the costs of the independent investigation in both Portugal and elsewhere in Europe, has been incurred in the six month period to 30 June 2007.

Revenue overview

€million	2007	2006	% change
Corporate	566	543	4.2
Licensees	15	13	15.4
Avis	581	556	4.5
Corporate	19	17	11.8
Licensees	4	4	-
Budget	23	21	9.5
Total Group Revenue – continuing operations	604	577	4.7

Avis Corporate revenue

Revenue from the Avis corporately-owned business segment, excluding the now discontinued Greece business, was €566 million, 4.2% ahead of the prior period.

Billed days improved over last year by 6.0%, continuing the positive trends of 2006. This was driven by an increase in rentals, particularly in the insurance/leasing segment, together with an increase in average rental length across all customer groups.

Revenue per day was 1.6% lower than the prior period, largely due to the mix effect of growing the insurance/leasing segments (particularly in the UK), an increase in rental length, and continuing competitive conditions in the market place. However, revenue management actions assisted in improving yield in the month of April, including the key Easter trading period, with further improvements continuing in May and June and through the key summer months to date.

Individual

These customers are individual travellers booking directly or through travel companies or tour operators, partnership arrangements and brokers.

Revenue was ahead, with both billed days and revenue per day improving on the prior period and a particularly strong performance in France. We have actively targeted the development of direct business, principally through the continued development of the internet distribution channel and e-marketing initiatives.

Corporate

Corporate customers book via negotiated arrangements with their employers and through vehicle replacement companies.

Revenue improved on the prior period due to an increase in rental length. Partly as a consequence, revenue per day was broadly flat.

Insurance/Leasing

These customers come through insurance and leasing companies, dealerships and repair shops, with which Avis has a direct contractual relationship.

Revenue was strongly ahead of the prior period, largely benefiting from certain new key contracts in the UK, which were won on better terms than the contracts relinquished in the previous year. This was supported by good growth elsewhere. Whilst volume was significantly ahead, revenue per day was below the prior period in most markets, largely driven by a planned increase in rental length.

Avis Licensee revenue

Overall revenue from licensee countries grew by 15.4% to €15 million with above average growth from the Middle East and Central Eastern Europe regions.

Budget Corporate revenue

Budget corporate revenue of €9 million was ahead of the prior period by 11.8%, with continued good growth in both France and the UK.

Budget Licensee revenue

Budget licensee revenue of €4 million was broadly flat on the prior period.

Operating profit overview

€million	2007	2006	% change
Corporate	42.5	38.7	9.8
Licensees	13.9	12.3	13.0
Avis	56.4	51.0	10.6
Corporate *	(3.4)	(4.2)	19
Licensees *	0.6	(0.4)	n/a
Budget	(2.8)	(4.6)	39.1
Headquarter costs	(25.0)	(25.6)	2.3
Group underlying operating profit	28.6	20.8	37.5
Amounts excluded from underlying – continuing operations	(9.4)	(11.2)	16.1
Group operating profit – continuing operations	19.2	9.6	100

* The 2006 allocation of operating profit between the Budget segments has been restated by €0.5 million (decrease in Licensees and an equal and opposite increase in Corporate) to ensure that operating profit is presented on a consistent basis with the Avis segments.

Underlying operating profit, excluding the now discontinued business in Greece, was €28.6 million (2006: €20.8 million) including a €2.8 million loss from Budget (2006: €4.6 million loss). After adjusting for €7.6 million of exceptional charges and €1.8 million charge from the revaluation of foreign exchange derivatives, total operating profit from continuing operations was €19.2 million (2006: €9.6 million).

Avis operating result

The Avis Corporate operating result (excluding Greece) of €42.5 million was an improvement on the comparative period of €38.7 million. Avis Corporate operating expenses were therefore €23.5 million (2006: €04.1 million) which, when aggregated with headquarter costs of €25.0 million (2006: €25.6 million), resulted in underlying operating costs of €48.5 million, up €18.5 million or 3.6% on the comparative period.

Fleet costs were up €6.9 million (or 9.3%). Vehicle holding costs increased ahead of volume growth, reflecting a further increase of operating leases (the interest element of which effectively switches to fleet cost from net finance cost), more difficult fleet market conditions and the impact of government vehicle legislative changes in Italy. An improvement in utilisation of 0.6 percentage points partially mitigated these increases, benefiting both from revenue management actions and from an increase in rental length, leading to shorter fleet downtime. Running costs, adjusted for the increase in volume, also improved primarily through lower insurance expenses.

Selling costs were up €2.4 million (or 6.6%), primarily due to the growth in rental volumes.

Revenue related costs were up €1.8 million (or 4.0%), due to the increase in revenue and a rise in certain airport commission rates.

Rental related costs were up €1.2 million (or 2.6%), mainly due an increase in rental volumes.

Staff costs increased by €0.5 million (or 0.3%). The savings from the overhead restructuring programme and lower pension costs following the changes to the Group's main defined benefit schemes were offset by additional headcount, primarily in the shared service centre and staff working on web development and revenue management initiatives.

Overheads were reduced by €4.3 million (or 5.1%), primarily due to the savings from the overhead restructuring programme, particularly from the closure of the Manchester call centre and the benefit of a €2.7 million gain on the disposal of properties.

Avis licensee operating profit of €13.9 million was 13.0% ahead of the prior period, with the increase being in line with the improvement in network revenue.

Budget operating result

The underlying operating loss in the Budget business has been substantially reduced to €2.8 million (2006: €4.6 million loss). Corporate operating losses reduced from €4.2 million to €3.4 million, primarily as a result of the increased revenues, whilst the Licensees result improved from a loss of €0.4 million to a profit of €0.6 million, largely due to the benefits arising from the restructuring project.

Group operating margin

Underlying Group operating margin in the first half was 4.7% (2006: 3.6%). Good volume growth and an improvement in utilisation, both in the main Avis business, together with an improved Budget performance, were partially offset by lower Avis pricing and cost inflation, particularly with regard to fleet.

Net finance costs

€million	2007	2006
Total net finance costs – continuing operations	27.4	22.9
Add: Certain re-measurement items and economic hedges	3.4	2.5
Underlying net finance costs - continuing operations	30.8	25.4
Average net debt	900	788
Effective finance rate	6.8%	6.5%

Underlying net finance costs were €5.4 million higher than the comparative period. This increase largely reflects the rise in average net debt for continuing operations in 2007 in line with the Group's investment in fleet growth and a higher finance rate. The higher finance rate is a consequence of the relatively higher cost of the €250 million notes (due 2013) that were issued in July 2006 and higher short-term market rates, both mitigated by the Group's interest rate hedging policy.

Net exceptional charges – continuing operations

€million	2007	2006
Portugal - independent investigation & associated costs	3.4	-
Restructuring costs	3.3	14.3
Goodwill impairment	4.0	-
Net project termination (credit) / costs	(2.7)	2.9
Pension scheme amendment	-	(3.2)
Centrus receivables	(0.4)	(0.4)
Net exceptional charges – continuing operations	7.6	13.6

Following the identification of potential malpractice in Portugal, the Group has recognised €3.4 million of costs in the period in respect of an independent investigation, both in Portugal and throughout the Group's corporately-owned operations in Europe, together with certain directly related employee termination costs.

Restructuring costs of €3.3 million (2006: €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 include redundancy costs and onerous lease provisions.

In June 2007 the Group acquired a former licensee in Germany. As the acquired locations have been integrated into existing operations, where the goodwill in these cash-generating units had already been fully provided in previous accounting periods, an impairment provision of €4.0 million has been recognised in respect of the goodwill arising on acquisition.

Following the Group's decision in 2004 to terminate the agreement with the principal contractor on the IT back-office project, a net exceptional credit of €2.7 million has been recognised following the conclusion of the legal case and additional termination costs incurred in the period. In 2006, the additional termination costs were €2.9 million.

In June 2006, significant changes were made to the defined benefits pension scheme in Germany resulting in an exceptional credit to past service costs of €3.2 million.

During the current and prior period, the collection of credit hire receivable balances in the closed Centrus business was more successful than previously anticipated and resulted in an exceptional credit of €0.4 million (2006: €0.4 million), reflecting a partial reversal of the receivable write-offs and adjustment of reorganisation provisions made in previous years.

Certain re-measurement items and economic hedges

The following items have been recognised in the period and are excluded from underlying profit before tax:

	Operating profit	Net finance costs	Profit before tax
	€million	€million	€million
Re-measurement (losses)/gains on financial instruments	(0.6)	1.6	1.0
Economic hedge adjustments	(1.2)	-	(1.2)
Foreign exchange gain on borrowings	-	1.8	1.8
Total	(1.8)	3.4	1.6

Net re-measurement gains/(losses) on financial instruments arise from the recognition in the income statement of movements in the fair value of certain derivatives under IAS 39, Financial Instruments: Recognition and Measurement. The Group uses these derivatives to hedge its underlying economic positions, but only applies hedge accounting to those relationships where it is permissible and practicable to do so. Where re-measurement gains and losses on financial instruments are excluded from underlying profit, movements on economically hedged underlying items are also excluded.

Taxation

€million	2007	2006
Continuing operations taxation charge/(credit)	1.1	(1.3)
Discontinued operations taxation (credit)/charge	(1.3)	0.4
Underlying taxation credit	(0.2)	(0.9)
Taxation credit on exceptional items	(0.9)	(3.8)
Taxation charge on certain re-measurement items and economic hedges	0.3	1.4
Taxation credit on amounts excluded from underlying	(0.6)	(2.4)
Total taxation credit	(0.8)	(3.3)

The total tax credit of €0.2 million on the underlying loss for the six months to 30 June 2007 has been calculated on the basis of an estimated annual effective tax rate of 36% for the year ended 31 December 2007 (2006: 29%). The increase in the effective rate primarily arises from the downward revaluation of deferred tax assets held in the UK following the reduction in the UK Corporation tax rate from 30% to 28%.

The effective tax rate on exceptional items, certain re-measurement items and economic hedges, including discontinued operations, is 5%, compared to 27% in 2006. This lower rate is mainly due to the provision for goodwill impairment related to the investment in Greece, on which tax relief cannot be claimed.

Discontinued operation - Greece

On 25 July 2007 the Group disposed of its investment in Olympic Commercial and Tourist Enterprises SA for a consideration of €25.5m. The gross assets and liabilities of the business are disclosed in the Interim Report as “held for sale”. Included therein is net debt amounting to €184.6 million, an increase of €14.1 million over the comparative period. An exceptional impairment charge of €7.1m has been recorded to write down the goodwill related to the investment to its estimated fair value, based upon the net proceeds of disposal.

For the first half revenue in Greece was up 7.8% and consequently operating profit increased by €1.8 million to €6.0 million. However, the increased fleet size and higher interest rates added €1.7 million of additional finance costs. Therefore, profit before tax only improved by €0.1m over the comparative period. A reduction in corporation tax rates resulted in a €1.3 million credit to the Income Statement.

Summary and Outlook

First half trading saw further good volume growth and utilisation improvements, higher licensee fee income, and the continued Budget turnaround. However, overall pricing was lower, but with some improvement since Easter, partially driven by revenue management actions. In addition, cost pressures continued, particularly relating to fleet and interest costs.

In line with our strategy to improve margins and returns, recent actions to optimise the structure of the Group’s network include the disposal and licensing of operations in Greece, the licensing of the operation in the Canary Islands and the acquisition of a strategically important licensee in Germany. The net capital released from these transactions, which in aggregate amounts to approximately €200 million, will be progressively re-deployed into higher return areas of the business.

In July and August to date, part of the key summer trading period, revenues remained strong as planned, with both good volume and continued improving pricing trends. The Group’s expectations for the underlying result for the full year outcome remain unchanged.

Consolidated Income Statement

for the period to 30 June (unaudited)

	Notes	2007			2006		
		Underlying ¹ €m	Amounts excluded from underlying €m	Total €m	Underlying ¹ as restated ² €m	Amounts excluded from underlying €m	Total as restated ² €m
Continuing operations							
Revenue	1,2	604.1	–	604.1	576.9	–	576.9
Cost of sales		(347.3)	–	(347.3)	(323.7)	–	(323.7)
Gross profit		256.8	–	256.8	253.2	–	253.2
Administrative expenses		(228.2)	(9.4)	(237.6)	(232.4)	(11.2)	(243.6)
Operating profit/(loss)	2,3	28.6	(9.4)	19.2	20.8	(11.2)	9.6
Finance income	5	4.4	2.2	6.6	1.3	1.6	2.9
Finance costs	5	(35.2)	1.2	(34.0)	(26.7)	0.9	(25.8)
Share of profit of joint venture and associate		0.3	–	0.3	0.1	–	0.1
Loss before taxation		(1.9)	(6.0)	(7.9)	(4.5)	(8.7)	(13.2)
Taxation	6	(1.1)	0.6	(0.5)	1.3	2.4	3.7
Loss after taxation		(3.0)	(5.4)	(8.4)	(3.2)	(6.3)	(9.5)
Discontinued operation							
Profit/(loss) for the period – Greece	9	2.7	(7.1)	(4.4)	0.9	–	0.9
Loss for the period		(0.3)	(12.5)	(12.8)	(2.3)	(6.3)	(8.6)
Attributable to:							
– equity holders of the Company	14	(0.3)	(12.5)	(12.8)	(2.3)	(6.3)	(8.6)
– minority interest		–	–	–	–	–	–
Loss for the period		(0.3)	(12.5)	(12.8)	(2.3)	(6.3)	(8.6)
Loss per share (euro cents)							
Basic and diluted	8			(1.4)			(0.9)
Basic and diluted – continuing	8			(0.9)			(1.0)

1 Underlying excludes exceptional items, certain re-measurement items and economic hedges – see Basis of Preparation.

2 Restated following the reclassification of the discontinued operation (see Note 9) and the prior year adjustment concerning Avis Portugal (see Note 15).

The accompanying Notes form an integral part of these Interim Financial Statements.

Consolidated Statement of Recognised Income and Expense

for the period to 30 June (unaudited)

	Notes	2007			2006		
		Underlying ¹ €m	Amounts excluded from underlying €m	Total €m	Underlying ¹ €m	Amounts excluded from underlying €m	Total €m
Actuarial gains on retirement benefit obligations	14	–	21.9	21.9	–	18.4	18.4
Cash flow hedges:							
– net fair value gains/(losses)	16	–	1.9	1.9	–	(6.9)	(6.9)
– transferred to income statement	16	–	4.5	4.5	–	1.8	1.8
Exchange differences on translation of foreign operations	16	–	(0.9)	(0.9)	–	(0.7)	(0.7)
Tax on net items taken to equity	6	–	(10.0)	(10.0)	–	(1.6)	(1.6)
Net income recognised directly in equity	17	–	17.4	17.4	–	11.0	11.0
Loss for the period		(0.3)	(12.5)	(12.8)	(2.3)	(6.3)	(8.6)
Total recognised income and expense for the period		(0.3)	4.9	4.6	(2.3)	4.7	2.4
Total recognised income and expense for the period is attributable to:							
– equity holders of the Company		(0.3)	4.9	4.6	(2.3)	4.7	2.4
– minority interest		–	–	–	–	–	–
Total recognised income and expense for the period		(0.3)	4.9	4.6	(2.3)	4.7	2.4

¹ Underlying excludes exceptional items, certain re-measurement items and economic hedges – see Basis of Preparation.

The accompanying Notes form an integral part of these Interim Financial Statements.

Consolidated Balance Sheet

at 30 June (unaudited)

	Notes	2007 €m	2006 as restated ¹ €m
Goodwill		–	7.7
Other intangible assets		10.7	7.6
Property, plant and equipment:			
– vehicles	10	568.7	628.8
– other property, plant and equipment		82.5	88.1
Investments accounted for using the equity method		10.6	10.1
Other financial assets:			
– available for sale investments		0.7	0.7
– derivative financial instruments		12.3	–
Deferred tax assets		57.6	56.2
Non-current assets		743.1	799.2
Non-current assets held for sale	10	6.9	6.4
Assets of discontinued operation held for sale	9	255.0	–
Inventories		8.7	8.8
Trade and other receivables		1,578.1	1,572.1
Current tax assets		7.4	5.9
Other financial assets:			
– held for trading		7.4	28.4
– derivative financial instruments		5.0	3.1
Cash and short-term deposits		61.9	50.6
Current assets		1,668.5	1,668.9
Total assets		2,673.5	2,474.5
Trade and other payables		892.4	898.7
Current tax liabilities		30.8	26.3
Obligations under finance leases		396.2	398.4
Other financial liabilities:			
– borrowings	11	62.9	139.2
– deferred consideration	11	0.3	0.3
– derivative financial instruments		31.8	2.5
Current liabilities		1,414.4	1,465.4
Liabilities of discontinued operation held for sale	9	232.4	–
Deferred tax liabilities		41.8	44.8
Provisions		62.5	60.5
Retirement benefit obligations		97.2	106.5
Obligations under finance leases		1.0	1.6
Other financial liabilities:			
– borrowings	11	661.3	608.3
– deferred consideration	11	32.1	32.0
– derivative financial instruments		43.5	67.0
Non-current liabilities		939.4	920.7
Total liabilities		2,586.2	2,386.1
Net assets		87.3	88.4
Equity			
Called-up share capital	12	13.1	13.1
Share premium	13	381.5	381.5
Own shares held	13	(3.2)	(0.7)
Retained earnings	14	(293.9)	(294.3)
Other reserves	16	(11.0)	(12.0)
Shareholders' equity	17	86.5	87.6
Minority interest		0.8	0.8
Total equity		87.3	88.4

¹ Restated following the prior year adjustment concerning Avis Portugal (see Note 15).

The accompanying Notes form an integral part of these Interim Financial Statements.

The Interim Financial Statements, including accompanying Notes, were approved by the Board on 24 August 2007 and were signed on its behalf by:

M E Hennessy
Chief Executive

M R Smith
Finance Director

Consolidated Cash Flow Statement

for the period to 30 June (unaudited)

	Notes	2007 €m	2006 as restated ¹ €m
Operating profit – continuing operations		19.2	9.6
Discontinued operation	9	(1.1)	4.2
Operating profit – all operations		18.1	13.8
Reverse depreciation on property, plant and equipment	3	79.0	87.3
Reverse amortisation of other intangible assets	3	2.2	1.1
Reverse adjustments arising on differences between sales proceeds and depreciated amounts	3	(10.0)	(10.6)
Reverse exceptional goodwill impairment	4	11.1	–
Reverse non-cash operating lease charge on manufacturer repurchase contracts		84.6	76.7
Payments with respect to manufacturer repurchase contracts		(761.1)	(678.1)
Receipts with respect to manufacturer repurchase contracts		524.0	566.7
Reverse share-based payment charges		0.1	0.1
Increase in inventories		(1.5)	(1.8)
Increase in receivables		(49.6)	(71.2)
(Decrease)/increase in payables		(22.6)	48.3
(Decrease)/increase in provisions		(1.4)	8.4
Decrease in retirement benefit obligations		(0.8)	(3.5)
Reverse net re-measurement losses/(gains) on non-debt related derivative financial instruments		0.6	(1.9)
Cash flow on derivative financial instruments – non-debt		(0.4)	1.0
Net cash (used in)/generated from operating activities before taxation		(127.7)	36.3
Tax paid		(6.2)	(7.6)
Net cash (used in)/generated from operating activities		(133.9)	28.7
Investing activities			
Purchase of other intangible assets		(4.8)	(3.7)
Purchase of vehicles		(144.0)	(148.8)
Proceeds on disposal of vehicles		140.6	108.8
Purchase of other property, plant and equipment		(10.6)	(13.3)
Proceeds on disposal of other property, plant and equipment		4.0	1.4
Proceeds on disposal of non-current assets held for sale		36.7	43.2
Proceeds on disposal/(purchase) of financial assets held for trading	18a)	18.6	(13.3)
Purchase of own shares		(2.7)	–
Acquisition of licensee	19	(4.6)	–
Net cash generated from/(used in) investing activities		33.2	(25.7)
Financing activities			
Finance revenue received		4.4	1.3
Finance costs paid		(35.4)	(26.1)
Finance cost element of finance lease payments		(6.8)	(4.0)
Net capital element of finance lease payments	18a)	(33.5)	(53.7)
Cash flow on derivative financial instruments – debt	18a)	(1.5)	(1.2)
Increase in bank and other loans	18a)	92.2	27.6
Net cash generated from/(used in) financing activities		19.4	(56.1)
Decrease in cash and cash equivalents (excluding exchange rate changes)		(81.3)	(53.1)
Effects of exchange rate changes	18a)	(3.5)	(0.5)
Net decrease in cash and cash equivalents		(84.8)	(53.6)
Cash and cash equivalents at 1 January	18a)	113.3	86.4
Cash and cash equivalents at 30 June		28.5	32.8
Included within “cash and short-term deposits”	18a)	24.9	32.8
Included within “assets of discontinued operation held for sale”	9	3.6	–
Cash and cash equivalents as at 30 June		28.5	32.8

¹ Restated following the reclassification of the discontinued operation (see Note 9) and the prior year adjustment concerning Avis Portugal (see Note 15).

The accompanying Notes form an integral part of these Interim Financial Statements.

Significant Accounting Policies

Applicable to the Interim Financial Statements for the period to 30 June 2007

Basis of preparation

The Interim Financial Statements comprise the interim consolidated financial statements of the Group for the six months ended 30 June 2007.

These Interim Financial Statements do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 December 2006 have been delivered to the Registrar of Companies and include an audit report which was unqualified and did not contain a statement under either Section 237(2) or 237(3) of the Companies Act 1985.

The Group has prepared Consolidated Financial Statements in accordance with EU Endorsed International Financial Reporting Standards ("IFRSs"), International Financial Reporting Interpretations Committee interpretations and the Companies Act 1985 applicable to companies reporting under IFRS.

These Interim Financial Statements have been prepared in accordance with the Listing Rules of the Financial Services Authority. The Group has chosen not to adopt IAS 34, Interim Financial Statements, and therefore, these Interim Financial Statements are not in compliance with IFRS in this regard. In preparing these Interim Financial Statements, the Directors have used the principal accounting policies set out in the Group's Consolidated Financial Statements for the year ended 31 December 2006. These policies have been consistently applied.

Underlying measures

In addition to total performance measures, the Group discloses underlying performance measures, including underlying profit and underlying earnings per share. The Group believes that these underlying performance measures provide additional useful information on underlying trends to shareholders. The term "underlying" is not defined under IFRS, and may therefore not be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit.

Underlying measures are calculated based on reported profit before exceptional items, certain re-measurement items and adjustments to reflect the realised gains and losses on foreign exchange forward contracts and accrued interest cash flows on any financial instruments (economic hedge adjustments).

Underlying amounts recognised in the Statement of Recognised Income and Expense are calculated based on recognised income and expense before actuarial gains and losses arising on retirement benefit obligations.

Notes to the Consolidated Financial Statements

for the period to 30 June (unaudited)

1 Revenue

The activity of the Group is the supply of vehicle rental services. Revenue is derived entirely from continuing activities. Revenue from Avis Greece, the discontinued operation, is separately disclosed in Note 9. The Group experiences a natural increase in demand from leisure customers over the European summer holiday months. This seasonality generally results in lower revenue earned in the first half as compared to the second half of each year, together with an increase in the number of vehicles acquired in the period leading up to the summer months.

2 Business and geographical segments

The dominant source and nature of the Group's risks and returns govern whether its primary segment reporting is by business segment or geographical segment. The Group is subject to significant variations in risks and rewards between undertaking its operations through corporately owned businesses, as compared with the licensing of such operations to third parties. Given the nature of the separate brands, the Group is also subject to significant variations in risks and rewards between its Avis branded businesses and its Budget branded businesses. These variations contrast with more limited differentials between the risk and reward profile of operations in different geographical locations. The Group's primary reporting format is therefore by business segment, and the secondary reporting format is geographical.

Business segments

	2007	2006 as restated ¹
Revenue	€m	€m
Avis Corporate	566.0	542.8
Avis Licensees	15.0	13.5
Avis – Continuing	581.0	556.3
Budget Corporate	18.8	16.4
Budget Licensees	4.3	4.2
Budget	23.1	20.6
Total Group – Continuing	604.1	576.9
Discontinued operation – see Note 9	40.4	37.5
Total Group	644.5	614.4

¹ Restated following the reclassification of the discontinued operation (see Note 9).

There are immaterial sales between the business segments.

	2007			2006		
	Underlying ¹ €m	Amounts excluded from underlying €m	Total €m	Underlying ¹ as restated ² €m	Amounts excluded from underlying €m	Total as restated ² €m
Operating profit						
Avis Corporate	42.5	(6.8)	35.7	38.7	(2.0)	36.7
Avis Licensees	13.9	–	13.9	12.3	–	12.3
Avis	56.4	(6.8)	49.6	51.0	(2.0)	49.0
Budget Corporate ³	(3.4)	–	(3.4)	(4.2)	(0.4)	(4.6)
Budget Licensees ³	0.6	–	0.6	(0.4)	–	(0.4)
Budget	(2.8)	–	(2.8)	(4.6)	(0.4)	(5.0)
Headquarter costs	(25.0)	(2.6)	(27.6)	(25.6)	(8.8)	(34.4)
Operating profit – Continuing	28.6	(9.4)	19.2	20.8	(11.2)	9.6
Discontinued operation (see Note 9)	6.0	(7.1)	(1.1)	4.2	–	4.2
Total Group	34.6	(16.5)	18.1	25.0	(11.2)	13.8

¹ See Basis of Preparation.

² Restated following the reclassification of the discontinued operation (see Note 9).

³ The 2006 allocation of operating profit between the Budget segments has been restated by €0.5 million (decrease in Licensee and an equal and opposite increase in Corporate) to ensure that the operating profit is presented on a consistent basis with the Avis segments.

Notes to the Consolidated Financial Statements *continued*

for the period to 30 June (unaudited)

3 Operating profit

	2007	2006 as restated ¹
	€m	€m
Operating profit is stated after charging/(crediting):		
Underlying profit²:		
Net charge on hire of plant, equipment and motor vehicles	121.1	108.5
Depreciation on property, plant and equipment	79.0	87.3
Adjustments arising on differences between sales proceeds and depreciated amounts	(10.0)	(10.6)
Amortisation of other intangible assets	2.2	1.1
Contingent operating lease rentals ³	24.8	24.1
Other operating lease rentals	26.1	26.0
Net amounts excluded from underlying²:		
Re-measurement gains on non-debt related derivative financial instruments	(2.7)	(2.1)
Re-measurement losses on non-debt related derivative financial instruments	3.3	0.2
	0.6	(1.9)
Economic hedging adjustment on foreign exchange	1.2	(0.5)
Total net exceptional items (see Note 4)	7.6	13.6
Total net exceptional items, certain re-measurement items and economic hedge adjustments	9.4	11.2

1 Restated following the prior year adjustment concerning Avis Portugal (see Note 15).

2 See Basis of Preparation.

3 Contingent operating lease rentals primarily arise with respect to airport rental desk concessions, and are ordinarily based on the level of revenue generated by the individual concession.

4 Net exceptional items

	2007	2006
	€m	€m
Exceptional administrative expenses:		
a) Restructuring costs	3.3	14.3
b) Goodwill impairment	4.0	–
c) Independent investigation and associated costs	3.4	–
d) Net project termination (credit)/costs	(2.7)	2.9
e) Pension scheme amendment	–	(3.2)
f) Centrus receivables	(0.4)	(0.4)
	7.6	13.6
Discontinued operation – goodwill impairment (see Note 9)	7.1	–
Net exceptional items before tax	14.7	13.6
Tax on exceptional items	(0.9)	(3.8)
Net exceptional items after tax	13.8	9.8

- a) Restructuring costs of €3.3 million (2006: €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 include redundancy costs and onerous lease provisions and in the prior year were net of exceptional pension curtailments of €1.2 million.
- b) In June 2007 the Group acquired a German licensee company. As the acquired assets and locations have been integrated into existing operations, where the goodwill arising in these cash-generating units had already been fully provided in previous accounting periods, an impairment provision of €4.0 million has been recognised in respect of the goodwill arising on acquisition (see Note 19).
- c) Following the identification of potential malpractice in Portugal, the Group has recognised €3.4 million of costs (2006: Nil) in the period in respect of an independent investigation, both in Portugal and throughout the Group's corporately owned operations in Europe, together with certain directly related employee termination costs.
- d) Following the Group's decision in 2004 to terminate the agreement with the principal contractor on the IT back-office project, a net exceptional credit of €2.7 million has been recognised following the conclusion of the legal case and the additional termination costs. In 2006, the additional termination costs were €2.9 million.
- e) In June 2006, significant changes were made to the unfunded pension scheme in Germany resulting in an exceptional credit to past service costs of €3.2 million.
- f) During the current and prior period, the collection of credit hire receivable balances in the closed Centrus business was more successful than previously anticipated and resulted in an exceptional credit of €0.4 million (2006: €0.4 million), reflecting a partial reversal of the receivable write-offs and adjustment of reorganisation provisions made in previous years.

5 Finance income, finance costs and foreign exchange on net debt

	2007			2006		
	Underlying ¹ €m	Amounts excluded from underlying €m	Total €m	Underlying ¹ as restated ² €m	Amounts excluded from underlying €m	Total as restated ² €m
Finance income – continuing						
Interest receivable	4.4	–	4.4	1.3	–	1.3
Re-measurement gains on debt-related derivative financial instruments ³	–	2.2	2.2	–	1.6	1.6
	4.4	2.2	6.6	1.3	1.6	2.9
Finance costs – continuing						
Interest payable	(35.2)	–	(35.2)	(25.9)	–	(25.9)
Re-measurement losses on debt-related derivative financial instruments ³	–	(0.6)	(0.6)	–	–	–
Economic hedge adjustment on interest payable ⁴	–	–	–	(0.8)	0.8	–
Foreign exchange gain on net debt	–	1.8	1.8	–	0.1	0.1
	(35.2)	1.2	(34.0)	(26.7)	0.9	(25.8)
Net finance costs – continuing	(30.8)	3.4	(27.4)	(25.4)	2.5	(22.9)
Discontinued operation						
Discontinued operation (see Note 9)	(4.6)	–	(4.6)	(2.9)	–	(2.9)
Net finance costs	(35.4)	3.4	(32.0)	(28.3)	2.5	(25.8)

1 See Basis of Preparation.

2 Restated following the reclassification of the discontinued operation (see Note 9).

3 Net re-measurement gains on debt-related financial instruments of €1.6 million (2006: gains of €1.6 million) comprise realised losses of €1.5 million (2006: gains of €1.9 million) and unrealised gains of €3.1 million (2006: losses of €0.3 million).

4 The Group has entered into economic hedging arrangements for which the Group is unable to apply hedge accounting under IAS 39. Interest payable on bank loans and overdrafts, to the extent that IAS 39 does not permit hedge accounting, reflects actual interest rates applicable to debt, regardless of any accrued cash flow paid at contracted rates within hedging derivatives.

6 Taxation

a) Analysis of tax charge/(credit)

	2007			2006		
	Underlying ¹ €m	Amounts excluded from underlying €m	Total €m	Underlying ¹ as restated ² €m	Amounts excluded from underlying €m	Total as restated ² €m
Continuing operations						
Current UK tax	0.6	–	0.6	2.5	–	2.5
Current foreign tax	6.3	(0.7)	5.6	1.1	(0.8)	0.3
Total current tax	6.9	(0.7)	6.2	3.6	(0.8)	2.8
Deferred tax	(5.8)	0.1	(5.7)	(4.9)	(1.6)	(6.5)
Total taxation – continuing	1.1	(0.6)	0.5	(1.3)	(2.4)	(3.7)
Discontinued operation						
Deferred tax	(1.3)	–	(1.3)	0.4	–	0.4
Total taxation	(0.2)	(0.6)	(0.8)	(0.9)	(2.4)	(3.3)

There was no current tax charge or credit in the discontinued operation in the period ending 30 June 2007 (2006: Nil).

Notes to the Consolidated Financial Statements *continued*

for the period to 30 June (unaudited)

6 Taxation *continued*

b) Tax charge/(credit) taken directly to the Statement of Recognised Income and Expense

	2007			2006		
	Underlying ¹ €m	Amounts excluded from underlying €m	Total €m	Underlying ¹ €m	Amounts excluded from underlying €m	Total €m
Deferred tax charge/(credit) on cash flow hedges	-	1.9	1.9	-	(1.5)	(1.5)
Current tax charge/(credit) on exchange movements offset in reserves	-	0.1	0.1	-	(1.0)	(1.0)
Deferred tax charge on actuarial gains	-	8.0	8.0	-	4.1	4.1
	-	10.0	10.0	-	1.6	1.6

¹ See Basis of Preparation.

² Restated following the reclassification of the discontinued operation (see Note 9).

7 Dividends

The Directors do not propose the payment of an interim dividend for the period ended 30 June 2007 (2006: Nil). There was no final dividend for the year ended 31 December 2006 (2005: Nil). Accordingly, no amounts have been recognised as distributions to equity holders in both the current and prior period.

8 Earnings per share

a) Basic and diluted

Basic and diluted earnings per share are based on the profit for the period attributable to equity holders of the Company, and the weighted average number of shares in issue for the period attributable to equity holders of the Company.

Earnings	2007 €m	2006 €m	2007 £m	2006 £m
Earnings for the period attributable to equity holders of the Company	(12.8)	(8.6)	(8.6)	(5.9)

Earnings per share	2007 Euro cents	2006 Euro cents	2007 Sterling pence	2006 Sterling pence
Basic and diluted earnings per share	(1.4)	(0.9)	(0.9)	(0.6)

Basic and diluted earnings per share from continuing operations is as follows:

Earnings from continuing operations	2007 €m	2006 €m	2007 £m	2006 £m
Earnings for the period attributable to equity holders of the Company	(8.4)	(9.5)	(5.7)	(6.6)

Earnings per share from continuing operations	2007 Euro cents	2006 Euro cents	2007 Sterling pence	2006 Sterling pence
Basic and diluted earnings per share from continuing operations	(0.9)	(1.0)	(0.6)	(0.7)

The weighted average number of shares in issue for the period was 919,750,468 (2006: 919,982,594).

Options have been granted to certain Directors and employees over ordinary shares of the Company. These options constitute the only category of potentially dilutive ordinary shares and these did not increase the weighted average number of shares in either 2006 or 2007. These options were not dilutive as either the option exercise prices were in excess of the prevailing market share price, or exercise of the options is subject to performance conditions which had not been fully satisfied by the period end.

8 Earnings per share continued

b) Underlying

Underlying earnings per share is based on the underlying profit for the period attributable to equity holders of the Company, and the weighted average number of shares in issue for the period attributable to equity holders of the Company.

Earnings	2007	2006	2007	2006
	€m	as restated ¹ €m	£m	as restated ¹ €m
Underlying earnings for the period attributable to equity holders of the Company	(0.3)	(2.3)	(0.2)	(1.6)

Earnings per share	2007	2006	2007	2006
	Euro cents	as restated ¹ Euro cents	Sterling pence	as restated ¹ Sterling pence
Basic and diluted underlying earnings per share	–	(0.3)	–	(0.2)

Underlying earnings per share from continuing operations is as follows:

Earnings from continuing operations	2007	2006	2007	2006
	€m	as restated ¹ €m	£m	as restated ¹ €m
Underlying earnings for the period from continuing operations attributable to equity holders of the Company	(3.0)	(3.2)	(2.1)	(2.2)

Earnings per share from continuing operations	2007	2006	2007	2006
	Euro cents	as restated ¹ Euro cents	Sterling pence	as restated ¹ Sterling pence
Basic and diluted underlying earnings per share from continuing operations	(0.3)	(0.3)	(0.2)	(0.2)

¹ Restated following the reclassification of the discontinued operation (see Note 9).

9 Discontinued operation and post balance sheet event

On 25 July 2007, the Group disposed of its subsidiary in Greece, Olympic Commercial and Tourist Enterprises SA, for consideration of €25.5 million. As at 30 June 2007, the operation is disclosed as held for sale, as a conditional sale contract had already been agreed. The conditions were satisfied on 25 July 2007 and the operation was disposed of on the terms contracted. In the period, a goodwill impairment charge of €7.1 million was recorded to write down the associated goodwill to its estimated fair value, based on the proceeds of the disposal. The impairment charge is excluded from the underlying result.

The financial results and cash flows of the discontinued operation in the current and prior period, are as detailed below:

Income statement:	2007			2006		
	Underlying ¹ €m	Amounts excluded from underlying ² €m	Total €m	Underlying ¹ €m	Amounts excluded from underlying ² €m	Total €m
Revenue	40.4	–	40.4	37.5	–	37.5
Operating profit/(loss)	6.0	(7.1)	(1.1)	4.2	–	4.2
Profit/(loss) before taxation	1.4	(7.1)	(5.7)	1.3	–	1.3
Taxation	1.3	–	1.3	(0.4)	–	(0.4)
Profit/(loss) after taxation	2.7	(7.1)	(4.4)	0.9	–	0.9

¹ See Basis of Preparation.

² The amount excluded from underlying represents the impairment of the goodwill in Greece prior to the disposal of the operation.

Notes to the Consolidated Financial Statements *continued*

for the period to 30 June (unaudited)

9 Discontinued operation and post balance sheet event *continued*

	2007	
	€m	
Balance sheet:		
Non-current assets:		
Goodwill	0.6	
Other intangible assets	0.1	
Vehicles	120.8	
Property, plant and equipment	2.3	
	123.8	
Current assets:		
Trade and other receivables:		
– Vehicles under manufacturer repurchase agreements	100.7	
– Other	26.6	
Inventories	0.2	
Net current tax assets	0.1	
Cash and cash equivalents	3.6	
	131.2	
Assets of discontinued operation held for sale		255.0
Current liabilities:		
Trade and other payables	(34.2)	
Borrowings	(188.2)	
	(222.4)	
Non-current liabilities:		
Deferred tax	(8.2)	
Provisions	(0.6)	
Retirement benefit obligations	(1.2)	
	(10.0)	
Liabilities of discontinued operation held for sale		(232.4)
Net assets		22.6
	2007	2006
	€m	€m
Cash Flow:		
Operating profit	6.0	4.2
Reverse depreciation on property, plant and equipment	8.2	8.3
Reverse adjustments arising on differences between sales proceeds and depreciated amounts	–	(0.5)
Reverse non-cash operating lease charge on manufacturer repurchase contracts	7.4	7.5
Payments with respect to manufacturer repurchase contracts	(27.9)	(19.9)
Receipts with respect to manufacturer repurchase contracts	12.5	9.4
Increase in receivables	(2.8)	(4.9)
(Decrease)/increase in payables	(0.8)	0.4
Increase in retirement benefit obligations	0.1	–
Net cash generated from operating activities before taxation	2.7	4.5
Taxation	–	(0.3)
Net cash generated from operating activities	2.7	4.2
Net cash used in investing activities	(11.5)	(14.0)
Net cash generated from financing activities	6.0	6.0
Decrease in cash and cash equivalents	(2.8)	(3.8)
Cash and cash equivalents at 1 January	6.4	5.2
Cash and cash equivalents at 30 June	3.6	1.4

10 Fleet

	2007 Continuing €m	2007 Discontinued €m	2007 Total €m	2006 as restated ¹ €m
Vehicles	568.7	120.8	689.5	628.8
Non-current assets held for sale ²	6.9	–	6.9	6.4
Manufacturer repurchase vehicles:				
– repurchase agreement receivables (during vehicle holding period) ³	1,031.3	72.2	1,103.5	999.0
– prepaid vehicle operating lease charges (during vehicle holding period) ³	82.3	28.5	110.8	94.5
Net book amount	1,689.2	221.5	1,910.7	1,728.7

1 Restated following the prior year adjustment concerning Avis Portugal (see Note 15).

2 Non-current assets held for sale comprise ex-rental vehicles formerly used in the Avis Corporate segment, where management are committed to the disposal of the vehicle.

Disposals are ordinarily completed within one month of transfer of the vehicle from the rental fleet.

3 Manufacturer repurchase vehicles are recognised within "Trade and other receivables" in the Group's balance sheet.

11 Other financial liabilities

a) Borrowings

	2007 €m	2006 €m
Continuing	724.2	747.5
Discontinued operation (see Note 9)	188.2	–
Total Group	912.4	747.5

Analysed as:

Current liabilities (due for settlement within one year)	62.9	139.2
Non-current liabilities (due for settlement after more than one year)	661.3	608.3
Continuing	724.2	747.5
Discontinued operation (see Note 9)	188.2	–
Total Group	912.4	747.5

b) Deferred consideration

	2007 €m	2006 €m
Current liabilities (due for settlement within one year)	0.3	0.3
Non-current liabilities (due for settlement after more than one year)	32.1	32.0
	32.4	32.3

12 Called-up share capital

	2007		2006	
	Number	€m	Number	€m
Authorised				
Ordinary shares of 1p each	940,000,000		940,000,000	
Issued and fully paid share capital				
At 1 January and 30 June	920,524,047	13.1	920,524,047	13.1

Notes to the Consolidated Financial Statements *continued*

for the period to 30 June (unaudited)

13 Share premium and own shares held

	Share premium €m	Own shares held €m
At 1 January 2006	381.5	(1.1)
Own shares released on vesting of share awards	–	0.4
At 30 June 2006	381.5	(0.7)
At 1 January 2007	381.5	(0.7)
Purchase of own shares	–	(2.7)
Own shares released on vesting of share awards	–	0.2
At 30 June 2007	381.5	(3.2)

14 Retained earnings

	2007 €m	2006 €m
At 1 January as previously reported	(290.5)	(299.0)
Impact of restatement in Avis Portugal (see Note 15)	(4.6)	(1.1)
At 1 January as restated	(295.1)	(300.1)
Loss after taxation	(12.8)	(8.6)
Increase in equity reserve arising from charge to income for share options in the period	0.1	0.1
Net actuarial gains on retirement benefit obligations	21.9	18.4
Taxation on actuarial gains (see Note 6)	(8.0)	(4.1)
At 30 June	(293.9)	(294.3)

Goodwill of €1,080.4 million arising on acquisitions arising before 1 March 1998 has been written off to reserves.

15 Prior year adjustment

As a consequence of the review previously announced on 11 June 2007 concerning the carrying value of the Group's net assets in Avis Portugal, a prior year adjustment has been recorded in order to restate their carrying amounts to their recoverable amount.

The impact of this restatement on the comparative amounts within the Balance Sheet for the six months ended 30 June 2006 is an increase in vehicle fleet fixed assets of €4.7 million, an increase in short-term obligations under finance leases of €5.5 million, and an increase in accrued liabilities of €0.3 million. These adjustments reduce net assets and closing retained earnings by €1.1 million.

The impact of this restatement on the comparative amounts within the Income Statement for the six months ended 30 June 2006 is an increase in vehicle fleet depreciation charges of €0.1 million and an increase in adjustments arising on differences between sales proceeds and depreciated amounts of €0.1 million. Accordingly, there is no net impact on cost of sales.

In addition, the comparative amounts for the years ended 31 December 2006 and 31 December 2005 have been restated. Whilst the full year comparatives are not published within these Interim Financial Statements, the Balance Sheet restatements are listed below for their impact on the Consolidated Cash Flow Statement.

As at 31 December 2006, there is an increase in vehicle fleet fixed assets of €3.7 million; (31 December 2005: decrease of €0.8 million), an increase in short-term obligations under finance leases of €6.9 million; (31 December 2005: Nil), and an increase in accrued liabilities of €1.4 million; (31 December 2005: increase of €0.3 million). The impact on closing retained earnings is a decrease of €4.6 million; (31 December 2005: decrease of €1.1 million).

No tax credit has been recognised on the above, given that it is uncertain when any deferred tax asset would be realised.

16 Other reserves

	Translation Reserve €m	Hedging Reserve €m	Total €m
At 1 January 2006	(7.8)	(0.9)	(8.7)
Cash flow hedges:			
– net fair value losses	–	(6.9)	(6.9)
– transfers to Income Statement	–	1.8	1.8
Exchange differences on translation of foreign operations	(0.7)	–	(0.7)
Taxation (see Note 6)	1.0	1.5	2.5
At 30 June 2006	(7.5)	(4.5)	(12.0)
At 1 January 2007	(9.6)	(4.9)	(14.5)
Cash flow hedges:			
– net fair value gains	–	1.9	1.9
– transfers to Income Statement	–	4.5	4.5
Exchange differences on translation of foreign operations	(0.9)	–	(0.9)
Taxation (see Note 6)	(0.1)	(1.9)	(2.0)
At 30 June 2007	(10.6)	(0.4)	(11.0)

17 Reconciliation of movements in shareholders' equity

	2007 €m	2006 €m
Loss after taxation attributable to the equity holders of the Company	(12.8)	(8.6)
Net expense recognised directly in equity (see Statement of Recognised Income and Expense)	17.4	11.0
Total recognised income and expense attributable to equity holders of the Company	4.6	2.4
Increase in equity reserve arising from charge to income for share options in the period	0.1	0.1
Purchase of own shares (see Note 13)	(2.7)	–
Own shares released on vesting of share awards (see Note 13)	0.2	0.4
Net increase in shareholders' equity	2.2	2.9
At 1 January as previously reported	88.9	85.8
Impact of restatement in Avis Portugal ¹	(4.6)	(1.1)
At 1 January as restated	84.3	84.7
At 30 June	86.5	87.6

1 Restated following the prior year adjustment concerning Avis Portugal (see Note 15).

Notes to the Consolidated Financial Statements *continued*

for the period to 30 June (unaudited)

18 Notes to the consolidated cash flow statement

a) Analysis of changes in net debt

	At 1 January 2007 as restated ¹ €m	Cash flow €m	Other non-cash €m	Exchange movements €m	Discontinued operation €m	At 30 June 2007 €m
Cash and short-term deposits	116.6	(47.6)	–	(3.5)	(3.6)	61.9
Bank overdrafts	(3.3)	(33.7)	–	–	–	(37.0)
Cash and cash equivalents	113.3	(81.3)	–	(3.5)	(3.6)	24.9
Current assets – held for trading	22.6	(18.6)	–	3.4	–	7.4
Obligations under finance leases	(292.1)	33.5	(140.3)	1.7	–	(397.2)
Borrowings (excluding overdrafts)	(787.6)	(92.2)	4.4	–	188.2	(687.2)
Derivative debt instruments	(64.1)	1.5	3.6	–	–	(59.0)
Net debt – continuing	(1,007.9)	(157.1)	(132.3)	1.6	184.6	(1,111.1)
Discontinued operation (see Note 9)	–	–	–	–	(184.6)	(184.6)
Net debt	(1,007.9)	(157.1)	(132.3)	1.6	–	(1,295.7)

1 Restated following the prior year adjustment concerning Avis Portugal (see Note 15).

Other non-cash movements represent the effect of the inception and cessation of certain finance leases during the period, and recognition of changes in the fair value of derivatives and hedged items.

b) Reconciliation of net decrease in cash and cash equivalents to movement in net debt

	2007 as restated ¹ €m	2006 as restated ¹ €m
Movement in net debt resulting from cash flows	(157.1)	(12.5)
New finance leases	(140.3)	(175.4)
Re-measurement adjustments	8.0	(1.1)
Exchange movements	1.6	(1.3)
Total movement in net debt	(287.8)	(190.3)
Net debt at 1 January	(1,007.9)	(945.6)
Net debt at 30 June	(1,295.7)	(1,135.9)

1 Restated following the prior year adjustment concerning Avis Portugal (see Note 15).

19 Acquisition of licensee

On 1 June 2007, the Group acquired a 100% interest in a number of the rental locations of a former Avis licensee in Germany, Otto Kazenmaier GmbH & Co. KG. The businesses provide vehicle rental services and cash consideration for the acquisition was paid during the period.

The results and cash flows arising subsequent to the acquisition (even if it had occurred on the first day of 2007) are not considered material to the Group and accordingly are not disclosed separately. The acquisition has been accounted for using the purchase method of accounting. The details of the net assets acquired, goodwill and consideration are set out below:

	Book value €m	Fair value and accounting policy adjustments €m	Provisional fair value €m
Other property, plant and equipment	0.6	–	0.6
Net assets acquired	0.6	–	0.6
Goodwill arising on acquisition	4.0	–	4.0
Consideration	4.6	–	4.6
Consideration satisfied by:			
Cash for acquisition of business			4.4
Associated costs of acquisition			0.2
			4.6

20 Contingent liabilities

The Company and certain subsidiaries have provided unsecured guarantees to certain third parties within the normal course of business, the majority of which were in favour of certain lenders in respect of some of the Group's loan notes and borrowing facilities, together with guarantees provided to vehicle suppliers and property lessors. As at 30 June 2007, these guarantees totalled €1,081.8 million (2006: €1,116.8 million).

Certain Group companies are defendants in a number of claims and legal proceedings incidental to their operations. The Directors do not expect that any of these contingencies will have a material negative impact on the results or financial position of the Group.

Save as disclosed herein and excluding intra-group indebtedness and guarantees, no member of the Group had at the close of business on 30 June 2007 any outstanding loan capital (including loan capital created but unissued), term loans or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, obligations under finance leases, guarantees or other contingent liabilities.

21 Exchange rates

Monthly income statements and other period statements of overseas operations are translated at the relevant rate of exchange for that month.

Except for the balance sheet which is translated at the closing rate, each line item in these Consolidated Financial Statements represents a weighted average rate.

	Sterling to Euro		Euro to Sterling	
	Period ended 30 June	2006	Period ended 30 June	2006
Weighted average reported rate for revenue	1.483	1.458	0.674	0.686
Weighted average reported rate for operating profit	1.466	1.449	0.682	0.690
Period end rate	1.480	1.462	0.676	0.684