

PRELIMINARY ANNOUNCEMENT 2006

AVIS

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AVIS GROUP

PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2006

Avis Europe plc, a leading car rental company in Europe, Africa, the Middle East and Asia, announces preliminary results for the year ended 31 December 2006.

Operating Highlights

- Good volume growth; continuing competitive pricing; higher fleet costs
- Re-structuring programme benefits ahead of expectations; exceptional costs lower
- Revenue management investment assisted further utilisation improvement
- Customer service initiatives to improve speed, transparency and choice
- New web-site launched; internet reservations at 28.7%, up 4.4%
- Further strong Avis licensee results
- Budget turnaround continues

Financial Highlights

- Revenue up 4.8% to €1,337 million
- Avis billed days up 5.9%, revenue per day 1.4% lower
- Underlying¹ profit before tax increased to €38.9 million (2005: €37.8 million)
- Net exceptional pre-tax charge of €28.9 million – primarily restructuring costs. Certain re-measurement items and economic hedges net gain of €0.7 million
- Total profit before tax €10.7 million (2005²: €20.1 million)
- Underlying¹ earnings per share 3.0 euro cents (2005: 3.4 euro cents)
- Total earnings per share 0.5 euro cents (2005²: 1.5 euro cents)
- Overall expectations for 2007 remain broadly unchanged

1 Underlying excludes exceptional items, certain re-measurement items and economic hedges.

Underlying is not a defined term under IFRS, and is not intended to be a substitute for, or superior to, IFRS measures of profit.

2 2005 restated following the application of the amendment to IAS 21

Murray Hennessy, Group Chief Executive, said:

“We are making good progress in implementing our strategy, which comprises: reducing cost; implementing revenue management to improve price, yield and utilisation; targeting our most profitable customer groups; and tight control of fleet.

Market conditions in the industry remain difficult. However, we believe we have the right strategy and are making good progress implementing our key initiatives. This progress has helped us to deliver results ahead of expectations for 2006 and our outlook for continued progress in 2007 remains unchanged.

However, looking further ahead, the external environment has been, and is expected to continue to be, more difficult than we assumed two years ago and no longer supports the guidance we gave in 2005 regarding margin improvement.”

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STRATEGY

The Group continues to progress a four part strategy to improve its margin and return on capital in the medium term, whilst further strengthening its position as a market leader.

The four main elements of the strategy are as follows:

- Rigorous cost reduction
- Implementing revenue management to improve price / yield and utilisation
- Target most profitable customer groups
- Tight control of fleet

An update in respect of each of these elements is set out below.

Rigorous cost reduction

The Group has largely completed a significant organisational re-structuring and re-design of key processes to address fixed costs. This comprised a reduction in staff and running costs at the European headquarters; 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; and a number of staff and overhead cost reductions in country head offices. These changes have created a more effective and efficient business. Savings in 2006 were ahead of expectations at €1 million and are expected to increase to €5 million in 2007. Exceptional restructuring costs of €6 million in 2006 were lower than anticipated. Final costs of the programme in 2007 are expected at some €10 million.

The restructuring of the UK and German pension schemes has been completed. In the UK, the Final Salary section of the plan will close to future service accruals from 1 April 2007 and future service benefits will accrue under the Retirement Capital (“cash balance”) section of the Plan. In Germany, future service benefits will be based on career average salaries, rather than total earnings, and is closed to new entrants.

There are significant cost pressures facing the industry, specifically from fleet suppliers and more generally from inflationary increases in areas such as staff costs. Therefore, cost reduction will remain a core focus of management, even after the re-structuring programme. Other areas where there is scope to identify further savings include: further channel shift, benefiting from the investment in web-sites and other direct marketing initiatives; and insurance and damage costs.

Implementing revenue management to improve price / yield and utilisation

A revenue management function has been established to improve price / yield and utilisation, and has already assisted in the achievement of the improvement in utilisation in the year. New processes have been designed and applied at European, country and station level. A new demand forecasting system has been developed and implemented through the network. Further investment is now being made in data tools to assist with the fast

implementation of tactical price changes and the optimisation of fleet levels. This represents a significant step change in the way the business is managed on a day-to-day basis.

Target most profitable 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 were implemented at major locations and are now being progressively rolled out across the network. These include: a “meet and greet” vehicle return service using hand-held technology, a new clearer multi-lingual rental agreement and a simplified car choice. To enhance customer loyalty, investment was made in the “Avis Preferred” speed of service programme and in a refresh of key rental stations. In November, the Group launched a significantly enhanced web-site in the UK, which improves ease of use and is designed to increase the number of customers that book directly. The new website will progressively be translated and rolled out across the rest of the Group in 2007, supported by direct marketing. Internet reservations continue to increase, ending the year at 28.7% (December 2005: 24.3%).

Tight control of fleet

Initiatives on yield, utilisation and targeted growth support the Group’s focus on fleet management. The balance between corporately owned, agency and licensee elements of the network continues to be reviewed from a fleet returns perspective.

The above four elements of the strategy all build on the Group’s core strengths: strong global brand, leading market position, diversified customer base and sales channels, worldwide network and leading partnership programmes.

FINANCIAL REVIEW

RESULTS OVERVIEW

Total revenue was up 4.8% at €1,337 million. Underlying profit before tax was €38.9 million (2005: €37.8 million), with good volume growth and improved utilisation performance materially offset by the impact of weaker pricing and inflationary cost pressures, particularly fleet-related. Underlying earnings per share were 3.0 euro cents (2005: 3.4 euro cents).

The net exceptional charge before tax of €28.9 million was largely due to overhead restructuring costs incurred in connection with the project that commenced in late 2005. Total profit before tax, after also allowing for certain re-measurement items and economic hedges, was therefore €10.7 million (2005: profit before tax €20.1 million) and total earnings per share were 0.5 euro cents (2005: 1.5 euro cents).

REVENUE OVERVIEW

€million	2006	2005	% change
Corporate	1,263	1,209	4.5%
Licensees	29	25	16.0%
Avis	1,292	1,234	4.7%
Corporate	36	34	5.9%
Licensees	9	8	12.5%
Budget	45	42	7.1%
Revenue	1,337	1,276	4.8%

Avis Corporate revenue

Revenue from the Avis Corporately-owned business segment was 4.5% ahead of prior year at €1,263 million. The number of rentals increased, with growth in both individual and corporate customer groups, but a small reduction in insurance / leasing. Average rental length increased across all customer groups. As a consequence, overall volume, in terms of billed days, was up 5.9%.

However, revenue per billed day was 1.4% lower. This was driven by the impact of the longer average rental length, together with generally lower underlying pricing, partly mitigated by favourable customer mix as the proportion of insurance/leasing business diminished.

The analysis of customers by type has been reclassified to more closely align the groupings with the Group's business strategy. The new classification analyses our business into the following customer types: individuals, corporate and insurance/leasing.

Individual

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

Full year revenue grew compared to prior year, benefiting from promotions around the World Cup and Winter Olympics, but affected by travel disruption at London Heathrow due to the tighter security arrangements.

Corporate

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

Corporate revenue grew, particularly with strong growth in France and Italy; billed days were up on strong demand, but overall pricing was lower, partly reflecting an increase in average rental length.

Insurance / Leasing

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

Revenue for the year was down, but whilst it was lower in the first half, reflecting the withdrawal from some lower margin accounts, it was positive in the second half, benefiting from certain new key contracts, particularly in the UK.

Avis Licensee revenue

Overall revenue from licensee countries grew by 16.0% with double-digit growth across all regions and above average growth from the Middle East and Asia.

Budget Corporate revenue

Budget Corporate revenue of €36 million was 5.9% ahead of prior year through continued good growth in the UK and France.

Budget Licensee revenue

Budget Licensee revenue of €9 million was 12.5% ahead of prior year. There was continued growth in network revenues across the EMEA region, especially in the Middle East and Africa.

PROFIT OVERVIEW

€million	2006	2005	% change
Corporate	131.9	130.8	0.8%
Licensee	26.3	23.1	13.9%
Avis	158.2	153.9	2.8%
Corporate	(6.9)	(8.4)	17.9%
Licensee	2.1	1.5	40.0%
Budget	(4.8)	(6.9)	30.4%
Unallocated	(47.8)	(47.1)	(1.5)%
Group underlying operating profit	105.6	99.9	5.7%
Amounts excluded from underlying	(27.7)	(18.5)	(49.7)%
Group total operating profit	77.9	81.4	(4.3)%

Underlying operating profit was €105.6 million (2005: €99.9 million), including a €4.8 million loss from Budget (2005: loss €6.9 million). After adjusting for €28.9 million of net exceptional charges and a €1.2 million gain on foreign exchange derivatives, total operating profit was €77.9 million (2005: €81.4 million).

Avis operating result

Underlying Avis operating profit of €158.2 million compared to €153.9 million in the prior year. This, when combined with an increase in unallocated costs of €0.7 million, to €47.8 million, resulted in an underlying operating profit of €110.4 million, compared to €106.8 million in the prior year.

Underlying operating margin, after deducting unallocated costs, was 0.1% lower at 8.5%. Good volume growth and the initial benefits from the re-structuring programme were offset by lower pricing and cost increases ahead of inflation.

Operating costs increased by €3.1 million or 4.7% to €1,179.0 million:

Fleet costs were up €35.5 million (or 8.7%). Running costs, adjusted for the increase in volume, improved primarily through lower insurance expense. However, vehicle holding

costs increased ahead of volume growth, reflecting an increase in operating lease vehicles (the interest element of which effectively switches to fleet cost from net finance cost) and more difficult fleet market conditions. This effect was partially mitigated by an improvement in utilisation of 0.8 percentage points, benefiting from both the revenue management initiative and an increase in rental length.

Selling costs were €6.6 million lower (or (8.1%)), due to the significant recovery strategy initiative expenditure in the prior year and the full year effect of lower travel agent fees on pre-contracted corporate rentals.

Revenue related costs increased by €4.0 million (or 4.2%), mainly due to the increase in rental volumes and a rise in certain airport commission rates.

Rental related costs increased by €6.6 million (or 6.9%), largely as a consequence of higher fuel costs impacting both transportation and the provision of fuel to customers, together with the increase in rental volumes.

Staff costs increased by €1.8 million (or 4.3%), mainly driven by inflationary increases and higher incentive payments. Average staff employed rose slightly, as improvements from productivity and the overhead re-structuring programme were more than offset by development of the Group's revenue management and web-site capabilities.

Overheads were up €1.9 million (or 1.1%), with the prior year benefiting from a €3.8 million gain on disposal of properties. The savings from the overhead restructuring programme were largely offset by higher property costs and largely volume-related increases in IT costs.

Avis Licensee operating profit of €26.3 million was 13.9% ahead of the prior year, with drivers of the performance being in line with revenue.

Budget operating result

The underlying operating loss of €4.8 million was as anticipated, being €2.1 million lower than the prior year.

Corporate growth has improved, driven by the continued improving performance of the UK and France, combined with overhead cost reduction. Licensee operating profit has improved with the increase in network revenues.

Net finance costs

€million	2006	2005
Underlying net finance costs*	67.2	62.1
Average net debt	1,054	1,096
Effective finance rate	6.3%	5.5%

* Excludes certain re-measurement items and economic hedges, in total a loss of €0.5 million (2005: €0.8 million).

Underlying net finance costs increased year-on-year to €67.2 million. Average net debt was lower in 2006 benefiting from the full year effect of the rights issue proceeds received in mid 2005.

The average finance rate increased year-on-year primarily due to the impact of the new €250 million notes due 2013, that were issued in July 2006. The interest margin applicable to these notes is greater than that of the US \$57.5 million and €25.0 million notes, which were repaid in 2005 and 2006 respectively. Furthermore, additional loss of margin arose on seasonal cash balances towards the end of 2006 as the proceeds of the €250 million notes are held in advance of repayment obligations under the Group's €120.0 million, €25.0 million and US \$102 million notes due in 2007.

Net exceptional charges

Net exceptional charges before taxation of €28.9 million were incurred in the year, summarised as follows:

€million	2006	2005
Restructuring costs	25.3	8.4
Project termination costs	7.4	3.6
Centrus receivables	(0.6)	(3.2)
Capital restructuring and rights issue	-	4.4
Pension scheme amendment	(3.2)	-
Total	28.9	13.2

Lower than expected restructuring costs of €25.3 million were incurred in the year 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 credit 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 costs of €7.4 million have been incurred in 2006 in respect of mitigating action being taken against the contractor, which may lead to a net exceptional credit in future accounting years.

During the year the collection of credit hire receivables in the closed Centrus business again was more successful than anticipated, resulting in an exceptional credit of €0.6 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 (see below).

Certain re-measurement items and economic hedges

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

	Operating profit €million	Finance items €million	Profit before tax €million
Re-measurement gains / (losses) on financial instruments	1.6	(3.1)	(1.5)
Economic hedge adjustments	(0.4)	1.7	1.3
Foreign exchange gain on borrowings	-	0.9	0.9
Total	1.2	(0.5)	0.7

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 in any economically hedged underlying items are also excluded.

Accounting standards as applied also restrict the recognition of borrowings as part of a net investment in foreign operations. Foreign exchange on certain short term borrowings is therefore recognised in the income statement, but is excluded from underlying profit.

Shareholders' funds and returns

At the end of the year, shareholders equity was €88.9 million (2005: €85.8 million). The principal movement in the year was the recognised profit of €2.5 million. This was made up of the profit attributable to equity holders recognised in the income and expenditure statement of €5.0 million partly offset by the net expense of €2.5 million recognised directly in reserves. The principal components of the latter are the adverse movement in the cash flow hedge reserve partially offset by an actuarial gain in respect of the Group's pension schemes recognised in the year.

Underlying earnings per share were 3.0 euro cents (2005: 3.4 euro cents). This change is primarily attributable to the full year impact of the increase in the number of shares as a consequence of the July 2005 rights issue. Total earnings per share were 0.5 euro cents (2005: 1.5 euro cents).

Cash flow/net debt movement

€million	2006	2005
Net cash generated from operating activities before taxation	271.6	177.8
Manufacturer re-purchase contracts:		
Payments	1,252.4	1,469.5
Receipts	(1,130.6)	(1,190.6)
Other fleet related working capital movements	5.8	4.0
Adjusted cash flow from operating activities before taxation	399.2	460.7
Net fleet expenditure*	(343.7)	(504.0)
Cash flow after fleet	55.5	(43.3)
Net non-fleet capital expenditure	(28.0)	(17.6)
Interest and dividends	(65.0)	(60.0)
Taxation	(9.8)	(3.1)
Acquisitions and other	(8.1)	159.0
(Increase) / reduction in net debt	(55.4)	35.0
 Net fleet expenditure is analysed as follows:		
Net charge to the income statement	(309.2)	(319.4)
Change in closing fleet	(63.4)	(55.0)
Movement in fleet working capital	28.9	(132.3)
Exchange and other acquisitions	-	2.7
	(343.7)	(504.0)

* Net fleet expenditure includes cash flows relating to both vehicles subject to re-purchase agreements and risk vehicles and includes new finance leases of €103.2 million (2005: €95.4 million)

Net debt has increased at the year-end by €55.4 million. Adjusted cash flow from operating activities has decreased by €61.5 million compared to 2005, which is primarily due to prior period improvements in non-fleet working capital. These arose principally from reductions in prepayments and trade and other receivables, which have not recurred in the current year.

Total net fleet cash expenditure in 2006 was €343.7 million, a reduction of €60.3 million versus 2005 expenditure. This reduction is largely a consequence of the reversal in the prior year of the fleet working capital position at the end of 2004.

Higher non-fleet capital expenditure in 2006 was driven by investment in the Group's revenue management and web-site development initiatives, plus the refurbishment of a number of the Group's primary rental stations.

Interest payments have increased in line with the Group's underlying income statement net charge. Taxation cash flows have risen as the 2005 payments were reduced by offset or recovery of overpayments made pre-2005.

Acquisitions and others include the benefit of the rights issue proceeds of €166.2 million in the comparative period.

Net debt

€million

	31	
	December	1 January
	2006	2006
Interest bearing assets	139.2	113.8
Debt due within one year	(231.7)	(114.1)
Debt due after one year	(559.2)	(611.6)
Finance leases	(285.2)	(278.1)
Derivative debt instruments	(64.1)	(55.6)
Total net debt	(1,001.0)	(945.6)

Group net debt of €1,001.0 million was €55.4 million higher than the prior year, primarily due to the expansion in the non re-purchase fleet of €41.7 million and manufacturers re-purchase fleet of €24.5 million.

During the year the Group successfully completed the refinancing of a significant portion of its debt. In February 2006 the Company entered into a new 5 year multicurrency Senior Revolving Credit Facility, and in July 2006 the Group issued €250 million Senior Floating Rate Notes due 2013. The Group has used the net proceeds of the notes to repay outstanding indebtedness under the Senior Revolving Credit Facility, the commercial paper programme, and the €25 million Euro Notes that were due in November 2006. The balance of the proceeds were held as interest bearing assets at the year end, and in due course the proceeds will be used to re-finance note obligations of principal €170 million and US\$102 million which are due in 2007.

Interest bearing assets on 31 December were higher than the previous year due to higher levels of collateral in respect of the increased finance lease obligations in France, and short-term cash balances arising from the proceeds of the €250 million Senior Floating Rate Notes as described above.

In addition to net debt, the Group's level of vehicle operating leases also increased in the year. The minimum lease payments for vehicles held under such agreements increased to €3.1 million, compared to €15.3 million in the prior year.

Fleet

The majority of vehicles continue to be subject to manufacturer re-purchase arrangements, which guarantee a disposal value at the end of the holding period, thereby reducing the Group's residual value risk exposure. The split between non-repurchase and re-purchase vehicles is set out below:

€million (net book amount)	2006	2005
Non-repurchase vehicles on fleet	505.7	464.0
Non-repurchase vehicles held for resale	8.4	11.1
Total non-repurchase vehicles	514.1	475.1
Manufacturer re-purchase vehicles	907.3	882.8
Total fleet	1,421.4	1,357.9

In addition to the above, there were 17,110 vehicles held at the year end under non re-purchase operating leases (2005: 9,832). These leased-in vehicles represent 14.5% of the total fleet (2005: 8.9%).

The average number of fleet units operated during the year increased by 5% to 126,000 units. This increase is a consequence of the increase in rental volumes (number of billed days increasing by 5.9%) partly offset by the improvement in average fleet utilisation (an increase of 0.8 percentage points).

Pensions

The Group operates both funded and unfunded defined benefit pension and statutory termination schemes, as well as defined contribution schemes.

Funded defined benefit schemes

The principal funded scheme is that in the United Kingdom. The difference between the market value of all funded scheme assets and the actuarial value of the funded scheme liabilities at 31 December 2006 was a deficit of €80.1 million (2005: €82.1 million).

The fair value of funded scheme assets has increased €6.3 million (2005: €1.7 million) in the year. This reflects the increased funding contributions from the Group, whereas the prior year increase was primarily the result of an actuarial gain on the scheme assets. The present value of funded scheme obligations has increased €14.3 million (2005: €3.2 million) largely in line with expectations with an actuarial loss of €1.5 million (2005: €4.1 million). The Final Salary section of the UK Plan will close to future service accruals from 1 April 2007 and future service benefits will accrue under the Retirement Capital ('cash balance') section of the Plan.

Unfunded defined benefit schemes

The principal unfunded scheme is held in Germany. The actuarial value of all unfunded scheme liabilities was €41.9 million (2005: €47.2 million). The reduction in the deficit is primarily due to an exceptional past service 'gain' of €3.2 million (2005: €nil), arising from amendments to the scheme in Germany, where future service benefits from 1 July 2006 will be based on career average base salaries only, rather than total earnings in the best three out of the last ten years. The deficit was further reduced by actuarial gains of €5.0 million (2005: €8.4 million).

The underlying charge in the income statement for defined benefit schemes was €13.8 million (2005: €13.2 million).

OUTLOOK

Overall expectations for 2007 remain unchanged. Volume growth trends are expected to continue at similar levels to those achieved in 2006. The current planning assumption is that rate will be broadly flat, although at this time, there is the usual limited visibility on pricing over the full year.

Fleet costs have risen above general inflation, reflecting continuing difficult market conditions. The Group intends to mitigate this margin pressure by a further improvement in utilisation, driven by the revenue management initiatives, together with the benefits from the overhead restructuring programme and the focus on cost reduction initiatives.

However, looking further ahead, the external environment has been, and is expected to continue to be, more difficult than we assumed two years ago and no longer supports the guidance we gave in 2005 regarding margin improvement.

Preliminary Announcement

for the year ended 31 December 2006

Basis of preparation

The preliminary results for the year ended 31 December 2006 have been extracted from audited accounts which have not yet been delivered to the Registrar of Companies. They have been prepared on the basis of the accounting policies set out in the Group's 2005 Financial Statements, all of which have been applied consistently throughout the year and preceding year, except for the adoption of IAS 21 (Revised) (see below). The statutory accounts of the Company for the year ended 31 December 2005, on which the auditors have given an unqualified opinion, have been filed with the Registrar of Companies. The financial information set out in this Preliminary Announcement does not constitute statutory accounts for the year ended 31 December 2006 or 31 December 2005 within the meaning of section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2006 is derived from the statutory accounts for that year. The report of the auditors on the statutory accounts for the year ended 31 December 2006 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

The Group's income statement, statement of recognised income and expense, and notes thereto separately identify the effects of items which are 'exceptional', and certain re-measurement items, in order to provide readers with a clear and consistent presentation of the Group's underlying performance:

- a) In accordance with IAS 1 'Presentation of Financial Statements', certain items which are material to the result for the period and are of a non-recurring nature are presented separately. Items which have been considered material and non-recurring in nature are set out in Note 3 of this announcement. Such a presentation will be followed on a consistent basis in future periods. Items are considered material if their omission or misstatement, could in the opinion of the Directors, individually or collectively, affect the true and fair presentation of the Financial Statements.
- b) The re-measurement items which are separately identified within the financial information comprise items that represent the re-measurement of underlying assets or liabilities (for example due to interest rate or exchange rate changes) are presented as re-measurement items. Events which may give rise to the classification of these re-measurement items include the recognition of certain fair value gains and losses on financial assets and liabilities, certain exchange gains and losses, and items recognised in the statement of recognised income and expense.

Since 1 January 2005, 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. Until 31 December 2004, the Group prepared Consolidated Financial Statements in accordance with UK GAAP.

Preliminary Announcement

for the year ended 31 December 2006

Basis of preparation (continued)

In December 2005 the International Accounting Standards Board issued additional clarification and revisions to IAS 21, The Effects of Changes in Foreign Exchange Rates. The clarification states that the net investment definition includes loans between "sister" companies, and the revision also permits certain inter-company items denominated in any currency to be included within a net investment in a foreign operation. The revision to IAS 21 was endorsed by the European Commission in May 2006. Following this endorsement the Group has concluded it is able to apply a net investment hedge to certain inter-company loans. Comparative amounts have been restated accordingly.

The comparative amounts in respect of foreign exchange on debt recognised in the income statement have been reduced with a corresponding increase in the amount recorded in the statement of recognised income and expense. In the year ended 31 December 2005, the restatement reduced the foreign exchange amount recognised in the income statement from a gain of €0.6 million to a loss of €0.1 million with a corresponding reduction in the tax charge from €0.9 million to €8.0 million. These restatements, in conjunction with an opening reserves reclassification at 1 January 2005 of €0.1 million, reduce opening retained earnings as at 1 January 2006 by €6.9 million with a corresponding increase in other reserves of €6.9 million.

If the clarification had not been applied in the current year, the amount in respect of foreign exchange on debt recognised in the income statement would have increased from a gain of €0.9 million to a gain of €7.1 million with a corresponding increase in the taxation charge from €5.7 million to €7.6 million. These adjustments would be offset by corresponding adjustments in the statement of recognised income and expense whereby there would have been an increase in the loss in respect of foreign exchange differences on translation of foreign operations, and a decrease in the tax credit on net items taken to equity. There would be no impact on the Group's underlying result for the year and shareholders' equity.

Consolidated Income Statement

for the year ended 31 December

	Notes	2006			2005		
		Underlying ¹	Amounts excluded from underlying	Total	Underlying ¹	Amounts excluded from underlying as restated ²	Total as restated ²
		€m	€m	€m	€m	€m	€m
Revenue	1	1,337.1	-	1,337.1	1,276.5	-	1,276.5
Cost of sales		(748.3)	-	(748.3)	(709.3)	-	(709.3)
Gross profit		588.8	-	588.8	567.2	-	567.2
Administrative expenses		(483.2)	(27.7)	(510.9)	(467.3)	(18.5)	(485.8)
Operating profit	1,2	105.6	(27.7)	77.9	99.9	(18.5)	81.4
Finance revenue	4	4.3	1.8	6.1	1.9	-	1.9
Finance costs	4	(71.5)	(3.2)	(74.7)	(64.0)	0.9	(63.1)
Foreign exchange on net debt	4	-	0.9	0.9	-	(0.1)	(0.1)
Share of profit of joint venture and associate		0.5	-	0.5	-	-	-
Profit before taxation		38.9	(28.2)	10.7	37.8	(17.7)	20.1
Taxation	5	(11.2)	5.5	(5.7)	(10.2)	2.2	(8.0)
Profit for the year		27.7	(22.7)	5.0	27.6	(15.5)	12.1
Attributable to:							
- equity holders of the Company		27.7	(22.7)	5.0	27.3	(15.5)	11.8
- minority interest		-	-	-	0.3	-	0.3
Profit for the year		27.7	(22.7)	5.0	27.6	(15.5)	12.1
Earnings per share (euro cents)							
Basic and diluted	7			0.5			1.5

¹ Underlying excludes exceptional items, certain re-measurement items and economic hedges.

² Restated following the change to IAS 21 - see Basis of Preparation.

The accompanying Notes form an integral part of this Preliminary Announcement.

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December

	2006			2005			
	Notes	Underlying ¹	Amounts excluded from underlying	Total	Underlying ¹	Amounts excluded from underlying as restated ²	Total as restated ²
		€m	€m	€m	€m	€m	€m
Actuarial gains/(losses) on retirement benefit obligations		-	2.9	2.9	-	(38.1)	(38.1)
Cash flow hedges:							
-net fair value (losses) / gains		-	(11.1)	(11.1)	-	6.1	6.1
-transferred to income statement		-	5.4	5.4	-	4.9	4.9
Exchange differences on translation of foreign operations		-	(1.2)	(1.2)	-	0.4	0.4
Tax on net items taken to equity		-	1.5	1.5	-	2.9	2.9
Net expense recognised directly in equity		-	(2.5)	(2.5)	-	(23.8)	(23.8)
Profit for the year		27.7	(22.7)	5.0	27.6	(15.5)	12.1
Total recognised income and expense for the year		27.7	(25.2)	2.5	27.6	(39.3)	(11.7)
Impact of adoption of IAS 32 and IAS 39	8	-	-	-	-	(11.3)	(11.3)
Changes in equity - other than those arising from transactions with equity holders in their capacity as equity holders		27.7	(25.2)	2.5	27.6	(50.6)	(23.0)
Total recognised income and expense for the year is attributable to:							
- equity holders of the Company		27.7	(25.2)	2.5	27.9	(39.3)	(11.4)
- minority interest		-	-	-	(0.3)	-	(0.3)
Total recognised income and expense for the year		27.7	(25.2)	2.5	27.6	(39.3)	(11.7)

¹ Underlying excludes exceptional items, certain re-measurement items and economic hedges.

² Restated following the change to IAS 21 - see Basis of Preparation.

The accompanying Notes form an integral part of this Preliminary Announcement.

Consolidated Balance Sheet

at 31 December

	Notes	2006 €m	2005 as restated ¹ €m
Goodwill		7.9	7.8
Other intangible assets		7.9	5.0
Property, plant and equipment:			
-vehicles		505.7	464.0
-other property, plant and equipment		85.3	85.4
Investments accounted for using the equity method		10.2	10.6
Other financial assets:			
-available for sale investments		0.7	0.6
-derivative financial instruments		6.8	-
Deferred tax assets		70.5	60.7
Non-current assets		695.0	634.1
Non-current assets held for sale		8.4	11.1
Inventories		7.4	7.0
Trade and other receivables		1,358.6	1,331.6
Current tax assets		6.0	3.8
Other financial assets:			
-held for trading		22.6	15.0
-derivative financial instruments		4.5	3.1
Cash and short-term deposits		116.6	98.8
Current assets		1,515.7	1,459.3
Total assets		2,219.1	2,104.5
Trade and other payables		671.2	657.4
Current tax liabilities		29.3	30.3
Obligations under finance leases		283.2	276.2
Other financial liabilities:			
-borrowings		231.7	114.1
-deferred consideration		0.3	0.3
-derivative financial instruments		31.3	6.6
Current liabilities		1,247.0	1,084.9
Deferred tax liabilities		59.5	52.4
Provisions		64.6	52.3
Retirement benefit obligations		122.0	129.3
Obligations under finance leases		2.0	1.9
Other financial liabilities:			
-borrowings		559.2	611.6
-deferred consideration		32.7	32.7
-derivative financial instruments		42.3	52.8
Non-current liabilities		882.3	933.0
Total liabilities		2,129.3	2,017.9
Net assets		89.8	86.6
Equity			
Called-up share capital		13.1	13.1
Share premium		381.5	381.5
Own shares held		(0.7)	(1.1)
Retained earnings		(290.5)	(299.0)
Other reserves		(14.5)	(8.7)
Shareholders' equity	8	88.9	85.8
Minority interest		0.9	0.8
Total equity		89.8	86.6

¹ Restated following the change to IAS 21 - see Basis of Preparation.

The accompanying Notes form an integral part of this Preliminary Announcement.

Consolidated Cash Flow Statement

for the year ended 31 December

	Notes	2006 €m	2005 €m
Operating profit		77.9	81.4
Reverse depreciation on property, plant and equipment		180.5	152.3
Reverse amortisation of other intangible assets		5.2	1.3
Reverse adjustments arising on differences between sales proceeds and depreciated amounts		(23.6)	(10.7)
Reverse operating goodwill impairment		0.3	0.5
Reverse non-cash operating lease charge on manufacturer re-purchase contracts		171.4	190.4
Payments with respect to manufacturer re-purchase contracts		(1,252.4)	(1,469.5)
Receipts with respect to manufacturer re-purchase contracts		1,130.6	1,190.6
Reverse share-based payment charges		0.2	0.4
Increase in inventories		(0.4)	(0.8)
(Increase) / decrease in receivables		(20.3)	45.2
Decrease in payables		(3.8)	(14.2)
Increase in provisions		12.0	8.2
(Decrease) / increase in retirement benefit obligations		(4.8)	3.2
Reverse net re-measurement (gains) / losses on non-debt related derivative financial instruments	2	(1.6)	4.1
Cash flow on derivative financial instruments - non-debt		0.4	(2.9)
Cash flow on termination of operation		-	(1.7)
Net cash generated from operating activities before taxation		271.6	177.8
Tax paid		(9.8)	(3.1)
Net cash generated from operating activities		261.8	174.7
Investing activities			
Purchase of other intangible assets		(8.1)	(3.6)
Purchase of vehicles		(492.6)	(495.6)
Proceeds on disposal of vehicles		294.3	282.5
Purchase of other property, plant and equipment		(21.7)	(19.1)
Proceeds on disposal of other property, plant and equipment		2.1	5.1
Proceeds on disposal of non-current assets held for sale		85.4	87.3
(Purchase) / disposal of financial assets held for trading	9a),b)	(8.2)	58.4
Acquisitions		(0.3)	(1.3)
Net cash used in investing activities		(149.1)	(86.3)
Financing activities			
Net proceeds from the issue of share capital		-	166.2
Finance revenue received		4.3	1.9
Finance costs paid		(57.6)	(51.4)
Finance cost element of finance lease payments		(11.7)	(10.5)
Net capital element of finance lease payments	9a),b)	(97.3)	(92.7)
Cash flow on derivative financial instruments - debt	9a),b)	(4.8)	(8.0)
Increase / (decrease) in bank and other loans	9a),b)	80.7	(34.8)
Net cash used in financing activities		(86.4)	(29.3)
Increase in cash and cash equivalents (excluding exchange rate changes)		26.3	59.1
Effects of exchange rate changes	9a),b)	0.6	1.8
Net increase in cash and cash equivalents		26.9	60.9
Cash and cash equivalents at 1 January	9a)	86.4	25.5
Cash and cash equivalents at 31 December		113.3	86.4

The accompanying Notes form an integral part of this Preliminary Announcement.

Notes to the Preliminary Announcement

for the year ended 31 December

1 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

Revenue

	2006	2005
	€m	€m
Avis Corporate	1,262.7	1,209.6
Avis Licensees	29.0	25.1
Avis	1,291.7	1,234.7
Budget Corporate	36.6	33.6
Budget Licensees	8.8	8.2
Budget	45.4	41.8
Total Group	1,337.1	1,276.5

There are immaterial sales between the business segments.

Operating profit

	2006			2005		
	Underlying ¹	Amounts excluded from underlying	Total	Underlying ¹	Amounts excluded from underlying	Total
	€m	€m	€m	€m	€m	€m
Avis Corporate	131.9	(8.4)	123.5	130.8	(4.1)	126.7
Avis Licensees	26.3	-	26.3	23.1	-	23.1
Avis	158.2	(8.4)	149.8	153.9	(4.1)	149.8
Budget Corporate	(6.9)	(1.6)	(8.5)	(8.4)	-	(8.4)
Budget Licensees	2.1	-	2.1	1.5	-	1.5
Budget	(4.8)	(1.6)	(6.4)	(6.9)	-	(6.9)
Unallocated	(47.8)	(17.7)	(65.5)	(47.1)	(14.4)	(61.5)
Operating profit	105.6	(27.7)	77.9	99.9	(18.5)	81.4

¹ See Basis of Preparation.

Unallocated operating profit primarily comprises head office expenses.

No adjustment is made between segments to recharge the value of the overall Avis/Budget goodwill, brand or licence rights. Avis goodwill of €1,080.4 million arising before 1 March 1998 was fully written off to reserves, and Budget goodwill of €33.9 million arising on 12 March 2003 has been fully impaired and charged to the income statement in previous periods. Had the value of goodwill, brand or licence rights been charged to the segments, the individual segment results would be materially affected. No adjustment is made between segments to allocate the value of goodwill written off to reserves in previous periods.

2 Operating profit

	2006	2005
	€m	€m
Operating profit is stated after charging/(crediting):		
<i>Net amounts excluded from underlying¹:</i>		
Re-measurement gains on non-debt related derivative financial instruments ²	(2.2)	(3.1)
Re-measurement losses on non-debt related derivative financial instruments ²	0.6	7.2
	(1.6)	4.1
Economic hedging adjustment on foreign exchange	0.4	1.2
Total net exceptional items (see Note 3)	28.9	13.2
Total net exceptional items, certain re-measurement items and economic hedge adjustments	27.7	18.5

¹ See Basis of Preparation.

² Net re-measurement gains on non-debt related derivative financial instruments of €1.6 million (2005: losses of €4.1 million), comprises realised gains of €1.0 million (2005: losses of €3.7 million) and unrealised gains of €0.6 million (2005: losses of €0.4 million).

3 Net exceptional items

	2006	2005
	€m	€m
Exceptional administrative expenses:		
a) Restructuring costs	25.3	8.4
b) Project termination costs	7.4	3.6
c) Pension scheme amendment	(3.2)	-
d) Centrus receivables	(0.6)	(3.2)
e) Capital restructuring and rights issue	-	4.4
	28.9	13.2
Net exceptional items before tax	28.9	13.2
Current tax credit on net exceptional items	(6.0)	(1.3)
Deferred tax charge on net exceptional items	0.3	-
Net exceptional items after tax	23.2	11.9

- a) Restructuring costs of €25.3 million (2005: €6.4 million) were incurred in the year 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 are net of exceptional pension curtailments of €1.2 million (2005: nil). Restructuring costs of €2.0 million in 2005 were also incurred in connection with the transfer of back-office functions to the Group's shared service centre in Budapest.
- b) Following the Group's decision in 2004 to terminate the agreement with the principal contractor on the IT back-office project, additional termination costs of €7.4 million (2005: €3.6 million) have been recognised in 2006, primarily arising from the mitigating action being taken against the termination costs, which may lead to a net credit in future accounting periods.
- c) 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 (2005: nil).
- d) During the current and prior year, 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 €0.6 million (2005: €3.2 million), reflecting a partial reversal of the receivable write-offs and adjustment of reorganisation provisions made in previous years.
- e) In 2005, various professional, legal and consultancy costs were incurred in conjunction with the Company's capital restructuring and the rights issue. Where such costs were not directly attributable to the issue of new shares, or the drawing down of new debt facilities, they were recognised in the income statement as exceptional items.

4 Finance revenue, finance costs and foreign exchange on net debt

	2006			2005		
	Underlying ¹	Amounts excluded from underlying	Total	Underlying ¹	Amounts excluded from underlying as restated ²	Total as restated ²
	€m	€m	€m	€m	€m	€m
Finance revenue	4.3	1.8	6.1	1.9	-	1.9
Finance costs	(71.5)	(3.2)	(74.7)	(64.0)	0.9	(63.1)
Foreign exchange gain / (loss) on net debt²	-	0.9	0.9	-	(0.1)	(0.1)
Net finance costs	(67.2)	(0.5)	(67.7)	(62.1)	0.8	(61.3)

¹ See Basis of Preparation.

² Restated following the change to IAS 21 - see Basis of Preparation.

5 Taxation

Analysis of tax charge/(credit)

	2006			2005		
	Underlying ¹	Amounts excluded from underlying	Total	Underlying ¹	Amounts excluded from underlying as restated ²	Total as restated ²
	€m	€m	€m	€m	€m	€m
Current UK tax	5.9	(3.8)	2.1	5.0	(1.4)	3.6
Current foreign tax	5.8	(2.1)	3.7	4.5	(0.6)	3.9
Total current tax	11.7	(5.9)	5.8	9.5	(2.0)	7.5
Total deferred tax	(0.5)	0.4	(0.1)	0.7	(0.2)	0.5
Total taxation	11.2	(5.5)	5.7	10.2	(2.2)	8.0

¹ See Basis of Preparation.

² Restated following the change to IAS 21 - see Basis of Preparation.

6 Dividends

The Directors do not propose the payment of an interim or final dividend for the year ended 31 December 2006 (2005: nil).

7 Earnings per share

a) Basic and diluted

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

Earnings	2006 €m	2005 €m	2006 £m	2005 £m
Earnings for the year attributable to equity holders of the Company	5.0	11.8	3.4	8.1

Earnings per share	2006 Euro cents	2005 Euro cents	2006 Sterling pence	2005 Sterling pence
Basic and diluted earnings per share	0.5	1.5	0.4	1.0

The weighted average number of shares in issue for the year was 920,041,073 (2005: 808,293,280).

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 2005 or 2006. 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 year end.

b) Underlying

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

Earnings	2006 €m	2005 €m	2006 £m	2005 £m
Underlying earnings for the year attributable to equity holders of the Company	27.7	27.3	19.1	18.6

Earnings per share	2006 Euro cents	2005 Euro cents	2006 Sterling pence	2005 Sterling pence
Basic and diluted underlying earnings per share	3.0	3.4	2.1	2.3

8 Reconciliation of movements in shareholders' equity

	2006 €m	2005 €m
Profit for the year attributable to the equity holders of the Company	5.0	11.8
Net expense recognised directly in equity (see statement of recognised income and expense)	(2.5)	(23.8)
Total recognised income and expense attributable to equity holders of the Company	2.5	(12.0)
Increase in equity reserve arising from charge to income for share options in the year	0.2	0.4
Net proceeds of share issue	-	166.2
Own shares released on vesting of share awards	0.4	0.5
Net increase in shareholders' equity	3.1	155.1
At 1 January (2005 as initially reported)	85.8	(58.0)
Impact of adoption of IAS 32 and IAS 39	-	(11.3)
At 1 January (2005 as restated)	85.8	(69.3)
At 31 December	88.9	85.8

9 Notes to the consolidated cash flow statement

a) Analysis of changes in net debt

	At 1 January 2006 €m	Cash flow €m	Other non-cash movements €m	Exchange movements €m	At 31 December 2006 €m
Cash and short-term deposits	98.8	17.2	-	0.6	116.6
Bank overdrafts	(12.4)	9.1	-	-	(3.3)
Cash and cash equivalents	86.4	26.3	-	0.6	113.3
Current assets - held for trading	15.0	8.2	-	(0.6)	22.6
Obligations under finance leases	(278.1)	97.3	(103.2)	(1.2)	(285.2)
Borrowings (excluding overdrafts)	(713.3)	(80.7)	6.6	(0.2)	(787.6)
Derivative debt instruments	(55.6)	4.8	(13.5)	0.2	(64.1)
Net debt	(945.6)	55.9	(110.1)	(1.2)	(1,001.0)

Cash flow on borrowings includes the receipt of €250.0 million Senior Floating Rate Notes due 2013 and repayment of €25.0 million loan notes issued in November 2001.

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

9 Analysis of changes in net debt (continued)

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

	2006	2005
	€m	€m
Movement in net debt resulting from cash flows	55.9	136.2
New finance leases	(103.2)	(95.4)
Re-measurement adjustments	(6.9)	5.1
Exchange movements	(1.2)	(10.9)
Total movement in net debt	(55.4)	35.0
Net debt at 1 January	(945.6)	(980.6)
Net debt at 31 December	(1,001.0)	(945.6)

10 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 this Preliminary Announcement represents a weighted average rate.

	Sterling to Euro		Euro to Sterling	
	Year ended		Year ended	
	31 December		31 December	
	2006	2005	2006	2005
Weighted average reported rate for revenue	1.467	1.461	0.682	0.685
Weighted average reported rate for operating profit	1.463	1.465	0.684	0.683
Year end rate	1.492	1.480	0.670	0.676