

# Avis Europe. Resilience.



Avis Europe reported a strongly resilient underlying trading performance in 2008, despite the deteriorating economic environment and weak used car markets. Brand leadership, service differentiation and geographic diversification supported volumes. Rigorous revenue management and pricing actions helped to deliver a further 0.7%\* improvement in rental revenue per day. Avis Europe achieved a significant reduction in the fixed cost base thereby delivering an underlying operating margin ahead by 0.6% points.

\* At constant currency.

Underlying operating margin ahead by **0.6%** points.

# Revenue management in action - Maximising price, yield and utilisation.



Manager of Avis Heathrow, UK, Paul Lewis is an enthusiastic user of the revenue management system, and has been working with it since the beginning of 2006.

This 3-year programme commenced in 2005 and represented a significant step change in the way the business is managed on a day-to-day basis. Applied at European, country and station level, it has involved the implementation of a demand forecasting system, as well as data tools to enable faster implementation of tactical price changes and the optimisation of fleet levels. After 3 years, the conclusion is very positive...

**P. LEWIS:**

“The Revenue Management system makes recommendations in terms of maximising revenue and pricing opportunities. The information it provides enables the user to see opportunities to stimulate demand or make in-fleeting or de-fleeting decisions. It brings real operational discipline to the pricing function and also to other areas such as utilisation. It brings a more disciplined way of working across the entire network and is particularly important in terms of implementing the strategy.”

**AVIS**<sup>®</sup>



# Key figures.

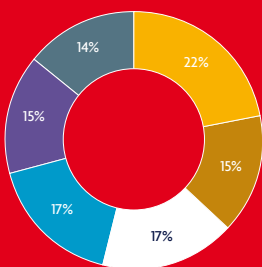
Strongly resilient performance in 2008, despite deteriorating trading environment. | Brand leadership, service differentiation and geographic diversification supported volumes. | Further improvement in rental revenue per day (up 0.7% at constant currency – 1.2% lower at reported currency) resulting from rigorous revenue management and pricing actions. | Continuing positive performance by Licensees. | Increased fleet costs mainly due to weak used car markets, particularly in Spain and the UK. | Significant reduction in fixed cost base and maximised business flexibility to protect operating margin. Underlying operating margin ahead by 0.6% points to 8.6%. | External sales just 1.0% lower at EUR 1,311.3 million. | Current operating result up 5.8% to EUR 112.7 million. | Current result before tax, group's share, up 2.3% to EUR 22.5 million.

FINANCIAL HIGHLIGHTS (EUR million)	2008	2007	CHANGE
External sales	1,311.3	1,324.7	-1.0%
Current operating result	112.7	106.5	5.8%
Current operating margin	8.6%	8.0%	-
Current net finance costs	-75.1	-69.7	7.7%
Current result before tax	37.6	36.8	2.2%
Current result before tax, group's share	22.5	22.0	2.3%
Unusual items & re-measurements, before tax	-278.4	-42.0	-

Note: the average shareholding used for consolidation of the result of Avis Europe in 2008 is 59.74% (59.72% in 2007).



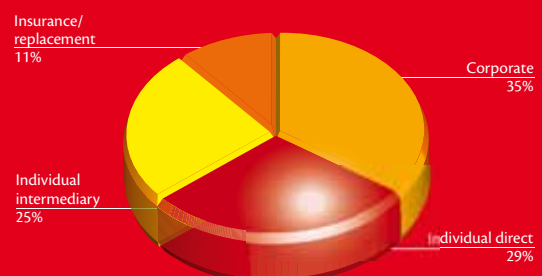
## GEOGRAPHICAL SALES BREAKDOWN



PERFORMANCE INDICATORS	CHANGE
Rentals	-0.3%
Rental length	0.4%
Billed days	0.1%
Rental revenue per day <sup>1</sup>	0.7%

1. At constant currency.

GEOGRAPHICAL SALES EVOLUTION	CHANGE
● France	-2%
● Spain	-8%
● Italy	4%
● Germany	6%
● UK	0%
● Other	-



## Key events 2008.

### EXPANSION IN CHINA.

**| 01 | | 02 |** In 2008 Avis opened new rental stations in 7 Chinese cities and reinforced its presence in existing cities with the opening of new terminals in both Shanghai and Beijing airports. Avis China plans to continue to strengthen its network in 2009. Airport transfers and chauffeur drive options, as well as rent-a-car with or without driver, are now bookable throughout the world.

### FURTHER ROLL-OUT OF THE "3-MINUTE PROMISE".

**| 03 | | 04 |** This year, Avis Europe continued the roll-out of the "3- minute promise" which is now operating in 600 stations across corporate operations in six countries in Europe, with a 99% success rate. The service was also launched in the first Licensee country, Poland, at the end of the year. **FURTHER ROLL-OUT OF THE WEBSITE.** **| 05 |** Avis Europe's websites have been significantly enhanced over the past few years, to make them quick and easy to use and to work more effectively with search engines.

The new websites are now operational in 5 major corporate markets and 4 licensees. Internet reservations continue to increase, with a distribution channel share of 31% in 2008. **RENEWAL OF THE PARTNERSHIP WITH SNCF.** **| 06 |**

In March 2008 Avis announced the renewal of its exclusive partnership with SNCF for a further 5-year period. The companies have been working closely together since 1986. **AWARDS.** **| 07 | | 08 |**

Avis Europe again won several important awards across its network, including the Business Travel Award for Middle East, the World Travel Award for Asia's Leading Car Hire Company and the Reader's Digest Award for the most trusted brand 2008. **REINFORCEMENT OF CONNECTIVITY WITH AIRLINES.** **| 09 | | 10 |**

Dedicated reservation websites were launched this year for key airline partners such as TAP, Iberia and Swiss.



01



02



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# Increased flexibility in a tough economy.

## Current result before tax, group's share: EUR 22.5 million, up 2.3%. Strongly resilient performance in 2008, despite deteriorating trading environment.

The following extracts are taken from the 2008 Annual report by Avis Europe plc.

### Activities and results

"Group revenues from continuing operations were ahead by 1.3% on a constant currency basis and just 1.0% lower at EUR 1,313.8 million on a reported basis, with good growth from licensees and in the Budget branded business offset by the impact of currency translation in the Avis corporate business.

Revenue from continuing operations in the Avis corporately-owned business segment was broadly flat, being 0.4% ahead on a constant currency and 1.5% lower than the prior year at EUR 1,221.0 million on a reported basis. For the full year Avis Europe increased billed days volume by 0.1%, driven by an improvement in rental length. Rental revenue per day increased by 0.7% on a constant currency basis. This improvement was mainly due to the benefits of previous investment in revenue management initiatives and pricing actions. Rental revenue per day on a reported basis was 1.2% lower due to translation impacts from sterling and Swiss franc revenue.

Overall revenue from licensee countries grew by 14.7% on a constant currency basis and by 7.3% on a reported basis. Excluding the impact of the licensing of the group's operations in Greece, licensee revenues were 12.4% ahead on a constant currency basis and 4.9% ahead on a reported basis.

Budget Corporate revenue of EUR 43.2 million was 1.4% ahead of prior year with volume growth in all corporate countries. Budget Licensee revenue of EUR 13.0 million was EUR 2.9 million ahead of prior year.

Underlying operating profit on continuing operations increased to EUR 112.7 million (2007: EUR 106.5 million), despite the very tough economic environment. This reflected the improvement in rental revenue per day on a constant currency basis, together with significant cost reductions as a result of strong actions taken by management on the group's ongoing restructuring programme and from translational foreign exchange benefits on the sterling element of the group's cost base. These cost reductions offset the negative impact of weaker used car markets on residual values on non-repurchase cars, particularly in Spain and the UK, as well as purchase price inflation from the car manufacturers (fleet costs increase: EUR 16.4 million or 3.8%). Underlying operating margin on continuing operations was 8.6%, being 0.6% points higher than the prior year, primarily reflecting the improvements in constant currency rental revenue per day and reductions in the cost base.

Net underlying finance costs increased to EUR 75.1 million (2007: EUR 69.7 million) reflecting an increase in average net debt, offset by a reduction in the underlying effective finance rate from 6.7% to 6.2% per annum. The increase in average net debt of continuing operations from EUR 1,004 million to EUR 1,183 million primarily resulted from a reduction in net fleet creditors, offsetting the benefit from disposing of the operation in Greece.

Net exceptional charges before taxation of EUR 27.5 million were incurred in the year. Restructuring costs of EUR 27.6 million included EUR 1.9 million of costs incurred in the first half in respect of a redundancy programme that commenced in December 2007. Restructuring costs of

EUR 25.7 million were then recognised in the second half reflecting a further rationalisation of operations in response to the deterioration in the trading environment, including redundancies, the closure of certain low margin rental locations, and the rationalisation of property with the transfer of the staff of the UK business head-office into the group headquarters building. In the prior year, restructuring costs of EUR 7.1 million were incurred with respect to the redundancy programme commenced in December 2007, and the final elements of a restructuring project commenced in 2005. During 2008, the group recognised an exceptional impairment provision against the goodwill arising on the acquisition of certain licensees in Holland. This followed a reappraisal of the business in conjunction with the restructuring referred to above. In the comparative year, the group acquired the assets of a licensee in Germany and an impairment provision was made in respect of the goodwill arising. In the prior year, the group disposed of its subsidiary in Greece. The group has recognised an exceptional credit of EUR 1.3 million in the current year to reflect the final settlement of a warranty provision.

### Operational review

Following the appointment of Pascal Bazin as Group Chief Executive on 1 January 2008, Avis Europe undertook an initial review of the strategy and decided to place more emphasis on brand leadership and service differentiation, geographic and customer diversification, cost reduction and improving the flexibility of the business model. The company also adopted a stronger operational approach with more emphasis on delivery and accountability, which are fundamental in a service, customer-facing and extensively-networked business, as well as on accelerating benefits from recent investment in initiatives such as revenue management. During the year Avis Europe made very good progress in implementing this strategy, but also in reacting very

quickly, particularly in the second half, as the trading environment weakened.

## Outlook 2009

These actions put Avis Europe in a good position to face the challenges and opportunities of 2009 as recessionary pressures intensify. The company will remain focussed on its key strategic priorities, whilst continuing to benefit further from the flexibility of the business that was demonstrated in 2008. Whilst Avis Europe is anticipating lower volumes, it is tightening fleet capacity and planning a further improvement in pricing and a step-change improvement in utilisation. In addition, the full year benefits of last year's restructuring together with the impact of further cost actions are now being realised.

Avis Europe has ensured that it has sufficient committed liquidity for the next twelve months and, from the actions outlined above, anticipates a positive free cash flow, putting them in a strong position to face successfully the challenges of 2009."

End of extracts.

Having reviewed the carrying value of the company's investment in Avis Europe, the Board of D'Ieteren has decided to recognise an impairment charge of EUR 85 million after taxes, share of the group, in D'Ieteren's consolidated accounts, based on IAS 36 prescriptions, and a charge of EUR 48 million in D'Ieteren's unconsolidated accounts.

The impairment charge of EUR 85 million after taxes corresponds to the share of the group in the EUR 223 million adjustment of the Avis licence rights and the corresponding EUR 67 million impact on deferred taxes.

This impairment, a non-cash charge, does not impact the Group's borrowing arrangements or covenants compliance.

## Renewal of partnership with SNCF. In March 2008 Avis announced the renewal of its exclusive Marketing and Commercial partnership with SNCF, for a further 5-year period to 2013.

The partnership enables Avis and SNCF, both market leaders in France, to continue developing the rapidly-growing "high-speed Train + Car" option, combining the comfort, security and speed of train travel with the flexibility and freedom of hiring a car at the end destination. SNCF customers benefit from Avis' leading customer offer:

- an international network of locations at railway stations;
- a "3-minute promise" speed of service offering customers their rental car keys in less than 3 minutes;
- simultaneous rail and car rental reservations;
- and a 24-hour car rental key pick-up service.



Avis and the SNCF have worked together since 1986.

From 1986 till 1995: Avis and SNCF work in partnership to offer customers a "Train + Car rental" travel solution.

1995: Avis wins the contract for an exclusive Marketing and Commercial partnership for a further five-year period from 1996 to 2000.

2000: Avis wins the contract for a second further five-year period.

2005: SNCF renews the partnership with Avis for a further three years until end 2008.

2008: Avis wins the contract for the third time for the period 2009-2013.

# Trying even harder...

## Avis Europe's Corporate Social Responsibility (CSR) strategy is an integral part of their "We try harder." philosophy.



With regard to the environment, Avis Europe's strategy is to ensure it reduces progressively its CO<sub>2</sub> emissions in its premises, offsets non-reducible emissions and continues to introduce less polluting vehicles

onto the fleet where possible.

On community matters, Avis Europe aims to make a positive contribution to the quality of life in the communities where it operates.

### OUR FLEET

Avis Europe seeks to minimise emissions from its fleet by introducing more environmentally friendly vehicles in more locations. In addition, its vehicles are changed very regularly, which ensures that the latest low emission vehicles are included on the fleet. As a result of these and other changes, a significant proportion of 2008 fleet purchases emitted below the European norm for CO<sub>2</sub> emissions.

In Paris the OKIGO initiative, undertaken jointly with Vinci Park, allows customers who pay a subscription to have an Avis car available 24/7 in one of the many Vinci car parks. During 2008 OKIGO was expanded to 100 cars in 25 stations mainly based in Paris, with a three-fold increase in the number of members to 1,500. Studies show that sharing a car in this way effectively replaces up to eight individual cars. Avis Europe has also signed a partnership with Vinci Park, the Paris Metro and SNCF to facilitate the operation of a public car sharing scheme with 4,000 vehicles in Paris in 2010.

### OUR ENVIRONMENT

Avis Europe remains committed to reducing, where possible, negative impacts on the environment from its operations, of which by far the greatest are greenhouse gas emissions, and to offsetting non-reducible emissions.

Avis Europe's European corporate operations and some of its licensees are CarbonNeutral®. In 2008 emissions from its corporately-owned operations amounted to 14,648 tCO<sub>2</sub>. They focused on developing and completing a series of initiatives to improve environmental performance, including:

- > completing the integration of environmental reporting into financial reporting using a new finance system, which tracks utility use and business travel;
- > undertaking a number of environmental audits of headquarters buildings and major rental locations in the group's main corporately-owned markets;

- > beginning the implementation of the resulting recommendations to achieve further emissions reductions;
- > making better use of resources and making all staff aware of what they can do to reduce energy use;
- > further increasing the use of video-conferencing between the group headquarters in Bracknell and the other country corporate head offices and
- > developing closer links with customer groups to help reduce their environmental impact, including the launch of a bookable "green fleet" and a carbon offset tool for corporate customers.

Avis Europe offset its emissions in 2008 in conjunction with The CarbonNeutral Company. Around 90% of total emissions was offset through renewable energy, independently credited to the Voluntary Carbon Standard; remaining offset was via tree planting; since 2000, it has offset over 118,896 tonnes of CO<sub>2</sub>.

#### OUR COMMUNITY

Avis Europe community investment guidelines provide that it focuses on local environmental improvement and provision of free transport for community activities. In addition to this activity across the corporate and licensee network, it supports UNICEF on a variety of projects.



AVIS EUROPE PLC

Avis Europe also supports initiatives which are particularly important to local staff.

Some of the 2008 projects have included:

- > supporting a road safety project for school children in Germany;
- > collecting food for Christmas on behalf of the NGO Caritas;
- > fundraising for a cancer care charity in the UK;
- > the renovation of a forest path in Hungary;
- > the establishment of a partnership with Action Aid in Italy;
- > fundraising for the Portuguese Community against Aids.

In addition, it supports employee volunteering and fundraising. For example, in Barcelona, the Avis contact centre makes a quarterly contribution where staff commit to voluntary work for a charitable

organisation and, in the headquarters, Avis Europe matches sponsorship funding for individual and team efforts.

