



**Clear improvement  
of the results**  
All sales indicators positive

## Key events in Short-Term Car Rental

### February 2007

As part of its strategy to differentiate the brand and further improve customer service, Avis Europe launches a new “three minute promise” for Avis Preferred Customers.

### May 2007

In order to optimize the structure of its network in line with its strategy to improve margins and returns, Avis Europe announces the sale and franchising of its business in Greece, mainly long-term rental, as well as the franchising of its business in the Canaries.

### June 2007

Avis Europe acquires its former largest licensee, Otto Kazenmaier GmbH & Co. KG, based in the region of Saarbrücken in South-West Germany. This acquisition will allow Avis Europe to secure its position in this market and improve overall returns.

### December 2007

Avis Europe announces the appointment of Pascal Bazin, former Managing Director of Avis France, as Group Chief Executive Officer as from 1<sup>st</sup> January 2008. He replaces Murray Hennessy.

## Financial key events

**+4.7%**

4.7% **volume**<sup>1</sup> growth.

**+0.7%**

**Rental revenue per day**<sup>1</sup> up 0.7% on prior year.

**+5.6%**

**External sales**<sup>1</sup> up 5.6% to EUR 1,324.7 million.

**+18.6%**

**Current operating result**<sup>1,2</sup> up 18.6% to EUR 106.5 million.

**+0.9%**

**Underlying operating margin**<sup>1,2</sup> ahead by 0.9% points to 8.0%.

**+23.6%**

**Current result before tax**<sup>1,2</sup>, **group's share**, up 23.6% to EUR 22.0 million.



## Financial highlights

(EUR million)	2007	2006 <sup>2</sup>	% CHANGE
External sales <sup>1</sup>	1,324.7	1,255.0	+5.6%
Current operating result <sup>1</sup>	106.5	89.8	+18.6%
Current operating margin <sup>1</sup>	8.0%	7.1%	
Current net finance costs <sup>1</sup>	-69.7	-60.0	+16.2%
Current result before tax <sup>1</sup>	36.8	29.8	+23.5%
Unusual items & re-measurements, before tax	-42.0	-50.2	-
Current result before tax <sup>1</sup> , group's share	22.0	17.8	+23.6%

Note: The average shareholding used for consolidation of the result of Avis Europe in 2007 is 59.72% (59.63% in 2006).

## Activities and results

The following extracts are taken from the 2007 Annual Report by Avis Europe plc.

"Revenues from continuing operations grew 5.7% to EUR 1,327 million, reflecting both volume growth and improved rental revenue per day.

Revenue from the continuing operations in the Avis corporately-owned business segment was 4.9% ahead of prior year at EUR 1,240 million. Rental revenue of EUR 1,114 million was 5.4% ahead, with other non-rental revenue (sale of fuel and other incidental operating income) broadly flat. Billed days increased by 4.7% driven by an increase in the number of rentals in all customer groups, together with an increase in rental length in the corporate and insurance/leasing customer groups. Rental revenue per day was ahead by 0.7%, with a good performance since Easter driven by a particularly strong result in the individual customer group across a number of markets as the benefits of previous investment in revenue management initiatives began to take hold. This improvement in rental revenue per day, which was helped by better ancillary sales, was achieved despite the negative mix effect of strong volume growth in insurance/leasing and overall longer rental length.

Overall revenue from licensee countries grew by 17.2% with good growth from all regions and a benefit from the licensing of the group's operation in Greece from July. Excluding this, growth in licensee revenues was 13.8%.

1. Excluding in 2006 and 2007 the discontinued operation in Greece.

2. As restated in 2006 following the malpractice identified in Portugal.

Budget Corporate revenue of EUR 43 million was 19.4% ahead of prior year, driven by continued strong performance in France and the UK. Budget Licensee revenue of EUR 10 million was 11.1% ahead of prior year.

Underlying operating profit from continuing operations was EUR 106.5 million (2006 - restated: EUR 89.5 million), including a reduced EUR 2.9 million loss from Budget (2006: loss EUR 4.8 million). Underlying operating margin on continuing operations, after deducting headquarters costs was 8.0%, being 0.9% higher than the prior year (restated). This increase reflects both volume growth and improved rental revenue per day, the full year benefit of the restructuring program and gains on disposal of properties, together with the continuing turnaround in Budget. These benefits were partly offset by inflationary cost increases and the higher investment in revenue management and web development capabilities.

The increase in average net debt of continuing operations was broadly in line with the average value of the fleet on the same basis. The rise in market interest rates during the year, in part mitigated by hedging actions, increased the underlying effective finance rate on continued operations. This increase, together with the higher average net debt, resulted in underlying net finance costs on continued operations of EUR 69.7 million (2006: EUR 60.0 million).



## Express Service for “Avis Preferred” customers

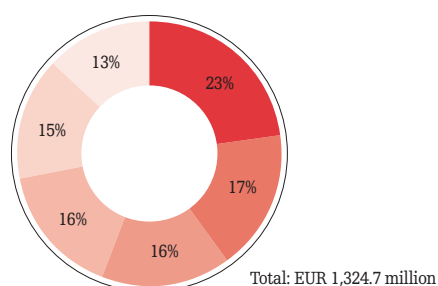


Avis implemented a number of additional customer service initiatives to further improve speed, transparency and choice. A new “three minute promise” for “Avis Preferred” customers was successfully trialled in France and is now in over 390 locations across six countries in Europe. This new service promises to deliver members of the free Avis Preferred programme their rental car keys in less than three minutes from the time they enter the rental station.

## We Try Harder Blog



In 2007, Avis UK launched the “We Try Harder blog” to enable its customers to have an online dialogue with the marketing and customer service departments with the aim of continually reviewing and improving the services provided. The company received the SOCAP Award for Innovation at the National Customer Service Awards in London for this initiative.



Avis sales by geographic market	% CHANGE
France	+7%
Spain	-1%
Italy	+6%
Germany	+9%
UK	+5%
Other	-



Net exceptional charges before taxation of EUR 22.8 million were incurred in the year. Restructuring costs of EUR 7.1 million (2006: EUR 25.3 million) were incurred in the year. This was partly in connection with the final elements of the restructuring project the group commenced in late 2005 covering the roles of its European headquarters, corporate operations, shared service centre and call centres and also certain restructuring activities which commenced in December 2007. Following a re-evaluation of the impairment calculations following the acquisition of a licensee in Germany in June 2007, a provision of EUR 4.0 million has been recognised in respect of the goodwill arising. Following the identification of potential malpractice in Portugal in the year, EUR 4.8 million of costs have been recognised in respect of an independent investigation, both in Portugal and of a review then throughout the group's corporately-owned operations in Europe, together with certain directly related employee termination costs. Following the group's decision in 2004 to terminate an agreement with an IT contractor, a net exceptional credit of EUR 2.6 million (2006: charge EUR 7.4 million) has been recognised, after certain additional termination costs, following the conclusion of a legal case. During the second half of 2007 the group reviewed its methodology for calculating the level of provision required in respect of third party motor liability losses, including those not yet reported. The provision re-assessment resulted in an exceptional credit to the Income Statement of EUR 5.7 million. On 25 July 2007, the group disposed and re-licensed its operation in Greece, Olympic Commercial and Tourist Enterprises SA. In the Interim accounts the group recorded a goodwill impairment charge of EUR 7.1 million to write down the associated goodwill to its estimated fair value. In the second half, a loss on disposal of EUR 8.8 million was recognised, giving a total exceptional charge in the year of EUR 15.9 million."

## Operational review

"In 2007 the group made good progress, achieving both volume and rental revenue per day growth, benefiting from recent investments in both revenue management and web development. The full year effect of the recent restructuring program and the continuing turnaround in Budget also helped to deliver improved results. Substantial actions were taken to optimise the structure of the group's network including the disposal and licensing of Greece, the licensing of the Canaries and the acquisition of a licensee in Germany. The net capital released from these transactions was approximately EUR 200 million.

An initial review of the business strategy has been undertaken, following the appointment of Pascal Bazin as the new group CEO on 1st January 2008. The group will continue to evolve the strategy to deliver a turnaround in results and will now be placing more emphasis on the areas outlined below, which are intended to build on the strategic progress made in recent years. In addition, a stronger operational approach will be adopted, with more emphasis on delivery, accountability and implementation, as well as on accelerating benefits from recent investment in initiatives.

The areas of strategic focus will include brand differentiation, a strong focus on sales, cost efficiency and business flexibility."

## Outlook 2008

"Looking ahead to 2008, Avis Europe is now more cautious in view of the weakening economic environment. Avis Europe expects to make continued progress with the turnaround of the group. However, its planning assumptions, reflecting recent trading conditions, are for continued volume growth, but with rental rate per day now improving less than previously expected. Avis Europe continues to maintain tight control of cost and plans to make continued improvements in key efficiency measures, particularly vehicle utilisation."

End of extracts.

## A new website



Avis Europe's significantly enhanced new websites are easy to use, provide customers with clearer information in selecting the rental car of their choice and are designed to work more effectively with internet search engines. The new website also allows customers to amend their personal details on-line and to sign up for the Avis Preferred loyalty programme. The site is operational in all five major corporate markets and is now being rolled out to licensees. Internet reservations continue to increase, ending the period at 31.5% (June 2007: 30.8%).