

Chairman's Statement

In the first year of the new millennium, we achieved further strong growth and made good progress with our strategic agenda.

Results overview

Our financial information is reported in euro and sterling and is affected by the 8% average year-on-year decline in the euro/sterling exchange rate during 2000.

The demand for car rental services remained strong in all customer segments and major markets, with revenues increasing a very healthy 20.9% to €1,222.4 million (11.4% to £747.7 million). Operating profit before exceptional items is up 11.2% to €242.3 million (3.1% to £148.1 million). Profit before tax and exceptional items is up 3.6% to €175.0 million (down 3.6% to £107.0 million) with EPS up 3.5% to €0.225 (down 3.8% to 13.74 pence).

As expected we saw further significant fleet cost increases during 2000. These continued to be partially offset by strong efficiency gains elsewhere and strategies to contain fleet costs remain a high priority.

The exceptional costs arose primarily from the legal rulings on pricing and enforceability of contracts in the credit hire industry, which affected our 3 Arrows subsidiary. This business has since been restructured for the new market conditions.

The Directors are recommending a final dividend of 3.8 pence per share, making a total dividend for the year of 5.8 pence per share.

Strategic development

The European car rental industry continued to grow during 2000, against a stronger economic background and a 7.3% increase in passenger arrivals to the major European airports. In the five major European markets propensity to rent continues to increase but is still less than 50% of US levels.

We continue to take advantage of these industry growth opportunities and have strengthened our leadership

position. We have secured exclusive new partnerships during the year and renewed some established relationships. Avis Europe has gained further market share from continued industry consolidation.

Technology investments are providing opportunities for us to reduce distribution costs and contain fleet cost increases. During 2000 we completed the migration of our country reservation centres to two new pan-European sites and developed local language internet sites for all major markets.

Employees and Directors

On behalf of the Board, I would like to thank the employees of Avis businesses in 112 countries whose collective efforts and enthusiasm have reinforced our leadership in Europe, Africa, the Middle East and Asia. I would also like to thank Sir Peter Reynolds and Daniel Cardon, who retire at the Annual General Meeting, for their invaluable counsel and contribution during their tenure as non-executive Directors. I am delighted to welcome Malcolm Miller as a non-executive Director, and Dieter Woitscheck as Chief Operating Director.

Summary and outlook

In 2000 we achieved double-digit revenue growth across all key markets. Operating margins remained strong but were lower than last year due to fleet costs, our investment programme and the one-off impact of the fuel tax protests. We expect fleet cost pressures to continue in 2001, and for further operating efficiencies to result from our continued investment. Against the background of expected slower GDP growth in the European economies, we anticipate somewhat lower volume growth in the year ahead, but a favourable outlook for pricing. Growth in the first six weeks of 2001 has been in line with our expectations.

Alun Cathcart Chairman



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For Avis Europe, 'We try harder.' has developed into a market leadership philosophy of continuous innovation and improvement in the business at all levels. Responsiveness to customer needs is enhanced by a flat organisational structure and a longstanding policy of