Message from the Chairman

Sir Bob Reid Chairman

"'We try harder.' isn't just one of the world's most famous advertising slogans, it's a promise that we make to all of our stakeholders. This report demonstrates how 'We try harder.' comes to life in our six strategic priorities and is as central to our business success now as it was at its launch 40 years ago."

Results overview

During 2002, weakening economies across Europe impacted corporate travel spend and against this background we focused our sales and promotional activities in revenue segments which provided better short term opportunities for recovery, notably Leisure. At the same time, we continued to manage actively our operational cost base and capacity by significantly adjusting fleet and staffing levels to mitigate the impact of lower customer demand levels.

Full year revenue was 5.3% lower at €1,189.2 million. Profit before tax, goodwill amortisation and exceptional items was 15.2% lower at €122.3 million, as a result of the lower revenue and the impact of the fixed element of our cost base, principally associated with the rental station network. Adjusted earnings per share on the same basis were 13.3% lower at 10.4 pence.

Exceptional costs of €16.4 million, comprises a €6.9 million provision for Centrus credit hire receivables, a €6.2 million severance cost from the restructuring of management and support positions across the Group announced in September and a €3.3 million provision for re-insurance receivables.

Profit before tax after goodwill amortisation and exceptional items was €101.8 million (2001: €136.3 million) and earnings per share on the same basis were 8.7 pence (2001: 11.3 pence).

With the underlying strength of the Group, the Directors are recommending a final dividend of 3.8 pence per share, maintaining the full year dividend at 5.8 pence per share.

The dividend will be paid on 7 May 2003 to shareholders on the register at close of business on 7 March 2003.

Outlook

With no expectation of significant recovery in the European economies in 2003 and the likelihood of continuing geo-political tension, the short term outlook for our business is uncertain. In this environment, we shall maintain very tight control on operational cost levels, as well as developing other cost efficiencies. We continue to update our contingency plans to mitigate the impact which would inevitably arise from any escalation towards conflict.

In the first few weeks of 2003, Leisure business has continued to grow, partially offsetting the continuing lower level of corporate travel.

Strategic development

We have continued to invest in the medium term development of the Group with the proposed acquisition of the Budget business in Europe, Middle East and Africa and the purchase of a major Avis licensee in France, as well as the opening of the Avis branded joint venture in China.

Employees and Directors

In 2003, we celebrate 40 years of 'We try harder.', which is the essence of the service Avis employees deliver to customers throughout our network. Despite a very challenging year, customer and employee satisfaction remained high. On behalf of the Board I would like to thank employees throughout the Group for their continued dedication and commitment to our Company and our customers. We are fortunate indeed to have such loyal and talented people to ensure our future success.

During the year we welcomed several new Board members: Lesley Colyer as Group Personnel & Corporate Affairs Director, Martyn Smith as Group Finance Director and Jean-Pierre Bizet, Group Executive Vice President of D'Ieteren who joined the Board as non-executive Director. Wally Taylor and Jacques de Smet retired from the Board and I would like to thank them for their significant contribution to Avis Europe over many years.

We try harder.

Sir Bob Reid Chairman