

Message from the Chairman



Sir Bob Reid Chairman

“The expansion of our car rental operations together with our investment in longer-term margin improvement projects, provides the platform for the future growth and improved profitability of the Avis Group.”

Results overview

Results in 2003 were significantly affected by the Iraq conflict and a weaker pricing environment, although targeted sales and promotional activities returned our domestic and intra-European business to revenue growth in the second half. Full year revenue was 1.7% lower at €1,169 million and included €22 million in respect of the Budget business, €12 million from Centrus and €16 million from a licensee acquisition in France. Profit before tax, goodwill amortisation and exceptional items was reduced to €59.4 million, largely due to the lower revenue per day. Earnings per share before goodwill and exceptional items were €7.8 cents (2002: €16.4 cents).

Exceptional pre-tax costs were €102.0 million of which €70.3 million related to Centrus, our non-core claims management business. The dynamics of this business have changed significantly since 2000 following a House of Lords ruling on the industry's charging structure. Despite significant adjustment to Centrus' operating model, persistent slow claims collection and the sudden decline of revenues in 2003 led us to conclude the business was no longer viable and to the decision to terminate operations in December 2003. The unadjusted loss before tax (after goodwill amortisation and exceptional items) was €47.4 million (2002: unadjusted profit before tax €101.8 million) and the loss per share on the same basis was €8.8 cents (2002: earnings per share €13.8 cents).

As previously advised, the Directors are recommending a final dividend of 2.6 pence per share, making the full year dividend 3.9 pence per share. The dividend will be paid on 2 June 2004 to shareholders on the register at the close of business on 12 March 2004.

Outlook

We are not assuming any significant recovery in demand and therefore pricing in 2004. Nevertheless, against these expectations we continue to control tightly key operational measures and to focus on opportunities to improve the return on our rentals whilst maintaining market share. Whilst we expect broadly flat operating performance in the underlying Avis business, the turnaround of the recently acquired Budget operation is taking longer than previously foreseen.

Strategic development

Our investments are focused on the development of our car rental operations and on longer-term margin improvement projects. The acquisition of Budget EMEA out of Chapter 11 and our close relationship with Cendant, who own the global Avis and Budget trademarks, gives us the opportunity to develop two of the world's global car rental brands across our geographic markets. The investment in the major finance and IT restructuring projects to provide a common IT platform and shared service centre will support the development of both brands, which will retain separate customer identities, whilst benefiting from central support synergies.

Employees and Directors

The commitment and dedication of employees throughout our network has remained high during a very challenging year for both businesses. On behalf of the Board I would like to express our gratitude for the efforts of such loyal and talented people for the work they are doing to ensure our future success.

There have been a number of changes to the Board and we are particularly pleased to welcome Murray Hennessy as Chief Executive in March 2004 following the resignation of Mark McCafferty. Alun Cathcart who will succeed me as Chairman after the Annual General Meeting in May is particularly well qualified to chair the Company through its next phase of development. Jean-Pierre Bizet is appointed executive Deputy Chairman in succession to Alun. We welcome Kevin Sheehan as a non-executive Director and would like to thank Stephen Holmes for his contribution to the Board over seven years.

It has been a privilege to serve on the Board and I leave confident that we have the strategies in place to secure the future growth and improved profitability of the Group.

Sir Bob Reid
Chairman