

Chairman's Statement



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Results overview

I am pleased to report another year of progress in implementing our strategy. The early benefits of the strategy, together with good volume growth, delivered results ahead of expectations for the year, despite the continued difficult trading conditions.

Total revenue was up 4.8% at €1,337 million. Underlying profit before tax was €38.9 million (2005: €37.8 million), with good volume growth and improved utilisation performance materially offset by the impact of weaker pricing and inflationary cost pressures, particularly fleet-related. Underlying earnings per share were 3.0 euro cents (2005: 3.4 euro cents).

The net exceptional charge before tax of €28.9 million was largely due to overhead restructuring costs incurred in connection with the project that commenced in late 2005. Total profit before tax, after also allowing for certain re-measurement items and economic hedges, was therefore €10.7 million (2005: profit before tax €20.1 million) and total earnings per share were 0.5 euro cents (2005: 1.5 euro cents).

Dividends

In line with previous statements, the Board has not recommended payment of a dividend for the year ended 31 December 2006 in view of the continued difficult market conditions. The Board's current intention remains to recommence the payment of dividends when the financial and trading position of the Group allows.

Outlook

Overall expectations for 2007 remain unchanged. Volume growth trends are expected to continue at similar levels to those achieved in 2006. The current planning assumption is that rate will be broadly flat, although at this time, there is the usual limited visibility on pricing over the full year.

Fleet costs have risen above general inflation, reflecting continuing difficult market conditions. The Group intends to mitigate this margin pressure by a further improvement in utilisation, driven by the revenue management initiatives, together with the benefits from the overhead restructuring programme and the focus on cost reduction initiatives.

Strategic development

We are making good progress in implementing our strategy, which comprises: reducing cost; implementing revenue management to improve price, yield and utilisation; targeting our most profitable customer groups; and tight control of fleet. A comprehensive review of the strategic initiatives undertaken during the year is set out on pages 10 to 12 of the Business Review.

However, looking further ahead, the external environment has been, and is expected to continue to be, more difficult than we assumed two years ago and no longer supports the guidance we gave in 2005 regarding margin improvement.

Employees and Directors

On behalf of the Board, I would like to thank the Group's employees for their ongoing commitment, enthusiasm and professionalism. The quality of our customer service and strength of our customer relationships will continue to be key to our success and are a direct consequence of the quality of our people. Once again our employees' commitment to our customers has been reflected in the number of industry awards the Group won in 2006 for outstanding service.

I would also like to welcome Pierre Alain De Smedt to the Board as non-executive Director, with effect from 1 February 2007. His international career in vehicle manufacturing and related business will be particularly valuable and his appointment strengthens the overall mix of skills and experience on the Board.

A handwritten signature in black ink, appearing to read 'Alun Cathcart'.

Alun Cathcart
Chairman