Chief Executive's Statement

Whilst we expect the market environment to remain difficult in 2007 and beyond, specifically with continued pressure on pricing, we look forward to another year of progress in 2007 as we continue to focus on implementing the key elements of our strategy.

2006 was a challenging, but encouraging year for the Group. We continued to experience difficult trading conditions in our markets, however underlying profit before tax increased to €38.9 million (2005: €37.8 million). Profit before tax was €10.7 million (2005: €20.1 million).

In 2005, we announced our plans to improve the Group's margins. The strategy is focused on four areas: reducing cost; implementing revenue management to improve price, yield and utilisation; targeting our most profitable customer groups; and tight control of fleet. In last year's Annual Report I referred to the strategy in terms of Phase 1 and Phase 2, but I will no longer make that distinction as we continue implementation, with the phases essentially merging.

In 2006 we have made another year of progress in implementing our strategy. In terms of reducing cost, our organisational and overhead restructuring programme is largely complete and will ultimately generate some €25 million of annual savings in 2007. Importantly, through the restructuring, we have introduced new ways of working to improve our effectiveness as an organisation. We will continue to strongly focus on costs going forward. Other areas, where there is scope to identify further savings include: further channel shift, benefiting from the investment in websites and other direct marketing initiatives; and insurance and damage costs.

We have a completely new approach to revenue management, which is already delivering benefits. A new demand forecasting system has been developed and implemented throughout the Group's major markets. We are now investing in data tools to assist with the fast implementation of tactical price changes and the optimisation of fleet levels. It represents a significant step change in the way the business is managed on a day-to-day basis.

We continued to target our growth to focus on our more profitable customer segments and have channelled our sales and marketing efforts towards these groups. We have introduced substantial change to our customer proposition, implementing customer service initiatives across the network, all designed to improve speed, transparency and choice. We have invested in the Avis Preferred speed of service programme and in a refresh of key rental stations. In November, the Group launched a significantly enhanced website in the UK, which improves ease of use and is designed to increase the number of customers that book directly. We will progressively translate and roll out the new website across the rest of the Group in 2007.

Finally, the initiatives on yield, utilisation and targeted growth, outlined above, all support our focus on tight control of fleet. In addition, we continue to review the balance between the corporately owned, agency and licensee elements of the network.

In summary, our strategy is beginning to deliver results, and the early signs in a number of our businesses are positive. Whilst we expect the market environment to remain difficult in 2007 and beyond, specifically with continued pressure on pricing, we look forward to another year of progress in 2007 as we continue to focus on implementing the key elements of our strategy.

Murray Hennessy
Chief Executive