



*Performance
Excellence*

We're proud to operate two of the most successful vehicle rental brands in the world.

Avis Budget Group operates two of the most recognized brands in the global vehicle rental industry—Avis and Budget. Avis is a leading supplier to the premium commercial and leisure segments of the travel industry, and Budget is a leading supplier to price-conscious car rental segments. We believe we are the largest general-use vehicle rental operator in each of North America, Australia, New Zealand and certain other regions we serve, based on published airport statistics. We also operate one of the largest consumer truck rental businesses in the United States, Budget Truck.

We generate significant benefits from operating two distinctive car rental brands that target different market segments but share the same fleet, maintenance facilities, technology and administrative infrastructure.

Our operations have an extended global reach that includes approximately 6,900 car and truck locations in North America, Australia, New Zealand, Latin America, the Caribbean and parts of the Pacific region. On average, our rental fleet totaled more than 425,000 vehicles, and we completed more than 28 million vehicle rental transactions worldwide in 2007.

For the year ended December 31, 2007, our vehicle rental operations generated revenues of approximately \$6 billion. We derive approximately 80 percent of our car rental revenue from on-airport locations; we derive approximately 20 percent of our car rental revenue from non-airport locations, which we refer to as the local segment, in which we continue to significantly expand our presence.



Our fleet of approximately 28,700 Budget trucks is available for rental from approximately 2,500 dealer-operated, 230 company-operated and 85 franchisee-operated locations throughout the continental United States.

We also license the use of the Avis and Budget trademarks in areas in which Avis Budget Group does not operate, including Europe and parts of Asia.

Headquartered in Parsippany, New Jersey, Avis Budget Group has approximately 30,000 employees dedicated to operational excellence and outstanding customer service. Our industry leadership and proud heritage have as a foundation our firm commitment to our Company Mission and Vision, and our strong dedication to our Core Values: Commitment, Integrity and Responsibility.

Financial results

Year Ended December 31 (in millions, except where noted)	2007	2006	% Change
Net revenues	\$5,986	\$5,689	5%
Operating, selling and administrative costs	3,691	3,705	0%
Fleet depreciation and fleet interest costs	1,886	1,736	9%
EBITDA ¹	414	405	2%
Pretax income before separation, restructuring and impairment costs ²	198	172	15%
Separation, restructuring and impairment costs ³	1,190	584	*
Pretax loss	(992)	(677)	*
Benefit from income taxes	(45)	(226)	*
Loss from continuing operations	(947)	(451)	*
Diluted earnings per share from continuing operations (\$)	(9.18)	(4.48)	*
Diluted weighted average shares outstanding	103.1	100.6	2%

Key Operating Statistics:

Car rental days	106.9	103.2	4%
Car rental time & mileage revenue per day (\$)	\$40.52	\$39.96	1%
Average car rental fleet (#)	396,592	382,658	4%
Truck rental days	4.2	4.6	(7%)

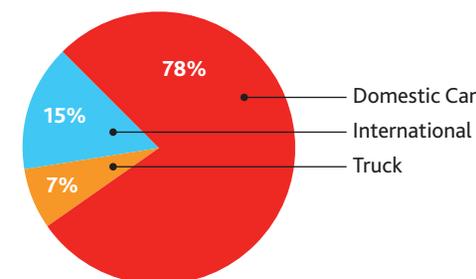
* Not meaningful.

¹ Earnings Before Interest, Taxes, Depreciation and Amortization amount for 2006 is pro forma EBITDA for our vehicle rental operating segments, which is pretax income before separation, restructuring and impairment costs adjusted for interest on corporate debt of \$137 million and non-vehicle depreciation and amortization of \$96 million. Amount for 2007 includes a net separation credit of \$5 million.

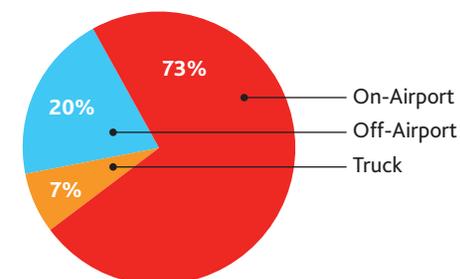
² Amount for 2006 is pro forma to include the following adjustments to the pretax loss: interest expense (net) adjustments of \$412 million, Corporate and Other EBITDA of (\$393) million, separation and restructuring for our vehicle rental business of \$33 million, general corporate overhead of \$51 million, public company costs of (\$57) million, vehicle and intercompany interest (net) of \$8 million and non-vehicle depreciation and amortization adjustments (net) of \$9 million.

³ Amount for 2006 includes \$313 million related to early extinguishment of debt, \$261 million of separation costs and \$10 million of restructuring charges. Amount for 2007 includes goodwill impairment of \$1,195 million and net separation credit of \$5 million.

Revenue by Segment



Revenue by Source



To our shareholders:

Last year there was no stopping Avis Budget Group. In our first full year as a stand-alone public company, we reported record revenue while improving the way we function.



Ronald L. Nelson

F. Robert Salerno

2007 was a year of transition and positive change, a year in which we not only met the many challenges faced by our industry as a whole, but also took bold steps to drive strong revenue growth, and lower our operating costs through our new Performance Excellence initiative.

We posted record revenue of \$6 billion, achieving year-over-year growth of five percent. We continue to hold the leading share of the intensely competitive on-airport segment of the U.S. car rental industry, while further expanding both our geographic footprint and service offerings within the growing off-airport segment. And we succeeded in lowering the non-fleet operating costs of our car rental operations in 2007, measured on a per-rental-day basis.

We attribute our accomplishments to a relentless focus across our entire business on our core strategies:

- Enhancing our strong brands
- Driving revenue growth
- Capturing incremental profit opportunities

Enhancing Our Brands

Avis continues to be a leading brand within the premium segment of the vehicle rental industry, recognized as the best rental car brand by travel agents and by consumers, who have established Avis as a leader in brand loyalty.¹ Avis customers enjoyed the benefit of many new products and services that we launched over the course of the year, including an exclusive portable wireless Inter-

net access system called Avis Connect; expansion of *eToll* electronic toll collection services to more cities and more vehicles; and the international roll-out of Avis's trend-setting *where2* GPS navigation system.

Our new products and services help Avis renters avoid time-wasting delays while traveling so as to be able to make the most of their time away from home. At the same time, we are highlighting a unique brand benefit that demonstrates how Avis continues to deliver against its "We Try Harder" service promise in the digital age.

In our Budget brand, we allow customers to benefit from great deals and everyday low prices that continue to make Budget a leading brand among price-conscious consumers for both car and truck rental. In fact, Budget was recognized as "Leading Provider of Outstanding Car Rental Deals" in 2007 by a major online travel portal. With half of all rental car consumer purchase decisions based on price, being the acknowledged leader in providing great deals has proven to be a compelling and successful brand positioning.

To better serve our customers' needs, Avis Budget Group in 2007 acquired a 48 percent interest in Carey International Inc., the largest global provider of chauffeured transportation services. The Carey brand is an outstanding complement to Avis and Budget, representing quality and service excellence in local transportation solutions. By marketing Carey's services with those of Avis and Budget, we will be able to offer business clients the most comprehensive suite of local transportation services available anywhere.

Driving Revenue Growth

In addition to maintaining our leading airport presence, we continue to expand our penetration in the non-airport, or local segment of the vehicle rental industry.

We have opened nearly 400 new locations over the last two years, and we have launched proprietary technology for insurance companies, which enabled us to increase insurance replacement revenue by more than 25 percent in 2007. We believe non-airport volumes have been faster-growing and less impacted by enplanement trends over the last decade, and we intend to continue to increase our presence in this segment.

We significantly increased the revenue we generate from ancillary products. Our *where2* GPS navigation system is now available nationally and internationally and our electronic toll collection services have been expanded to new regions. In addition, we have increased sales of traditional ancillary products such as gasoline and loss damage waivers. We have fueled revenue growth further through the signing of new affiliation agreements with travel partners and associations, and through increased bookings from online travel portals and travel partner Web sites. Our goal is to continue each of these favorable trends and to offer additional ancillary products and services that help meet our customers' needs.

Capturing Profit

Our ancillary revenue products not only enhance our customers' vehicle rental experience and our top-line results; they can also make a substantial contribution to our earnings. *where2* GPS rentals, for example, contributed more than \$35 million to pretax income in 2007, compared to approximately \$1 million the prior year. As a result, we are increasingly confident that ancillary products and services can make car and truck rental transactions more profitable than they would

otherwise be, which supports our objective of capturing incremental profit opportunities related to our business.

We are pursuing profit-enhancing opportunities in many areas. As our entire industry has seen margins challenged by an intensely competitive pricing environment and increases in fleet and personnel costs, we launched our Performance Excellence initiative to identify opportunities to improve our operational processes and ensure that our cost base is as low as possible.

We expect that this initiative will allow us to reduce our annual operating costs by \$100 to \$150 million over the next two to three years.

In addition, we continue to mitigate fleet vehicle price increases through the ongoing shift toward more non-program cars, which are not subject to manufacturer repurchase agreements; greater diversity in the manufacturers who supply us with vehicles; and improved fleet and yield management to ensure that we have the right vehicles available in the right places at the right time, and at the right price.

Despite our efforts and the significant benefits that our Performance Excellence initiative will provide, our stock price in late 2007 and early 2008 has been weighed down by macroeconomic and credit concerns impacting our entire industry. We are monitoring those issues and working to mitigate the effects of any economic weakening or credit tightening that may occur. Our focus, however, remains on the long-term strength of the Company, which is driven by our ability to continue to provide an outstanding vehicle rental experience to our customers.

Our Performance Excellence team reviewed our operational processes and created new ways of working that greatly reduced our operating costs.

Raising the Bar

At the same time, we continue to improve our position as a public company. We have launched major organizational initiatives to protect customers' personally identifiable information, enhance employee satisfaction and loyalty, measure and mitigate our environmental impact, and strengthen our corporate governance oversight—raising the bar at every opportunity on behalf of our shareholders. As of January 1, 2008, Institutional Shareholder Services rates Avis Budget Group's corporate governance better than 86.9% of S&P 400 companies and 93.8% of Transportation companies. We expect to reduce our environmental impact through the creation of an Environmental Management System in accordance with ISO 14001 standards.

All of these changes were part of an exciting year that marked only the beginning of the journey we have undertaken. We would like to take this opportunity to thank our employees, customers and investors for their commitment to us in 2007 and to share our optimism that 2008 promises to be even more exciting.

Sincerely,



Ronald L. Nelson
Chairman and
Chief Executive Officer

F. Robert Salerno
President and
Chief Operating Officer

April 2008

¹ Avis was recognized by travel professionals around the world as "North America's Leading Car Hire" at the regional World Travel Awards for The Americas.



Our customer value proposition extends beyond the vehicles we rent, to make the overall travel experience more enjoyable and productive.

At Avis Budget Group, we're always pursuing ways to be more efficient in the operation of our brands and businesses. But our commitment to productivity doesn't stop with making sure our sites function in the best possible way. We also value the time our customers spend in our vehicles and are dedicated to providing them with the best rental experience.

In 2007, we offered renters cutting-edge technology including electronic toll collection programs, Global Positioning System navigation devices, portable wireless Internet access and new online travel planning tools, all of which combine to help travelers avoid delays while on the road. Research shows that up to three hours or more per typical business trip can be saved through the use of these products. And these new services not only enhance our value to customers, they also benefit our financial results.

At the same time, our new customer benefits were matched by internal improvements. We created a new full-time team of Avis Budget Group employees, drawn from across the spectrum of Company regions, functions and departments, and trained these people in the use of sophisticated process improvement tools such as Lean and Six Sigma.

This initiative, which we call Performance Excellence (PEX), represents a new approach to change management and continuous improvement, and it will become a permanent part of how we do business. It is now being deployed on a system-wide basis, with significant positive results.

Since it began in August 2007, our PEX team has initiated dozens of new procedures, touching operations from insurance claim processing to vehicle shuttling to customer check-in at the end of the rental transaction. This approach not only improves our customer service, but also provides significant cost savings. We anticipate generating annual savings of \$100-150 million through these efforts over time, which will help us expand our operating margins while never compromising on our promise of service excellence to our customers.

In 2007, our dedicated employees led the way to increasing our productivity, and our unwavering attention to customer service led to the discovery of profitable ways to help our customers make the most of their travel time. We're proud of our results, and our innovative outlook puts us on track to achieve even greater success in 2008.

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Board of Directors

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F. Robert Salerno	President and Chief Operating Officer, Avis Budget Group, Inc.
Stender E. Sweeney ^{1,2}	Financial Advisor; Venture Capital Investor

¹ Member, Audit Committee; ² Member, Corporate Governance Committee; ³ Member, Compensation Committee; ⁴ Presiding Director

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Brett Weinblatt	Senior Vice President and Chief Accounting Officer



Join us on the path to success. We'll go the extra mile to make sure you enjoy the trip.

Investor Relations

An online version of this document, major corporate announcements, quarterly earnings releases and Securities and Exchange Commission filings, including the Company's Annual Report on Form 10-K for the year ended December 31, 2007, are available at www.avisbudgetgroup.com. For investor relations inquiries, please call (973) 496-7277 or e-mail investorrelations@avisbudget.com.

International Headquarters

Avis Budget Group, Inc.

6 Sylvan Way

Parsippany, New Jersey 07054

Tel: (973) 496-0900

Web: www.avisbudgetgroup.com

