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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended
September 30, 2001

COMMISSION FILE NO. 1-10308

CENDANT CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	06-0918165
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)
9 WEST 57TH STREET NEW YORK, NY	10019
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICE)	(ZIP CODE)

(212) 413-1800
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed in Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements, for the past 90 days: Yes |X| No |_|

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of the Registrant's CD common stock was 981,491,425 as of October 31, 2001.

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CENDANT CORPORATION AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENDANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(IN MILLIONS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
REVENUES				
Membership and service fees, net	$ 1,374	$1,129	$ 3,803	$ 3,169
Vehicle-related	1,087	69	2,520	211
Other	20	27	47	110
Net revenues	2,481	1,225	6,370	3,490
EXPENSES				
Operating	862	351	2,101	1,079
Vehicle depreciation, lease charges and interest, net	560	--	1,285	--
Marketing and reservation	216	233	757	676
General and administrative	240	151	594	429
Non-vehicle depreciation and amortization	125	87	347	258
Other charges (credits):				
Restructuring and other unusual charges	77	3	263	109
Litigation settlement and related costs	9	27	28	(6)
Merger-related costs	--	--	8	--
Non-vehicle interest, net	57	38	176	86
Total expenses	2,146	890	5,559	2,631
Net gain (loss) on dispositions of businesses	--	3	435	(7)
INCOME				

BEFORE INCOME
TAXES,
MINORITY
INTEREST AND
EQUITY IN
HOMESTORE.COM
335 338 1,246
852 Provision
for income
taxes 101 101
438 276
Minority
interest, net
of tax 4 23
22 61 Losses
related to
equity in
Homestore.com,
net of tax 20
-- 56 -- ----
--- ------ --
----- -------
INCOME BEFORE
EXTRAORDINARY
LOSS AND
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE 210
214 730 515
Extraordinary
loss, net of
tax -- -- --
(2) ------- -
----- -------

INCOME BEFORE
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE 210
214 730 513
Cumulative
effect of
accounting
change, net
of tax -- --
(38) (56) ---
---- ------ -
------ ------
- NET INCOME
$ 210 $ 214 $
692 $ 457
=======
======
=======
======= CD
COMMON STOCK
INCOME PER
SHARE BASIC
Income before
extraordinary
loss and
cumulative
effect of
accounting
change $ 0.25
$ 0.30 $ 0.85
$ 0.72 Net
income 0.25
0.30 0.81
0.64 DILUTED
Income before
extraordinary
loss and
cumulative
effect of
accounting
change $ 0.23
$ 0.29 $ 0.81
$ 0.69 Net
income 0.23
0.29 0.77
0.62 MOVE.COM
COMMON STOCK
INCOME (LOSS)
PER SHARE
BASIC Income
(loss) before
extraordinary

loss and
cumulative
effect of
accounting
change
$(0.55) $
9.94 $ (1.22)
Net income
(loss) (0.55)
9.87 (1.22)
DILUTED
Income (loss)
before
extraordinary
loss and
cumulative
effect of
accounting
change
$(0.55) $
9.81 $ (1.22)
Net income
(loss) (0.55)
9.74 (1.22)

See Notes to Consolidated Condensed Financial Statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(IN MILLIONS, EXCEPT SHARE DATA)

SEPTEMBER
30, DECEMBER
31, 2001
2000 -------
------ -----

ASSETS
Current
assets Cash
and cash
equivalents
$ 3,201 $
944
Receivables,
net 1,196
753
Stockholder
litigation
settlement
trust 1,100
-- Deferred
income taxes
827 174
Other
current
assets 1,087
857 --------

Total
current
assets 7,411
2,728
Property and
equipment,
net 1,654
1,345
Stockholder
litigation
settlement
trust -- 350
Deferred
income taxes
347 1,108
Franchise
agreements,
net 1,653
1,462
Goodwill,
net 5,496
3,176 Other
intangibles,
net 782 647
Other assets
1,992 1,395

Total assets exclusive of assets under programs	19,335	12,211
Assets under management and mortgage programs		
Mortgage loans held for sale	826	879
Relocation receivables	339	329
Vehicle-related, net	8,166	--
Timeshare receivables	280	--
Mortgage servicing rights	1,949	1,653
	11,560	2,861
TOTAL ASSETS	$ 30,895	$ 15,072
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and other current liabilities	$ 2,703	$ 1,446
Current portion of long-term debt	221	--
Stockholder litigation settlement	2,850	--
Deferred income	984	1,020
Total current liabilities	6,758	2,466
Long-term debt, excluding Upper DECS	5,521	1,948
Upper DECS	863	--
Stockholder litigation settlement	--	2,850
Other liabilities	702	460
Total liabilities exclusive of liabilities under programs	13,844	7,724

-------- ---

Liabilities under management and mortgage programs
Debt 9,741 2,040
Deferred income taxes 1,030 476 --
------ -----
--- 10,771 2,516 ------
-- --------
Mandatorily redeemable preferred interest in a subsidiary 375 375 ----
---- -------
-
Mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company -- 1,683 ---
----- ------
--
Commitments and contingencies (Note 7)
Stockholders' equity
Preferred stock, $.01 par value - authorized 10 million shares; none issued and outstanding -- -- CD common stock, $.01 par value - authorized 2 billion shares; issued 1,036,648,526 and 914,655,918 shares 10 9
Move.com common stock, $.01 par value - authorized 500 million shares; issued and outstanding none and 2,181,586 shares; notional shares issued with respect to Cendant Group's retained interest none and 22,500,000 -
- --
Additional paid-in

capital
6,994 4,540
Retained
earnings
2,719 2,027
Accumulated
other
comprehensive
loss (230)
(234) CD
treasury
stock, at
cost,
178,934,284
and
178,949,432
shares
(3,588)
(3,568) ----
---- -------
- Total
stockholders'
equity 5,905
2,774 ------
-- --------
TOTAL
LIABILITIES
AND
STOCKHOLDERS'
EQUITY $
30,895 $
15,072
========
========

See Notes to Consolidated Condensed Financial Statements.

CENDANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(IN MILLIONS)

NINE MONTHS
ENDED
SEPTEMBER
30, --------

-- 2001 2000
-------- ---

OPERATING
ACTIVITIES
Net income $
692 $ 457
Adjustments
to arrive at
income
before
extraordinary
loss and
cumulative
effect of
accounting
change 38 58
-------- ---
----- Income
before
extraordinary
loss and
cumulative
effect of
accounting
change 730
515
Adjustments
to reconcile
income
before
extraordinary
loss and
cumulative
effect of
accounting
change to
net cash
provided by

operating
activities:
Non-vehicle
depreciation
and
amortization
347 258 Non-
cash portion
of other
charges, net
86 3 Net
(gain) loss
on
dispositions
of
businesses
(435) 7
Deferred
income taxes
228 12
Proceeds
from sales
of trading
securities
110 -- Net
change in
assets and
liabilities,
excluding
the impact
of acquired
businesses:
Receivables
(59) 164
Income taxes
54 281
Accounts
payable and
other
current
liabilities
(90) (307)
Deferred
income (70)
(69) Other,
net (21)
(255) ------
-- --------
NET CASH
PROVIDED BY
OPERATING
ACTIVITIES
EXCLUSIVE OF
MANAGEMENT
AND MORTGAGE
PROGRAMS 880
609 --------

MANAGEMENT
AND MORTGAGE
PROGRAMS:
Depreciation
and
amortization
1,210 113
Origination
of mortgage
loans
(28,959)
(17,980)
Proceeds on
sale of and
payments
from
mortgage
loans held
for sale
29,044
17,839 -----
--- --------
1,295 (28) -
------- ----
---- NET
CASH
PROVIDED BY
OPERATING
ACTIVITIES
2,175 581 --
------ -----

INVESTING
ACTIVITIES
Property and
equipment
additions
(242) (168)
Funding of
stockholder
litigation
settlement
trust (750)
-- Proceeds
from sales
of
marketable
securities
31 369
Purchases of
marketable
securities
(16) (402)
Net assets
acquired
(net of cash
acquired of
$228 million
in 2001) and
acquisition-
related
payments
(1,907) (43)
Other, net
(152) (23) -
------- ----
---- NET
CASH USED IN
INVESTING
ACTIVITIES
EXCLUSIVE OF
MANAGEMENT
AND MORTGAGE
PROGRAMS
(3,036)
(267) ------
-- --------
MANAGEMENT
AND MORTGAGE
PROGRAMS:
Investment
in vehicles
(10,519) --
Payments
received on
investment
in vehicles
9,222 --
Origination
of timeshare
receivables
(66) --
Principal
collection
of timeshare
receivables
77 -- Equity
advances on
homes under
management
(4,949)
(6,025)
Repayment on
advances on
homes under
management
4,937 6,534
Net
additions to
mortgage
servicing
rights and
related
hedges (505)
(664)
Proceeds
from sales
of mortgage
servicing
rights 45 93
-------- ---

(1,758) (62)
-------- ---
----- NET CASH USED IN INVESTING ACTIVITIES (4,794) (329) ------
-- --------
FINANCING ACTIVITIES Proceeds from borrowings 4,407 6 Principal payments on borrowings (854) (776) Issuances of common stock 773 551 Repurchases of common stock (74) (306) Proceeds from mandatorily redeemable preferred securities issued by subsidiary holding solely senior debentures issued by the Company -- 91 Proceeds from mandatorily redeemable preferred interest in a subsidiary -- 375 Other, net (92) (1) ---
----- ------
-- NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS 4,160 (60) -
------- ----

MANAGEMENT AND MORTGAGE PROGRAMS: Proceeds from borrowings 11,447 3,236 Principal payments on borrowings (10,824) (4,282) Net change in short-term borrowings 87 875 -----
--- --------
710 (171) --
------ -----
--- NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES 4,870 (231)
-------- ---

----- Effect of changes in exchange rates on cash and cash equivalents 6 25 -------- --------
Net increase in cash and cash equivalents 2,257 46
Cash and cash equivalents, beginning of period 944 1,164 -------- --------
CASH AND CASH EQUIVALENTS, END OF PERIOD $ 3,201 $ 1,210
========
========

See Notes to Consolidated Condensed Financial Statements.

CENDANT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNLESS OTHERWISE NOTED, ALL AMOUNTS ARE IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited Consolidated Condensed Financial Statements include the accounts and transactions of Cendant Corporation and its subsidiaries (collectively, the "Company" or "Cendant").

In management's opinion, the Consolidated Condensed Financial Statements contain all normal recurring adjustments necessary for a fair presentation of interim results reported. The results of operations reported for interim periods are not necessarily indicative of the results of operations for the entire year or any subsequent interim period. In addition, management is required to make estimates and assumptions that affect the amounts reported and related disclosures. Estimates, by their nature, are based on judgment and available information. Accordingly, actual results could differ from those estimates. The Consolidated Condensed Financial Statements should be read in conjunction with the Company's Annual Report on Form 10-K/A dated July 2, 2001.

Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2001, the Company adopted the provisions of the Emerging Issues Task Force ("EITF") Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Interests in Securitized Financial Assets." EITF Issue No. 99-20 modified the accounting for interest income and impairment of beneficial interests in securitization transactions, whereby beneficial interests determined to have an other-than-temporary impairment are required to be written down to fair value. The adoption of EITF Issue No. 99-20 resulted in the recognition of a non-cash charge of $46 million ($27 million, after tax) during first quarter 2001 to account for the cumulative effect of the accounting change.

On January 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS No. 133, as amended and interpreted, established accounting and reporting standards for derivative instruments and hedging activities. As required by SFAS No. 133, the Company has recorded all such derivatives at fair value in the Consolidated Condensed Balance Sheet at January 1, 2001. The adoption of SFAS No. 133 resulted in the recognition of a non-cash charge of $16 million ($11 million, after tax) in the Consolidated Condensed Statement of Income on January 1, 2001 to account for the cumulative effect of the accounting change relating to derivatives designated in fair value type hedges prior to adopting SFAS No. 133, to derivatives not designated as hedges and to certain embedded derivatives. As provided for in SFAS No. 133, the Company also reclassified certain financial investments as trading securities at January 1, 2001, which resulted in a pre-tax net benefit of $10 million recorded in other revenues within the Consolidated Condensed Statement of Income.

On December 31, 2000, the Company adopted the disclosure requirements of SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--a replacement of FASB Statement No. 125." During second quarter 2001, the Company adopted the remaining provisions of this standard. SFAS No. 140 revised the criteria for accounting for securitizations, other financial-asset transfers and collateral and introduced new disclosures, but otherwise carried forward most of the provisions of SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" without amendment. The impact of adopting the remaining provisions of this standard was not material to the Company's financial position or results of operations.

DERIVATIVE INSTRUMENTS

The Company uses derivative instruments as part of its overall strategy to manage its exposure to market risks associated with fluctuations in interest rates, foreign currency exchange rates, prices of mortgage loans held for sale, anticipated mortgage loan closings arising from commitments issued and changes in the fair value of its

mortgage servicing rights. As a matter of policy, the Company does not use derivatives for trading or speculative purposes.

- All freestanding derivatives are recorded at fair value either as assets or liabilities.
- Changes in fair value of derivatives not designated as hedging instruments and of derivatives designated as fair value hedging instruments are recognized currently in earnings and included in net revenues in the Consolidated Condensed Statement of Income.
- Changes in fair value of the hedged item in a fair value hedge are recorded as an adjustment to the carrying amount of the hedged item and recognized currently in earnings.
- The effective portion of changes in fair value of derivatives designated as cash flow hedging instruments is recorded as a component of other comprehensive income. The ineffective portion is reported currently in earnings.
- Amounts included in other comprehensive income are reclassified into earnings in the same period during which the hedged item affects earnings.

The Company is also party to certain contracts containing embedded derivatives. As required by SFAS No. 133, certain embedded derivatives have been bifurcated from their host contracts and are recorded at fair value in the Consolidated Condensed Balance Sheet. The total fair value of the Company's embedded derivatives and changes in fair value were not material to the Company's financial position or results of operations.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

During July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets."

SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001 and requires additional disclosures for material business combinations completed after such date. This standard also addresses financial accounting and reporting for goodwill and other intangible assets acquired in a business combination at acquisition. On July 1, 2001, the Company adopted the provisions relating to acquisitions made subsequent to June 30, 2001, as required. The provisions regarding the classification of previously acquired intangible assets will be adopted simultaneously with the provisions of SFAS No. 142 on January 1, 2002, as required.

SFAS No. 142 addresses financial accounting and reporting for intangible assets acquired outside of a business combination. The standard also addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. The Company will be required to assess goodwill and other intangible assets for impairment annually, or more frequently if circumstances indicate a potential impairment. On July 1, 2001, the Company adopted the provisions requiring that goodwill and certain other intangible assets acquired after June 30, 2001 not be amortized. The Company will adopt the remaining provisions of this standard on January 1, 2002, as required. Transition-related impairment losses, if any, resulting from the initial assessment of goodwill and certain other intangible assets will be recognized by the

Company as a cumulative effect of accounting change as of January 1, 2002. The Company is currently evaluating the impact of adopting the remaining provisions on its financial position and results of operations. Based upon a preliminary assessment of previously acquired goodwill and certain other intangible assets that will no longer be amortized upon the adoption of SFAS No. 142, the Company expects that the related reduction to amortization expense during the nine months ended September 30, 2001 and 2000 would approximate $160 million and $80 million, respectively. Such amortization expense for the nine months ended September 30, 2001 is net of the amortization of the Company's deferred gain recorded on the sale of move.com to Homestore.com, Inc., which would also no longer be accreted through earnings.

During October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and replaces the accounting and reporting provisions of APB Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," as it relates to the disposal of a segment of a business. SFAS No. 144 requires the use of a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, by requiring those long-lived assets to be measured at the lower of carrying amount or fair value less cost to sell. The impairment recognition and measurement provisions of SFAS No. 121 were retained for all long-lived assets to be held and used with the exception of goodwill. The Company will adopt this standard on January 1, 2002.

2. EARNINGS PER SHARE

Earnings per share ("EPS") for periods after March 31, 2000 (the date of the original issuance of Move.com common stock) and through June 30, 2001 (the last period during which shares of Move.com common stock were outstanding) has been calculated using the two-class method. Income (loss) per common share before extraordinary loss and cumulative effect of accounting change for each class of common stock was computed as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
CD COMMON STOCK				
Income before extraordinary loss and cumulative effect of accounting change, including Cendant Group's retained interest in Move.com Group	$ 210	$ 216	$ 713	$ 519
Convertible debt interest, net of tax	3	3	8	9
Adjustment to Cendant Group's retained interest in Move.com Group(a)	--	--	(3)	--

---- Income before extraordinary loss and cumulative effect of accounting change for diluted EPS $ 213 $ 219 $ 718 $ 528 ======= ======= ======== =======
WEIGHTED AVERAGE SHARES OUTSTANDING:
Basic 857 725 832 722
Stock options, warrants and non-vested shares 37 16 33 23
Convertible debt 18 18 18 18 ------- -------- -------- -------
Diluted 912 759 883 763 ======= ======= ======== =======

THREE MONTHS ENDED NINE MONTHS ENDED SEPTEMBER 30, SEPTEMBER 30, ------------- ------------------ ----- 2000 2001 2000 -- ----------- --------- -- -------
MOVE.COM COMMON STOCK
Income (loss) before extraordinary loss and cumulative effect of accounting change, excluding Cendant Group's retained interest in Move.com Group $ (2) $ 17 $ (4)
Adjustment to Cendant Group's retained interest in Move.com Group(a) -- 3 -- --------- --------- ---------
Income (loss) before extraordinary loss and cumulative effect of

accounting
change for
diluted EPS
$ (2) $ 20 $
(4)
=========
=========
=========
WEIGHTED
AVERAGE
SHARES
OUTSTANDING:
Basic and
Diluted $ 4
2 4
=========
=========
=========

(a) Represents the change in Cendant Group's retained interest in Move.com Group due to the dilutive impact of Move.com common stock options.

Basic and diluted loss per share of CD common stock from the cumulative effect of an accounting change was $0.04 each for the nine months ended September 30, 2001, and $0.08 and $0.07, respectively, for the nine months ended September 30, 2000.

The following table summarizes the Company's outstanding common stock equivalents, which were antidilutive and therefore excluded from the computation of diluted EPS:

SEPTEMBER
30, ------

2001 2000
---- ----
CD COMMON
STOCK
Options(a)
71 109
Warrants(b)
2 31
Feline
PRIDES --
61 Upper
DECS 35 --
MOVE.COM
COMMON
STOCK
Options(c)
6
Warrants(d)
2

(a) The weighted average exercise prices for antidilutive options at September 30, 2001 and 2000 were $24.37 and $22.41, respectively.
(b) The weighted average exercise prices for antidilutive warrants at September 30, 2001 and 2000 were $21.31 and $22.91, respectively.
(c) The weighted average exercise price for antidilutive options at September 30, 2000 was $18.48.
(d) The weighted average exercise price for antidilutive warrants at September 30, 2000 was $96.12.

The Company's contingently convertible debt securities issued during 2001, which provide for the potential issuance of approximately 88 million shares of CD common stock, were not included in the computation of diluted EPS for the three and nine months ended September 30, 2001 as the related contingency provisions were not satisfied during such periods.

3. ACQUISITIONS AND DISPOSITIONS OF BUSINESSES

ACQUISITIONS

AVIS GROUP HOLDINGS, INC. On March 1, 2001, the Company acquired all of the outstanding shares of Avis Group Holdings, Inc. ("Avis"), one of the world's leading service and information providers for comprehensive automotive transportation and vehicle management solutions, for approximately $994 million. The results of operations of Avis have been included in the Consolidated Condensed Statement of Income since the date of acquisition.

The preliminary allocation of the purchase price is summarized as follows:

	AMOUNT
Cash consideration	$ 937
Fair value of converted options	17
Transaction costs and expenses	40
Total purchase price	994
Book value of Cendant's existing net investment in Avis	409
Cendant's basis in Avis	1,403
Historical value of liabilities assumed in excess of assets acquired	207
Fair value adjustments	108
Excess purchase price over assets acquired and liabilities assumed	$1,718

Pro forma net revenues, income before extraordinary loss and cumulative effect of accounting change, net income and the related per share data would have been as follows had the acquisition of Avis occurred on January 1st for each period presented:

	NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
Net revenues	$ 6,977	$ 5,549
Income before extraordinary loss and cumulative effect of accounting change	706	594
Net income	661	536
CD common stock income per share:		
BASIC		
Income before extraordinary loss and cumulative effect of accounting change	$ 0.83	$ 0.83
Net income	0.77	0.75
DILUTED		

Income before extraordinary loss and cumulative effect of accounting change	$ 0.78	$ 0.80
Net income	0.73	0.72

These pro forma results do not give effect to any synergies expected to result from the acquisition of Avis and are not necessarily indicative of what actually would have occurred if the acquisition had been consummated on January 1st of each period, nor are they necessarily indicative of future consolidated results.

FAIRFIELD RESORTS, INC. On April 2, 2001, the Company acquired all of the outstanding shares of Fairfield Resorts, Inc., formerly Fairfield Communities, Inc. ("Fairfield"), one of the largest vacation ownership companies in the United States, for approximately $760 million, including $20 million of transaction costs and expenses and $46 million related to the conversion of Fairfield employee stock options into CD common stock options. As part of the acquisition, the Company also assumed approximately $379 million of Fairfield debt, $125 million of which has been repaid. The results of operations of Fairfield have been included in the Consolidated Condensed Statement of Income since the date of acquisition. This acquisition was not significant on a pro forma basis.

GALILEO INTERNATIONAL, INC. On October 1, 2001, the Company acquired all of the outstanding shares of Galileo International, Inc. ("Galileo"), a leading provider of electronic global distribution services for the travel industry, for approximately $1.9 billion, including approximately $36 million of estimated transaction costs and expenses and approximately $32 million related to the conversion of Galileo employee stock options into CD common stock options. Approximately $1.5 billion of the merger consideration was funded through the issuance of approximately 117 million shares of CD common stock, with the remainder being financed from available cash. As part of the acquisition, the Company also assumed approximately $586 million of Galileo debt, $555 million of which has been repaid.

CHEAP TICKETS, INC. On October 5, 2001, the Company acquired all of the outstanding common stock of Cheap Tickets, Inc. ("Cheap Tickets"), a leading provider of discount leisure travel products, for approximately $313 million (approximately $286 million in cash, net of cash acquired), including $18 million of estimated transaction costs and expenses and $27 million related to the conversion of Cheap Tickets employee stock options into CD common stock options.

These acquisitions were accounted for using the purchase method of accounting; accordingly, assets acquired and liabilities assumed were recorded in the Company's Consolidated Condensed Balance Sheet as of the respective acquisition dates based upon their estimated fair values at such date. The excess of the purchase price over the estimated fair value of the underlying assets acquired and liabilities assumed was allocated to goodwill. Goodwill resulting from the acquisitions of Avis and Fairfield is being amortized over 40 years on a straight-line basis until the adoption of SFAS No. 142. In accordance with SFAS No. 142, goodwill resulting from the acquisitions of Galileo and Cheap Tickets will be tested for impairment rather than amortized each year. The allocations of the excess purchase price are based upon preliminary estimates and assumptions and are subject to revision when appraisals have been finalized. Accordingly, revisions to the allocations, which may be significant, will be recorded by the Company as further adjustments to the purchase price allocations.

The Company is in the process of integrating the operations of its acquired businesses and expects to incur transition costs relating to such integrations. Transition costs may result from integrating operating systems, relocating employees, closing facilities, reducing duplicative efforts and exiting and consolidating certain other

activities. These costs will be recorded on the Company's Consolidated Condensed Balance Sheet as adjustments to the purchase price or on the Company's Consolidated Condensed Statement of Income as expenses, as appropriate.

DISPOSITIONS

On February 16, 2001, the Company completed the sale of its real estate Internet portal, move.com, along with certain ancillary businesses to Homestore.com, Inc. ("Homestore") in exchange for approximately 21 million shares of Homestore common stock then valued at $718 million. The operations of these businesses were not material to the Company's financial position, results of operations or cash flows. The Company recorded a gain of $548 million on the sale of these businesses, of which $436 million ($262 million, after tax) was recognized at the time of closing. The Company deferred $112 million of the gain, which represents the portion that was equivalent to its common equity ownership percentage in Homestore at the time of closing. The deferred gain is being recognized into income over five years as a component of equity in Homestore.com within the Consolidated Condensed Statement of Income until the adoption of SFAS No. 142. During the nine months ended September 30, 2001, the Company recognized $29 million of this deferred gain. The difference between the value of the Company's investment in Homestore and the underlying equity in the net assets of Homestore was $431 million, which is also being amortized over five years as a component of equity in Homestore.com within the Consolidated Condensed Statement of Income until the adoption of SFAS No. 142. Such difference was reduced by $112 million during the nine months ended September 30, 2001, $48 million of which represented amortization. The remaining $64 million related to the contribution of approximately 2 million shares of Homestore to Trip Network, Inc., formerly Travel Portal, Inc. ("Trip Network"), an independent company that was created to pursue the development of an online travel business for the benefit of certain current and future franchisees, and the distribution of approximately 2 million shares of Homestore to former Move.com common stockholders in exchange for formerly held shares of Move.com common stock.

In July 2001, the Company entered into a number of agreements with Trilegiant Corporation ("Trilegiant"), a newly formed company owned by the former management of the Company's Cendant Membership Services and Cendant Incentives subsidiaries. Under these agreements, the Company will continue to collect membership fees from, and is obligated to provide membership benefits to, members of its individual membership business that existed as of the transaction date, including their renewals. Trilegiant will provide fulfillment services to these members in exchange for a servicing fee and will license and/or lease from the Company the assets of its individual membership business to service these members and also to obtain new members. Trilegiant will retain the economic benefits and service obligations for those new members who join subsequent to the transaction date. Beginning in third quarter 2002, the Company will receive a royalty (initially 5%) from Trilegiant for membership fees generated by their new members. In connection with the foregoing arrangements, the Company advanced approximately $130 million to support Trilegiant's marketing activities and made a $20 million convertible preferred stock investment in Trilegiant.

4. OTHER CHARGES (CREDITS)

RESTRUCTURING AND OTHER UNUSUAL CHARGES

During the nine months ended September 30, 2001, the Company incurred unusual charges totaling $263 million. Such charges primarily consisted of (i) $95 million related to the funding of an irrevocable contribution to an independent technology trust responsible for providing technology initiatives for the benefit of certain current and future franchisees, (ii) $85 million related to the creation of Trip Network and (iii) $77 million related to the September 11th terrorist attacks. The charges incurred in connection with the September 11th terrorist attacks primarily resulted from the rationalization of the Avis fleet and related car rental operations.

As a result of changes in business and in consumer behavior following the September 11th terrorist attacks, the Company is reviewing its organizational alignment and its work force at a number of business locations. The Company will record charges during fourth quarter 2001 in connection with this initiative. Such charges could total as much as $125 million after tax, of which approximately $35 million could be non-cash. The Company is also monitoring the valuation of certain assets primarily relating to its investments in mortgage servicing rights and Homestore. The value of mortgage servicing rights is subject to early prepayment risk due to a decrease in interest rates. A general slowdown of the economy and, more significantly, the impact of the September 11th terrorist attacks have resulted in continued interest rate cuts. Accordingly, the Company is reviewing the valuation of its current portfolio of mortgage servicing rights for possible impairment. Any adjustment to the carrying value of the portfolio would result in a non-cash charge, which, based upon the current environment, is not expected to exceed $60 million after-tax and would not be material relative to the size of the portfolio. Additionally, the Company is evaluating its investment in Homestore to determine whether the change in business climate and the subsequent decrease in Homestore's trading value is other than temporary. Should a non-cash reduction in the carrying value be required, the result could be a reduction of up to $260 million after tax. The Company expects to reach a determination on these issues during fourth quarter 2001.

LITIGATION SETTLEMENT AND RELATED COSTS

During the nine months ended September 30, 2001, the Company recorded charges of $42 million for litigation settlement and related costs in connection with previously discovered accounting irregularities in the former business units of CUC International, Inc. ("CUC") and resulting investigations into such matters. Such charges were partially offset by a non-cash credit of $14 million during the first quarter of 2001 to reflect an adjustment to the PRIDES class action litigation settlement charge recorded by the Company in 1998.

MERGER-RELATED COSTS

During first quarter 2001, the Company incurred charges of $8 million related to the acquisition and integration of Avis.

5. STOCKHOLDER LITIGATION SETTLEMENT

On August 28, 2001, the United States Court of Appeals for the Third Circuit approved the Company's proposed $2.85 billion settlement of the principal common stockholder class action lawsuit, overruled all objections to the settlement, approved a plan of allocation for the settlement proceeds and awarded attorneys' fees and expenses to the plaintiffs. As of September 30, 2001, the Company had previously made payments totaling $1.1 billion to a fund established for the benefit of the plaintiffs in this lawsuit. The Company intends to continue making quarterly payments of $250 million to such fund. The Company expects that it will be required to fund the remaining balance no earlier than the end of March 2002, although the precise timing of this obligation depends upon whether any party seeks review of the Third Circuit's decision in the United States Supreme Court and the timing of the disposition of any such proceedings in the Supreme Court. In March 2002, the unfunded portion of the settlement liability is expected to approximate $1.3 billion. The Company anticipates funding such amount from a combination of available cash, operating cash flow and revolving credit facility borrowings.

6. DEBT

EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS

Based upon the Company's intent and ability to refinance certain short-term borrowings on a long-term basis, short-term debt aggregating $1.6 billion has been reclassified to long-term debt on the Company's Consolidated Condensed Balance Sheet as of September 30, 2001.

SENIOR CONVERTIBLE NOTES. During first quarter 2001, the Company issued approximately $1.5 billion aggregate principal amount at maturity of zero-coupon senior convertible notes for aggregate gross proceeds of approximately $900 million. The notes mature in 2021 and were issued at a price representing a yield-to-maturity of 2.5%. The Company will not make periodic payments of interest on the notes, but may be required to make nominal cash payments in specified circumstances. Each $1,000 principal amount at maturity may be convertible, subject to satisfaction of specific contingencies, into 33.4 shares of CD common stock. The notes will not be redeemable by the Company prior to February 13, 2004, but will be redeemable thereafter at the issue price of $608.41 per note plus accrued discount through the redemption date. In addition, holders of the notes may require the Company to repurchase the notes on February 13, 2004, 2009 or 2014. In such circumstance, the Company may pay the repurchase price in cash, shares of our CD common stock, or any combination thereof.

During second quarter 2001, the Company issued zero-coupon zero-yield senior convertible notes for gross proceeds of $1.0 billion. The notes mature in 2021. The Company is not required to pay interest on these notes unless an interest adjustment becomes payable, which may occur in specified circumstances commencing in 2004. Each $1,000 principal amount at maturity may be convertible, subject to satisfaction of specific contingencies, into approximately 39 shares of CD common stock. The notes will not be redeemable by the Company prior to May 4, 2004, but will be redeemable thereafter. In addition, holders of the notes may require the Company to repurchase the notes on May 4, 2002, 2004, 2006, 2008, 2011 and 2016. In such circumstance, the Company may pay the repurchase price in cash, shares of our CD common stock, or any combination thereof.

TERM LOAN. During first quarter 2001, the Company made a principal payment of $250 million to extinguish outstanding borrowings under its then-existing term loan facility and entered into a new $650 million agreement with terms similar to its other revolving credit facilities. The new term loan amortizes in three equal installments on August 22, 2002, May 22, 2003 and February 22, 2004. Borrowings under this facility bear interest at LIBOR plus a margin of 125 basis points.

UPPER DECS. During third quarter 2001, the Company issued approximately 17 million Upper DECS, each consisting of both a senior note and a forward purchase contract, aggregating $863 million principal amount. The senior notes have a term of five years and initially bear interest at an annual rate of 6.75%. The forward purchase contracts require the holder to purchase a minimum of 1.7593 shares and a maximum of 2.3223 shares of CD common stock, based upon the average closing price of CD common stock during a stipulated period, in August 2004. The forward purchase contracts also require cash distributions from Cendant to each holder at an annual rate of 1.00% through August 2004 (the date the forward purchase contracts are required to be settled). The interest rate on the senior notes will be reset based upon a remarketing in either May or August 2004.

6.875% NOTES. During third quarter 2001, the Company issued $850 million aggregate principal amount of 6.875% notes to qualified institutional buyers for net proceeds of $843 million. The notes mature in August 2006.

CREDIT FACILITIES. As of September 30, 2001, the Company had approximately $1.0 billion available under its existing credit facilities.

RELATED TO MANAGEMENT AND MORTGAGE PROGRAMS

MEDIUM-TERM NOTES. During first quarter 2001, PHH Corporation ("PHH"), a wholly-owned subsidiary of the Company, issued $650 million of unsecured medium-term notes under an existing shelf registration statement. These notes bear interest at a rate of 8 1/8% per annum and mature in February 2003.

ASSET-BACKED NOTES. During first quarter 2001, the Company's Avis car rental subsidiary issued $750 million of floating rate asset-backed notes secured by rental vehicles owned by such subsidiary. The notes bear interest at a rate of LIBOR plus 20 basis points per annum and mature in April 2004.

During second quarter 2001, the Company's Avis car rental subsidiary also registered $500 million of auction rate asset-backed notes secured by rental vehicles owned by such subsidiary. These notes bear interest at a rate of LIBOR plus or minus an applicable margin determined from time to time through an auction. As of September 30, 2001, approximately $155 million was issued under this registration statement.

SECURITIZATION AGREEMENT. Coincident with the acquisition of Fairfield, an unaffiliated bankruptcy remote special purpose entity, Fairfield Receivables Corporation, committed to purchase on a revolving basis for cash, at the Company's option, up to $500 million of the Company's timeshare receivables. The Company also maintains non-revolving sales agreements with various other unaffiliated bankruptcy remote special purpose entities that allow for the transfer of timeshare receivables. The Company retains a subordinated residual interest and the related servicing rights and obligations in all of the transferred timeshare receivables. At September 30, 2001, the Company was servicing approximately $446 million of timeshare receivables transferred under all agreements.

CREDIT FACILITIES. During first quarter 2001, PHH renewed its $750 million syndicated revolving credit facility that was due in 2001. The new facility bears interest at LIBOR plus an applicable margin, as defined in the agreement, and terminates on February 21, 2002. PHH is required to pay a per annum utilization fee of .25% if usage under the facility exceeds 25% of aggregate commitments. Under the new facility, any loans outstanding as of February 21, 2002 may be converted into a term loan with a final maturity of February 21, 2003. In addition to this new facility, PHH maintains a $750 million five-year syndicated committed revolving credit facility, which matures in February 2005, and two other committed facilities totaling $275 million with maturity dates in November 2002.

During third quarter 2001, the Company's Avis car rental subsidiary terminated its $450 million revolving credit facility.

7. COMMITMENTS AND CONTINGENCIES

In June 1999, the Company disposed of certain businesses. The dispositions were structured as a tax-free reorganization and, accordingly, no tax provision was recorded on a majority of the gain. However, pursuant to an interpretive ruling, the Internal Revenue Service ("IRS") has taken the position that similarly structured transactions do not qualify as tax-free reorganizations under the Internal Revenue Code Section 368(a)(1)(A). If the transaction is not considered a tax-free reorganization, the resultant incremental liability could range between $10 million and $170 million depending upon certain factors, including utilization of tax attributes. Notwithstanding the IRS interpretive ruling, the Company believes that, based upon analysis of current tax law, its position would prevail, if challenged.

The Company is involved in litigation asserting claims associated with the accounting irregularities discovered in former CUC business units outside of the principal common stockholder class action litigation. The Company does not believe that it is feasible to predict or determine the final outcome or resolution of these unresolved proceedings. An adverse outcome from such unresolved proceedings could be material with respect to earnings in any given period. However, the Company does not believe that the impact of such unresolved proceedings should result in a material liability to the Company in relation to its consolidated financial position or liquidity.

The Company is involved in pending litigation in the usual course of business. In the opinion of management, such other litigation will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

8. STOCKHOLDERS' EQUITY

ISSUANCES OF CD COMMON STOCK

During first quarter 2001, the Company settled the purchase contracts underlying its Feline PRIDES. Accordingly, the Company issued approximately 61 million shares of its CD common stock in satisfaction of its obligation to deliver common stock to beneficial owners of the PRIDES and received, in exchange, the trust preferred securities forming a part of the PRIDES.

During first quarter 2001, the Company also issued 46 million shares of its CD common stock at $13.20 per share for aggregate proceeds of approximately $607 million.

REPURCHASES OF CD COMMON STOCK

During third quarter 2001, the Company repurchased 2.4 million shares of CD common stock in exchange for $46 million in cash.

REPURCHASES OF MOVE.COM COMMON STOCK

During first quarter 2001, the Company repurchased 319,591 shares of Move.com common stock held by NRT Incorporated in exchange for $10 million in cash.

During second quarter 2001, the Company repurchased 1,598,030 shares of Move.com common stock held by Liberty Digital, Inc. in exchange for 1,164,048 shares of Homestore common stock (valued at approximately $31 million) and approximately $19 million in cash. In addition, the Company also repurchased all the remaining outstanding shares of Move.com common stock in exchange for 566,054 shares of Homestore common stock (valued at approximately $15 million) during second quarter 2001.

COMPREHENSIVE INCOME

The components of comprehensive income are summarized as follows:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
Net income	$ 210	$ 214	$ 692	$ 457
Other comprehensive income (loss):				
Currency translation adjustments	48	(31)	(25)	(119)
Unrealized gains (losses) on marketable securities, net of tax:				
Unrealized gains (losses) arising during period	(4)	--	32	(43)
Reclassification adjustment for losses realized in net income	--	--	45	--
Unrealized losses on cash flow hedges, net of tax	(41)	--	(48)	--
Total comprehensive				

income	$ 213	$ 183	$ 696	$ 295
	=======	=======	=======	=======

The after-tax components of accumulated other comprehensive loss for the nine months ended September 30, 2001 are as follows:

	CURRENCY TRANSLATION ADJUSTMENTS	UNREALIZED GAINS/(LOSSES) ON MARKETABLE SECURITIES	UNREALIZED LOSSES ON CASH FLOW HEDGES	ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)
Balance, January 1, 2001	$ (165)	$ (69)	$ --	$ (234)
Current period change	(25)	77	(48)	4
Balance, September 30, 2001	$ (190)	$ 8	$ (48)	$ (230)
	=========	========	========	=========

9. DERIVATIVES

Consistent with its risk management policies, the Company manages foreign currency and interest rate risks using derivative instruments.

FOREIGN CURRENCY RISK

The Company uses foreign currency forward contracts to manage its exposure to changes in foreign currency exchange rates associated with its foreign currency denominated receivables and forecasted royalties, forecasted earnings of foreign subsidiaries and forecasted foreign currency denominated acquisitions. The Company primarily hedges its foreign currency exposure to the British pound, Canadian dollar and Euro. The majority of forward contracts utilized by the Company do not qualify for hedge accounting treatment under SFAS No. 133. The fluctuations in the value of these forward contracts do, however, effectively offset the impact of changes in the value of the underlying risk that they are intended to economically hedge. Forward contracts that are used to hedge certain forecasted royalty receipts up to 12 months are designated and do qualify as cash flow hedges. The impact of these forward contracts was not material to the Company's results of operations or financial position at September 30, 2001.

INTEREST RATE RISK

The Company's mortgage-related assets, its retained interests in certain qualifying special purpose entities and the debt used to finance much of the Company's operations are exposed to interest rate fluctuations. The Company uses various hedging strategies and derivative financial instruments to create a desired mix of fixed and floating rate assets and liabilities. Derivative instruments currently used in managing the Company's interest rate risks include swaps, forward delivery commitments and instruments with option features. A combination of fair value hedges, cash flow hedges and financial instruments that do not qualify for hedge accounting treatment under SFAS No. 133 are used to manage the Company's portfolio of interest rate sensitive assets and liabilities.

The Company uses fair value hedges to manage its mortgage servicing rights, mortgage loans held for sale and certain fixed rate debt. During the three and nine months ended September 30, 2001, the net impact of these fair value hedges was a loss of $8 million and $11 million, respectively. These losses are included in net revenues within the Consolidated Condensed Statements of Income and consist of losses of $24 million and $47 million, respectively, to reflect the ineffective portion of these fair value hedges, which were partially offset by gains of $16 million and $36 million, respectively, to reflect the amount that was excluded from the Company's assessment of hedge effectiveness.

The Company uses cash flow hedges to manage the interest expense incurred on its floating rate debt and on a portion of its principal common stockholder litigation settlement liability. Ineffectiveness resulting from these cash flow hedging relationships during the three and nine months ended September 30, 2001 was not material to the Company's results of operations. Derivative gains and losses included in other comprehensive income are reclassified into earnings when interest payments or other liability-related accruals impact earnings. During the three and nine months ended September 30, 2001, the amount of gains or losses reclassified from other comprehensive income to earnings was not material to the Company's results of operations. Over the next 12 months, derivative losses of approximately $34 million, after tax are expected to be reclassified into earnings. These expected future losses are based on estimated future interest rates and the terms of the Company's cash flow hedges. Actual results, which could result in a gain or loss, may differ significantly from the estimated results. The impact of these losses will effectively fix the interest rate on certain debt instruments as was intended when the hedging strategies were developed. Certain of the Company's forecasted cash flows are hedged up to three years into the future.

10. SEGMENT INFORMATION

Management evaluates each segment's performance based upon a modified earnings before interest, income taxes, depreciation and amortization and minority interest calculation. For this purpose, Adjusted EBITDA is defined as earnings before non-vehicle interest, income taxes, non-vehicle depreciation and amortization, minority interest and equity in Homestore.com, adjusted to exclude certain items which are of a non-recurring or unusual nature and are not measured in assessing segment performance or are not segment specific.

THREE MONTHS ENDED SEPTEMBER 30,	2001		2000	
	REVENUES	ADJUSTED EBITDA	REVENUES	ADJUSTED EBITDA
Real Estate Services	$ 514	$ 287	$ 419	$ 242
Hospitality	488	152	278	115
Vehicle Services	1,119	127	146	81
Financial Services	338	58	333	86
Total Reportable Segments	2,459	624	1,176	524
Corporate and Other(a)	22	(21)	49	(34)

Total Company	$ 2,481	$ 603	$ 1,225	$ 490

	NINE MONTHS ENDED SEPTEMBER 30,			
	2001		2000	
	REVENUES	ADJUSTED EBITDA	REVENUES	ADJUSTED EBITDA
Real Estate Services	$ 1,328	$ 650	$ 1,085	$ 550
Hospitality	1,225	416	777	309
Vehicle Services	2,685	361	418	221
Financial Services	1,060	259	1,035	302
Total Reportable Segments	6,298	1,686	3,315	1,382
Corporate and Other(a)	72	(53)	175	(76)
Total Company	$ 6,370	$ 1,633	$ 3,490	$ 1,306

(a) Included in Corporate and Other are the results of operations of the Company's non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments.

Total assets for the Company's Vehicle Services segment were $13.6 billion and $2.7 billion as of September 30, 2001 and December 31, 2000, respectively.

Provided below is a reconciliation of Adjusted EBITDA to income before income taxes, minority interest and equity in Homestore.com.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
Adjusted EBITDA	$ 603			

$ 490 $ 1,633 $ 1,306 Non-vehicle depreciation and amortization (125) (87) (347) (258) Other (charges) credits: Restructuring and other unusual (77) (3) (263) (109) Litigation settlement and related (9) (27) (28) 6 Merger-related -- -- (8) -- Non-vehicle interest, net (57) (38) (176) (86) Net gain (loss) on dispositions of businesses -- 3 435 (7) --------- --------- ---------- ---------- Income before income taxes, minority interest and equity in Homestore.com $ 335 $ 338 $ 1,246 $ 852 ========= ========= ========== ==========

11. SUBSEQUENT EVENTS

ACQUISITIONS. As previously discussed in Note 3 herein, on October 1, 2001 and October 5, 2001, the Company consummated the acquisitions of Galileo and Cheap Tickets, respectively.
CREDIT FACILITY. On October 1, 2001, the Company's $750 million five-year revolving credit facility matured.

TERM LOAN. On October 5, 2001, the Company converted its then-existing $650 million term loan into a revolving credit facility and increased such facility by $500 million to establish a $1.15 billion committed revolving credit facility. The converted facility matures in February 2004 and now contains the committed capacity to issue up to $300 million in letters of credit. Borrowings under this facility bear interest at LIBOR plus a margin of 82.5 basis points. The Company is required to pay a per annum facility fee of 17.5 basis points under this facility and a per annum utilization fee of 25 basis points if usage under this facility exceeds 33% of aggregate commitments. Subsequent to the conversion, on October 9, 2001, the Company repaid the original $650 million term loan from available cash. The total $1.15 billion commitment under this facility is presently undrawn and available.

ISSUANCE OF ASSET-BACKED NOTES. On October 23, 2001, a subsidiary of the Company's fleet management business issued $750 million of floating rate callable asset backed notes for net proceeds of approximately $747 million. The notes bear interest at one-month LIBOR plus an applicable spread and were issued in two tranches: $425 million maturing in September 2006 and $325 million maturing in September 2013. The Company has the option to prepay these notes in whole on certain dates after March 2003.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION SHOULD BE READ IN CONJUNCTION WITH OUR CONSOLIDATED CONDENSED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES THERETO INCLUDED ELSEWHERE HEREIN. UNLESS OTHERWISE NOTED, ALL DOLLAR AMOUNTS ARE IN MILLIONS.

On March 1, 2001, we acquired all of the outstanding shares of Avis Group Holdings, Inc., one of the world's leading service and information providers for comprehensive automotive transportation and vehicle management solutions, for approximately $994 million, including $40 million of transaction costs and expenses and $17 million related to the conversion of Avis employee stock options into CD common stock options.

On April 2, 2001, we acquired all of the outstanding shares of Fairfield Resorts, Inc., (formerly, Fairfield Communities, Inc.), one of the largest vacation ownership companies in the United States, for approximately $760 million, including $20 million of transaction costs and expenses and $46 million related to the conversion of Fairfield employee stock options into CD common stock options. As part of the acquisition, we also assumed approximately $379 million of Fairfield debt, $125 million of which has been repaid.

We continue to assess the impact of the September 11th terrorist attacks on our businesses and are currently expecting that our operating cash flows and results of operations will be negatively impacted by a considerable decline in travel for the near term (which will primarily affect our Hospitality and Vehicle Services segments and our newly-created Travel Distribution segment, which was created through the acquisitions of Galileo International, Inc. on October 1, 2001 and Cheap Tickets, Inc. on October 5, 2001). We also expect the events of September 11th will contribute to a modest decline in residential real estate transactions and relocations (which will primarily affect our Real Estate Services segment). Notwithstanding the effects of the September 11th terrorist attacks on our operating cash flows, we have sufficient liquidity to fund our current business plans and obligations through various other sources, including public debt and equity markets and financial institutions. In addition, we are reviewing our organizational alignment and our work force at a number of business locations to increase efficiencies and productivity and to reduce the cost structures of our businesses. Such review will result in rightsizing, consolidation, restructuring or other related efforts. We will record charges during fourth quarter 2001 in connection with these initiatives. Such charges could total as much as $125 million after tax, of which approximately $35 million could be non-cash, and would be funded through current operations.

We are also monitoring the valuation of certain assets primarily relating to our investments in mortgage servicing rights and in Homestore.com, Inc. The value of mortgage servicing rights is subject to early prepayment risk due to a decrease in interest rates. Accordingly, we are reviewing the valuation of our current portfolio of mortgage servicing rights for possible impairment. Any adjustment to the carrying value of the portfolio would result in a non-cash charge, which, based upon the current environment, is not expected to exceed $60 million after-tax and would not be material relative to the size of the portfolio. A general slowdown of the economy and, more significantly, the impact of the September 11th terrorist attacks have resulted in continued interest rate cuts. The decline in interest rates, although potentially impacting the value of our mortgage servicing rights, has contributed to a strong increase in applications for mortgage refinancings, which we expect will have a positive impact on the operating results of our mortgage business in subsequent quarters. Additionally, we are evaluating our investment in Homestore.com to determine whether the change in business climate and the subsequent decrease in Homestore.com's trading value is other than temporary. Should a non-cash reduction in the carrying value be required, the result could be a reduction of up to $260 million after tax. We expect to reach a determination on these issues before reporting fourth quarter 2001 financial results.

RESULTS OF CONSOLIDATED OPERATIONS -- 2001 VS. 2000

The consolidated results of operations of Avis and Fairfield have been included in our consolidated results of operations since their respective dates of acquisition.

Strong contributions from many of our businesses and the addition of the operations of Avis and Fairfield produced revenue growth of $1.3 billion, or 103%, and $2.9 billion, or 83%, for the three and nine months ended September 30, 2001, respectively. Our expenses increased $1.3 billion, or 141%, and $2.9 billion, or 111%, for the three and nine months ended September 30, 2001, respectively, primarily as a result of the acquisitions of Avis and Fairfield. We also incurred unusual charges of $77 million during third quarter 2001 as a result of the September 11th terrorist attacks, which primarily resulted from the rationalization of the Avis fleet and related car rental operations.

Our non-vehicle interest expense increased primarily as a result of interest expense accrued on our stockholder litigation settlement liability.

Also during first quarter 2001, we sold our real estate Internet portal, move.com, along with certain ancillary businesses, to Homestore.com in exchange for approximately 21 million shares of Homestore.com common stock then valued at $718 million. We recorded a gain of $548 million on the sale of these businesses, of which $436

million ($262 million, after tax) was recognized at the time of closing. We deferred $112 million of the gain, which represents the portion that was equivalent to our common equity ownership percentage in Homestore.com at the time of closing. During the nine months ended September 30, 2001, we recognized $29 million of this deferred gain.

Our overall effective tax rate was 30% for the three months ended September 30, 2001 and 2000 and 35% and 32% for the nine months ended September 30, 2001 and 2000, respectively. The higher tax rate for the nine months ended September 30, 2001 was primarily due to higher state income taxes provided on the gain on disposition of businesses discussed above.

As a result of the above-mentioned items, income before extraordinary loss and cumulative effect of accounting change decreased $4 million, or 1.9%, in the three months ended September 30, 2001 and increased $215 million, or 42%, in the nine months ended September 30, 2001.

RESULTS OF REPORTABLE SEGMENTS

The underlying discussions of each segment's operating results focuses on Adjusted EBITDA, which is defined as earnings before non-vehicle interest, income taxes, non-vehicle depreciation and amortization, minority interest and equity in Homestore.com, adjusted to exclude certain items which are of a non-recurring or unusual nature and are not measured in assessing segment performance or are not segment specific. Our management believes such discussions are the most informative representation of how management evaluates performance. However, our presentation of Adjusted EBITDA may not be comparable with similar measures used by other companies.

THREE MONTHS ENDED SEPTEMBER 30, 2001 VS. THREE MONTHS ENDED SEPTEMBER 30, 2000

	REVENUES			ADJUSTED EBITDA		
	2001	2000	% CHANGE	2001(b)	2000	% CHANGE
Real Estate Services	$ 514	$ 419	23%	$ 287	$ 242	19%
Hospitality	488	278	76	152	115(d)	32
Vehicle Services	1,119	146	*	127	81	57
Financial Services	338	333	2	58	86	(33)
Total Reportable Segments						

2,459
1,176 624
524
Corporate
and
Other(a)
22 49 *
(21)(c)
(34)(e) *

- --------
-- -------
--- ------
---- Total
Company $
2,481 $
1,225 $
603 $ 490
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* Not meaningful.

(a) Included in Corporate and Other are the results of operations of our non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments.

(b) Excludes charges of $77 million related to the September 11th terrorist attacks, which primarily resulted from the rationalization of the Avis fleet and related car rental operations ($6 million, $60 million and $11 million within Hospitality, Vehicle Services and Corporate and Other, respectively).

(c) Excludes $9 million of litigation settlement and related costs.

(d) Excludes $8 million of losses related to the dispositions of businesses.

(e) Excludes (i) $27 million for litigation settlement and related costs, (ii) $24 million of losses related to the dispositions of businesses and (iii) charges of $3 million incurred in connection with the postponement of the initial public offering of Move.com common stock. Such charges were partially offset by a gain of $35 million, which represents the recognition of a portion of the Company's previously recorded deferred gain from the sale of its fleet businesses due to the disposition of VMS Europe by Avis Group Holdings, Inc. in August 2000.

REAL ESTATE SERVICES

Revenues and EBITDA increased $95 million (23%) and $45 million (19%), respectively. The increase in operating results was primarily driven by increased franchise fees from our Century 21, Coldwell Banker and ERA real estate franchise brands and substantial growth in mortgage loan production due to increased refinancing activity and purchase volume.

Franchise royalties increased $16 million (12%) due to a 7% increase in the average price of homes sold. In addition, franchise fees increased $15 million from the conversion of certain Century 21 real estate brokerage offices into Coldwell Banker offices.

Revenues generated from the sale of mortgage loans increased $77 million (72%) as actual mortgage loans sold increased $3.3 billion (49%) to $10.1 billion. Closed mortgage loans increased $4.7 billion (72%) to $11.2 billion consisting of a $3.3 billion increase (approximately nine fold) in refinancings and a $1.4 billion increase (23%) in purchase mortgage closings. Beginning in January 2001, Merrill Lynch outsourced its mortgage originations and servicing operations to us, and new Merrill Lynch business accounted for 16% of our mortgage closings in third quarter 2001. A significant portion of mortgages closed in any quarter will generate revenues in future periods as such loans are packaged and sold (revenues are recognized upon the sale of the loan, typically 45-60 days after closing). Partially offsetting record production revenues was an $18 million decline in net loan servicing revenue. The average servicing portfolio grew $27 billion (42%) as a result of the high volume of mortgage loan originations and Merrill Lynch's outsourcing of its mortgage origination operations to us. However, increased servicing amortization expenses during third quarter 2001, reflecting higher refinancing activity, more than offset the increase in recurring servicing fees from the portfolio growth. Additionally, operating expenses within this segment increased to support the higher volume of mortgage originations and related servicing activities.

HOSPITALITY

Revenues and Adjusted EBITDA increased $210 million (76%) and $37 million (32%), respectively. The acquisition of Fairfield in April 2001 contributed revenues and Adjusted EBITDA of $205 million and $51 million, respectively, which is substantially greater than Fairfield's operating results in third quarter 2000 as an independent company. Additionally, in January 2001, we acquired Holiday Cottages Group Limited, the leading UK brand in the holiday cottages rental sector, which contributed revenues and Adjusted EBITDA of $6 million and $2 million, respectively. The terrorist attacks of September 11th negatively impacted our lodging, timeshare and travel agency businesses. Accordingly, timeshare subscription and transaction revenues increased only $7 million (8%) primarily due to increases in members and exchange transactions, while timeshare staffing costs increased $11 million to support actual and anticipated volume growth. In addition, lodging royalties and marketing fund revenues declined $5 million (4%) as room occupancy levels declined. We also experienced lower sales volumes in our travel agency business, which reported a $3 million revenue decline. While we expect the events of September 11th to reduce the growth in our Hospitality segment for the foreseeable future, we expect that the percentage impact will decline over time, absent any further shocks to the travel industry.

VEHICLE SERVICES

Revenues and Adjusted EBITDA increased $973 million and $46 million, respectively, substantially due to our acquisition of Avis in February 2001. The operations of Avis are comprised of the Avis car rental business and fleet management programs including integrated vehicle leasing, advisory services, fuel and maintenance cards and other fleet management services to corporate customers. Prior to the acquisition, revenues and Adjusted EBITDA consisted principally of earnings from our equity investment in Avis, royalties received from Avis and the operations of our National Car Parks subsidiary. The acquisition contributed incremental revenues and Adjusted EBITDA of approximately $960 million and $42 million, respectively. However, Avis results were negatively impacted by reduced demand at airport locations as a result of the September 11th terrorist attacks, as well as a general decline in commercial travel throughout third quarter 2001. Our National Car Parks subsidiary contributed incremental revenue of $11 million. While we expect the events of September 11th to reduce the growth of our car rental operations for the foreseeable future, we expect that the percentage impact will decline over time, absent any further shocks to the travel industry.

FINANCIAL SERVICES

Revenues increased $5 million (2%), while EBITDA decreased $28 million (33%). Excluding $41 million of transaction-related expenses recorded during third quarter 2001 in connection with the outsourcing of our individual membership business to Trilegiant Corporation, EBITDA increased $13 million (15%).

The re-acquisition and integration of Netmarket Group, the online membership business, during fourth quarter 2000 contributed $16 million to revenues. Netmarket Group typically generates low margins compared to traditional membership operations. Contributing to the EBITDA increase was a $22 million reduction in marketing expenses within our individual membership business largely due to the outsourcing of marketing activities to Trilegiant. Revenues and EBITDA were unfavorably impacted by a decrease in membership expirations (revenue is generally recognized upon expiration of the membership); however, a favorable mix of products and programs with marketing partners partially mitigated the impact.

In July 2001, we entered into a number of agreements with Trilegiant, a newly formed company owned by the former management of our Cendant Membership Services and Cendant Incentives subsidiaries. Under these agreements, we will continue to collect membership fees from, and are obligated to provide membership benefits to, members of our individual membership business that existed as of the transaction date, including their renewals.

Trilegiant will provide fulfillment services to these members in exchange for a servicing fee and will license and/or lease from us the assets of our individual membership business to service these members and also to obtain new members. Trilegiant will retain the economic benefits and service obligations for those new members who join subsequent to the transaction date. Beginning in third quarter 2002, we will receive a royalty (initially 5%) from Trilegiant for membership fees generated by their new members.

CORPORATE AND OTHER

Revenues decreased $27 million, while Adjusted EBITDA increased $13 million. In February 2001, we sold Move.com Group, our real estate internet portal, and Welcome Wagon International. Such businesses collectively accounted for a decline in revenues of $25 million and an improvement to Adjusted EBITDA of $19 million, reflecting our investment in development and marketing of the portal during third quarter 2000. Adjusted EBITDA also reflects increased unallocated corporate overhead costs due to infrastructure expansion to support Company growth.

NINE MONTHS ENDED SEPTEMBER 30, 2001 VS. NINE MONTHS ENDED SEPTEMBER 30, 2000

REVENUES
ADJUSTED
EBITDA ---

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	2001	2000	% CHANGE	2001(b)	2000(f)	% CHANGE
Real Estate Services	$ 1,328	$ 1,085	22%	$ 650(c)	$ 550	18%
Hospitality	1,225	777	58	416	309(g)	35
Vehicle Services	2,685	418	*	361(d)	221	63
Financial Services	1,060	1,035	2	259	302	(14)
Total Reportable Segments	6,298	3,315		1,686	1,382	
Corporate and Other(a)	72	175	*	(53)(e)	(76)(h)	*
Total Company	$ 6,370	$ 3,490		$ 1,633	$ 1,306	

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* Not meaningful.

(a) Included in Corporate and Other are the results of operations of our non-strategic businesses, unallocated corporate overhead and the elimination of transactions between segments.

(b) Excludes charges of $77 million related to the September 11th terrorist attacks, which primarily resulted from the rationalization of the Avis fleet and related car rental operations ($6 million, $60 million and $11 million within Hospitality, Vehicle Services and Corporate and Other, respectively).

(c) Excludes a charge of $95 million to fund an irrevocable contribution to an independent technology trust responsible for providing technology initiatives for the benefit of certain current and future franchisees.

(d) Excludes charges of $4 million related to the acquisition and integration of Avis.

(e) Excludes (i) a net gain of $435 million related to the dispositions of businesses and (ii) a credit of $14 million to reflect an adjustment to the PRIDES class action litigation settlement charge recorded by the Company in 1998. Such amounts were partially offset by charges of (i) $85 million related to the creation of Trip Network, Inc., an independent company that was created to pursue the development of an online travel business for the benefit of certain current and future franchisees, (ii)

$42 million for litigation settlement and related costs, (iii) $7 million related to a non-cash contribution to the Cendant Charitable Foundation and (v) $4 million related to the acquisition and integration of Avis.

(f) Excludes a charge of $109 million in connection with restructuring and other initiatives ($2 million, $63 million, $31 million and $13 million within Real Estate Services, Hospitality, Financial Services and Corporate and Other, respectively).

(g) Excludes $12 million of losses related to the dispositions of businesses.

(h) Excludes (i) a non-cash credit of $41 million in connection with a change to the original estimate of the number of Rights to be issued in connection with the PRIDES settlement resulting from unclaimed and uncontested Rights and, (ii) a gain of $35 million, which represents the recognition of a portion of the Company's previously recorded deferred gain from the sale of its fleet businesses due to the disposition of VMS Europe by Avis Group Holdings, Inc. in August 2000; partially offset by (i) $30 million of losses related to the disposition of businesses and (ii) $35 million of litigation settlement and related costs.

REAL ESTATE SERVICES

Revenues and Adjusted EBITDA increased $243 million (22%) and $100 million (18%), respectively. The increase in operating results was primarily driven by substantial growth in mortgage loan production due to increased refinancing activity and purchase volume. Increases in relocation services and higher franchise fees from our Century 21, Coldwell Banker, and ERA franchise brands also contributed to the favorable operating results.

Collectively, mortgage loans sold increased $10.7 billion (70%) to $25.9 billion, generating incremental revenues of $214 million, a 91% year-over-year increase. Closed mortgage loans increased $14.4 billion (88%) to $30.7 billion. This growth consisted of a $10 billion increase (approximately ten fold) in refinancings and a $4.3 billion increase (29%) in purchase mortgage closings. Beginning in January 2001, Merrill Lynch outsourced its mortgage originations and servicing operations to us. New Merrill Lynch business accounted for 14% of our mortgage

closings in nine months 2001. Partially offsetting record production revenues was a $32 million decline in loan net servicing revenue. The average servicing portfolio grew $29 billion (50%) as a result of the high volume of mortgage loan originations and Merrill Lynch's outsourcing of its mortgage origination operations to us. However, accelerated servicing amortization expenses, due primarily to refinancing activity, more than offset the increase in recurring servicing fees from the portfolio growth. Additionally, operating expenses within this segment increased to support the higher volume of mortgage originations and related servicing activities.

Franchise fees from our real estate franchise brands also contributed to revenue and Adjusted EBITDA growth. Franchise royalties increased $23 million (6%), despite only modest industry-wide growth and a year-over-year industry decline in California, principally due to a 5% increase in the average price of homes sold. In addition, franchise fees increased $15 million in 2001 from the conversion of certain Century 21 real estate brokerage offices into Coldwell Banker offices.

Service based fees from relocation activities also contributed to the increase in revenues and Adjusted EBITDA. Relocation referral fees increased $14 million and net interest income from relocation operations was $9 million favorable principally due to reduced debt levels.

Partially offsetting the year-over-year revenue and Adjusted EBITDA increases was a $10 million gain recognized in second quarter 2000 on the sale of a portion of our preferred stock investment in NRT.

HOSPITALITY

Revenues and Adjusted EBITDA increased $448 million (58%) and $107 million (35%), respectively. While our April 2001 acquisition of Fairfield produced the bulk of the increase in operating results, our pre-existing timeshare exchange operations also contributed to this growth. Fairfield contributed revenues and Adjusted EBITDA of $403 million and $101 million, respectively, for the period subsequent to the acquisition through September 30, 2001. In addition, our acquisition of Holiday Cottages contributed incremental revenues and Adjusted EBITDA of $21 million and $7 million, respectively. The additional revenue growth resulted primarily from an incremental $28 million of timeshare subscription and transaction fees due to increases in members and exchange transactions, although timeshare staffing costs also increased to support volume growth and meet anticipated service levels. The terrorist attacks of September 11th caused a decline in occupancy levels of our franchised lodging properties; however, marginal increases in available rooms and average room rates principally offset the impact of lower occupancy. While we expect the events of September 11th to reduce the growth of our Hospitality segment for the foreseeable future, we expect that the percentage impact will decline over time, absent any further shocks to the travel industry.

VEHICLE SERVICES

Revenues and Adjusted EBITDA increased $2.3 billion and $140 million, respectively, substantially all due to the Avis acquisition. Avis' operating results were included from the February 28, 2001 acquisition date through

September 30, 2001, whereas in 2000 we recorded earnings from our 18% equity investment in Avis and received franchise royalties from Avis. While we expect the events of September 11th to reduce the growth of our car rental operations for the foreseeable future, we expect that the percentage impact will decline over time, absent any further shocks to the travel industry.

FINANCIAL SERVICES

Revenues increased $25 million (2%), while EBITDA decreased $43 million (14%). The decrease in EBITDA was largely due to $41 million of transaction-related expenses incurred in connection with the outsourcing of our individual membership business to Trilegiant. Excluding such expenses, EBITDA decreased $2 million (1%). Jackson Hewitt, our tax preparation franchise business, contributed incremental revenues of $18 million, principally comprised of higher royalties due to a 32% increase in tax return volume. Such revenues were recognized with relatively no corresponding increases in expenses due to the significant operating leverage within our franchise operations. Netmarket Group contributed $47 million to revenues. Also contributing to increased EBITDA was a $14 million decrease in marketing expenses due to the outsourcing of marketing activities to Trilegiant. Conversely, revenues and EBITDA were negatively impacted from a decrease in membership expirations (revenue is generally recognized upon expiration of the membership), however, such impact was partially mitigated by a favorable mix of products and programs with marketing partners and a reduction in operating expenses, principally commissions, which directly related to servicing fewer members. Revenues and EBITDA in 2000 included $8 million of fees recognized from the sale of certain referral agreements with car dealers.

CORPORATE AND OTHER

Revenues decreased $103 million, while Adjusted EBITDA increased $23 million. In February 2001, we sold Move.com Group and Welcome Wagon International. Such businesses collectively accounted for a decline in revenues of $57 million and an improvement to Adjusted EBITDA of $65 million because we had been investing in

development and marketing of the portal during the nine months ended September 30, 2000. Revenues and Adjusted EBITDA were negatively impacted by $34 million less income from financial investments. In addition, revenues recognized from providing electronic reservation processing services to Avis ceased subsequent to the Avis acquisition, with no Adjusted EBITDA impact as Avis was billed for such services at cost. In addition, Adjusted EBITDA benefited from the absence of $11 million of costs incurred to pursue internet initiatives. Adjusted EBITDA also reflects increased unallocated corporate overhead costs due to infrastructure expansion to support company growth.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Within our car rental, vehicle management, relocation, mortgage services and timeshare development businesses, we purchase assets or finance the purchase of assets on behalf of our clients. Assets generated in this process are classified as assets under management and mortgage programs. We seek to offset the interest rate exposures inherent in our assets under management and mortgage programs by matching such assets with financial liabilities that have similar term and interest rate characteristics. As a result, we minimize the interest rate risk associated with managing these assets and create greater certainty around the financial income that they produce. Fees generated from our clients are used, in part, to repay the interest and principal associated with these liabilities. Funding for our assets under management and mortgage programs is also provided by both unsecured corporate borrowings and securitized financing arrangements, which are classified as liabilities under management and mortgage programs. Cash inflows and outflows relating to the generation of assets and the principal debt repayment or financing of such assets are classified as activities of our management and mortgage programs.

FINANCIAL CONDITION

	SEPTEMBER 30, 2001	DECEMBER 31, 2000	CHANGE
Total assets exclusive of assets under programs	$ 19,335	$ 12,211	$ 7,124
Assets under programs	11,560	2,861	8,699
Total liabilities exclusive of liabilities			

Assets under programs	$ 13,844	$ 7,724	$ 6,120
Liabilities under programs	10,771	2,516	8,255
Mandatorily redeemable securities	375	2,058	(1,683)
Stockholders' equity	5,905	2,774	3,131

Total assets exclusive of assets under programs increased primarily due to an increase in goodwill resulting from the acquisitions of Avis and Fairfield, various other increases in assets also due to the acquisitions, cash proceeds provided by financing activities and our equity investment in Homestore.com. Assets under programs increased primarily due to vehicles acquired in the acquisition of Avis.

Total liabilities exclusive of liabilities under programs increased primarily due to $4.4 billion of debt issued during 2001, approximately $900 million of debt assumed in the acquisition of Avis and various other increases in liabilities also due to the acquisitions of Avis and Fairfield. Liabilities under programs increased primarily due to approximately $6.8 billion of debt assumed in the acquisition of Avis and $1.6 billion of debt issued during 2001.

Mandatorily redeemable securities decreased due to the exchange of these securities in connection with the settlement of the purchase contracts underlying the Feline PRIDES during first quarter 2001, which resulted in the issuance of approximately 61 million shares of CD common stock.

Stockholders' equity increased primarily due to the above-mentioned issuance of approximately 61 million shares of CD common stock, the issuance during first quarter 2001 of 46 million shares of CD common stock at $13.20 per share for aggregate proceeds of approximately $607 million and net income of $692 million during 2001.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30,		
	2001	2000	CHANGE
Cash provided by (used in):			
Operating activities	$ 2,175	$ 581	$ 1,594
Investing activities	(4,794)	(329)	(4,465)
Financing activities	4,870	(231)	5,101
Effects of exchange rate changes on			

cash and cash equivalents	6	25	(19)
- Net change in cash and cash equivalents	$ 2,257	$ 46	$ 2,211

Cash flows from operating activities increased primarily due to cash generated from operations in our acquired businesses.

Cash flows used in investing activities increased primarily due to (i) the utilization of cash to fund the acquisitions of Avis and Fairfield, (ii) a net outflow of approximately $1.3 billion to acquire vehicles used in our Avis business, and (iii) the funding of $750 million to the stockholder litigation settlement trust during 2001.

Cash flows from financing activities resulted in an inflow of $4.9 billion in 2001 compared to an outflow of $231 million in 2000 primarily due to an increase of $5.2 billion in proceeds received from debt issuances, net of repayments.

STOCKHOLDER LITIGATION SETTLEMENT LIABILITY

On August 28, 2001, the United States Court of Appeals for the Third Circuit approved our proposed $2.85 billion settlement of the principal common stockholder class action lawsuit, overruled all objections to the settlement, approved a plan of allocation for the settlement proceeds and awarded attorneys' fees and expenses to the plaintiffs. As of September 30, 2001, we had previously made payments totaling $1.1 billion to a fund established for the benefit of the plaintiffs in this lawsuit. We intend to continue making quarterly payments of $250 million to such fund. We expect that we will be required to fund the remaining balance no earlier than the end of March 2002, although the precise timing of this obligation depends upon whether any party seeks review of the Third Circuit's decision in the United States Supreme Court and the timing of the disposition of any such proceedings in the Supreme Court. In March 2002, the unfunded portion of the settlement liability is expected to approximate $1.3 billion. We anticipate funding such amount from a combination of available cash, operating cash flow and revolving credit facility borrowings.

CAPITAL EXPENDITURES

Capital expenditures during 2001 amounted to $242 million and were utilized to support operational growth, enhance marketing opportunities and develop operating efficiencies through technological improvements. We anticipate a capital expenditure investment during 2001 of approximately $350 million. Such amount represents an increase from 2000 primarily due to capital expenditures related to the acquisitions of Avis, Fairfield, Galileo and Cheap Tickets.

DEBT FINANCING

EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS

Our total long-term debt (including the Upper DECS) increased $4.7 billion to $6.6 billion at September 30, 2001. Such increase was primarily attributable to additional debt issuances and the issuance of the Upper DECS totaling $4.4 billion during 2001 and the assumption of Avis debt of approximately $900 million.

During first quarter 2001, we issued approximately $1.5 billion aggregate principal amount at maturity of zero-coupon senior convertible notes for aggregate gross proceeds of approximately $900 million. We used $250 million of such proceeds to extinguish outstanding borrowings under our then-existing term loan facility. The remaining proceeds were used for general corporate purposes. These notes mature in 2021 and were issued at a price representing a yield-to-maturity of 2.5%. We will not make periodic payments of interest on the notes, but may be required to make nominal cash payments in specified circumstances. Each $1,000 principal amount at maturity may be convertible, subject to satisfaction of specific contingencies, into 33.4 shares of CD common stock. The notes

will not be redeemable by us prior to February 13, 2004, but will be redeemable thereafter at the issue price of $608.41 per note plus accrued discount through the redemption date. In addition, holders of the notes may require us to repurchase the notes on February 13, 2004, 2009 or 2014. In such circumstance, we may pay the repurchase price in cash, shares of our CD common stock, or any combination thereof.

During first quarter 2001, we also entered into a $650 million term loan agreement with terms similar to our other revolving credit facilities. Borrowings under this facility bore interest at LIBOR plus a margin of 125 basis points. A portion of this term loan was used to finance the acquisition of Avis. On October 5, 2001, we converted this term loan into a revolving credit facility and increased such facility by $500 million to establish a $1.15 billion committed revolving credit facility. The converted facility matures in February 2004 and now contains the committed capacity to issue up to $300 million in letters of credit. Borrowings under this facility bear interest at LIBOR plus a margin of 82.5 basis points. We are required to pay a per annum facility fee of 17.5 basis points under this facility and a per annum utilization fee of 25 basis points if usage under this facility exceeds 33% of aggregate commitments. Subsequent to the conversion, on October 9, 2001, we repaid the original $650 million term loan from available cash. The total $1.15 billion commitment under this facility is presently undrawn and available and approximately $270 million is available under our other existing committed credit facilities.

During second quarter 2001, we issued zero-coupon zero-yield senior convertible notes for gross proceeds of $1.0 billion. We utilized these proceeds for general corporate purposes and to reduce certain borrowings. These notes mature in 2021. We are not required to pay interest on these notes unless an interest adjustment becomes payable, which may occur in specified circumstances commencing in 2004. Each $1,000 principal amount at maturity may be convertible, subject to satisfaction of specific contingencies, into approximately 39 shares of CD common stock. The notes will not be redeemable by us prior to May 4, 2004, but will be redeemable thereafter. In addition, holders of the notes may require us to repurchase the notes on May 4, 2002, 2004, 2006, 2008, 2011 and 2016. In such circumstance, we may pay the repurchase price in cash, shares of our CD common stock, or any combination thereof.

During third quarter 2001, we issued approximately 17 million Upper DECS, each consisting of both a senior note and a forward purchase contract, aggregating $863 million principal amount. The senior notes have a term of five years and initially bear interest at an annual rate of 6.75%. The forward purchase contracts require the holder to purchase a minimum of 1.7593 shares and a maximum of 2.3223 shares of CD common stock, based upon the average closing price of CD common stock during a stipulated period, in August 2004. The forward purchase contracts also require cash distributions from us to each holder at an annual rate of 1.00% through August 2004 (the date the forward contracts are required to be settled). The interest rate on the senior notes will be reset based upon a remarketing in either May or August 2004. We utilized the proceeds from this offering for general corporate purposes.

During third quarter 2001, we also issued $850 million aggregate principal amount of 6.875% notes to qualified institutional buyers for net proceeds of $843 million. The notes mature in August 2006. We utilized the proceeds from this offering for general corporate purposes and to fund a portion of the acquisitions of Galileo and Cheap Tickets.

On October 1, 2001, our $750 million five-year revolving credit facility matured.

During third quarter 2001, we filed a registration statement, which provides for an aggregate public offering of up to $3.0 billion of debt or equity securities. We currently have $3.0 billion available under this registration statement.

RELATED TO MANAGEMENT AND MORTGAGE PROGRAMS

Debt related to our management and mortgage programs increased $7.7 billion to $9.7 billion at September 30, 2001. Such increase was primarily attributable to the assumption of Avis debt (principally comprising $3.7 billion of securitized term notes, $1.6 billion of securitized interest bearing notes and $957 million of securitized commercial paper) and additional debt issuances aggregating approximately $1.6 billion during 2001.

During first quarter 2001, PHH issued $650 million of unsecured medium-term notes under its existing shelf registration statement. These notes bear interest at a rate of 8 1/8% per annum and mature in February 2003. PHH currently has approximately $2.4 billion available for issuing medium-term notes under its shelf registration statement.

During first quarter 2001, our car rental subsidiary issued $750 million of floating rate asset-backed notes secured by rental vehicles owned by such subsidiary. The notes bear interest at a rate of LIBOR plus 20 basis points per annum and mature in April 2004.

During second quarter 2001, our car rental subsidiary also registered $500 million of auction rate asset-backed notes secured by rental vehicles owned by such subsidiary. These notes bear interest at a rate of LIBOR plus or minus an applicable margin determined from time to time through an auction. As of September 30, 2001, approximately $155 million was issued under this registration statement.

Coincident with the acquisition of Fairfield, an unaffiliated bankruptcy remote special purpose entity, Fairfield Receivables Corporation, committed to purchase on a revolving basis for cash, at our option, up to $500 million of our timeshare receivables. We also maintain non-revolving sales agreements with various other unaffiliated bankruptcy remote special purpose entities that allow for the transfer of timeshare receivables. We will retain a subordinated residual interest and the related servicing rights and obligations in all of the transferred timeshare receivables. At September 30, 2001, we were servicing approximately $446 million of timeshare receivables transferred under all agreements.

During first quarter 2001, PHH renewed its $750 million syndicated revolving credit facility that was due in 2001. The new facility bears interest at LIBOR plus an applicable margin, as defined in the agreement, and terminates on February 21, 2002. PHH is required to pay a per annum utilization fee of .25% if usage under the facility exceeds 25% of aggregate commitments. Under the new facility, any loans outstanding as of February 21, 2002 may be converted into a term loan with a final maturity of February 21, 2003. In addition to this new facility, PHH maintains a $750 million five-year syndicated committed revolving credit facility, which matures in February 2005, and two other committed facilities totaling $275 million with maturity dates in November 2002.

During third quarter 2001, our car rental subsidiary terminated its $450 million revolving credit facility.

On October 23, 2001, a subsidiary of our fleet management business issued $750 million of floating rate callable asset backed notes for net proceeds of approximately $747 million. The notes bear interest at one-month LIBOR plus an applicable spread and were issued in two tranches: $425 million maturing in September 2006 and $325 million maturing in September 2013. PHH has the option to prepay the notes in whole on certain dates after March 2003.

STRATEGIC BUSINESS INITIATIVES

On October 1, 2001, we acquired all of the outstanding shares of Galileo International, Inc. a leading provider of electronic global distribution services for the travel industry, for approximately $1.9 billion, including approximately $36 million of estimated transaction costs and expenses and approximately $32 million related to the conversion of Galileo employee stock options into CD common stock options. Approximately $1.5 billion of the merger consideration was funded through the issuance of approximately 117 million shares of CD common stock, with the remainder being financed from available cash. As part of the acquisition, we also assumed approximately $586 million of Galileo debt, $555 million of which has been repaid.

On October 5, 2001, we acquired all of the outstanding common stock of Cheap Tickets, a leading provider of discount leisure travel products, for $313 million (approximately $286 million in cash, net of cash acquired), including $18 million of estimated transaction costs and expenses and $27 million related to the conversion of Cheap Tickets employee stock options into CD common stock options.

In accordance with SFAS No. 142, goodwill and certain other intangible assets arising from these transactions will not be amortized.

We continually explore and conduct discussions with regard to acquisitions and other strategic corporate transactions in our industries and in other franchise, franchisable or service businesses in addition to transactions previously announced. As part of our regular on-going evaluation of acquisition opportunities, we currently are engaged in a number of separate, unrelated preliminary discussions concerning possible acquisitions. The purchase price for the possible acquisitions may be paid in cash, through the issuance of CD common stock or other of our securities, borrowings, or a combination thereof. Prior to consummating any such possible acquisition, we will need to, among other things, initiate and complete satisfactorily our due diligence investigations; negotiate the financial and other terms (including price) and conditions of such acquisitions; obtain appropriate board of directors, regulatory and shareholder or other necessary consents and approvals; and, if necessary, secure financing. No assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. In the past, we have been involved in both relatively small acquisitions and acquisitions which have been significant.

In addition, we continually review and evaluate our portfolio of existing businesses to determine if they continue to meet our business objectives. As part of our ongoing evaluation of such businesses, we intend from time to time to explore and conduct discussions with regard to joint ventures, divestitures and related corporate transactions. However, we can give no assurance with respect to the magnitude, timing, likelihood or financial or business effect of any possible transaction. We also cannot predict whether any divestitures or other transactions will be consummated or, if consummated, will result in a financial or other benefit to us.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

During July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets."

SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001 and requires additional disclosures for material business combinations completed after such date. This standard also addresses financial accounting and reporting for goodwill and other intangible assets acquired in a business combination at acquisition. On July 1, 2001, we adopted the provisions of this standard relating to acquisitions made subsequent to June 30, 2001, as required. The provisions regarding the classification of previously acquired intangible assets will be adopted simultaneously with the provisions of SFAS No. 142 on January 1, 2002, as required.

SFAS No. 142 addresses financial accounting and reporting for intangible assets acquired outside of a business combination. The standard also addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. We will be required to assess goodwill and other intangible assets for impairment annually, or more frequently if circumstances indicate a potential impairment. On July 1, 2001, we adopted the provisions requiring that goodwill and certain other intangible assets acquired after June 30, 2001 not be amortized. We will adopt the remaining provisions of this standard on January 1, 2002, as required. Transition-related impairment losses, if any, resulting from the initial assessment of goodwill and certain other intangible assets will be recognized by us as a cumulative effect of accounting change as of January 1, 2002. We are currently evaluating the impact of adopting the remaining provisions of this standard on our financial position and results of operations. Based upon a preliminary assessment of previously acquired goodwill and certain other intangible assets that will no longer be amortized upon the adoption of SFAS No. 142, we expect that the related reduction to amortization expense during the nine months ended September 30, 2001 and 2000 would approximate $160 million and $80 million, respectively. Such amortization expense for the nine months ended September 30, 2001 is net of the amortization of our deferred gain recorded on the sale of move.com to Homestore.com, which would also no longer be accreted through earnings. The estimated impact for 2002 with respect to goodwill and certain other intangible assets that will no longer be subject to amortization is expected to reduce amortization expense by approximately $215 million based upon existing goodwill and other intangible assets as of September 30, 2001.

During October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and replaces the accounting and reporting provisions of APB Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" as it relates to the disposal of a segment of a business. SFAS No. 144 requires the use of a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, by requiring those long-lived assets to be measured at the lower of carrying amount or fair value less cost to sell. The impairment recognition and measurement provisions of SFAS No. 121 were retained for all long-lived assets to be held and used with the exception of goodwill. We will adopt this standard on January 1, 2002.

FORWARD-LOOKING STATEMENTS

Forward-looking statements in our public filings or other public statements are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements were based on various factors and were derived utilizing numerous important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements include the information concerning our future financial performance, business strategy, projected plans and objectives.

Statements preceded by, followed by or that otherwise include the words "believes", "expects", "anticipates", "intends", "project", "estimates", "plans", "may increase", "may fluctuate" and similar expressions or future or conditional verbs such as "will", "should", "would", "may" and "could" are generally forward-looking in nature and not historical facts. You should understand that the following important factors and assumptions could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- the impacts of the September 11, 2001 terrorist attacks on New York City and Washington, D.C. on the travel industry in general, and our travel businesses in particular, are not known at this time, but are expected to include negative impacts on financial results due to reduced demand for travel in the near term; other attacks, acts of war; or measures taken by governments in response thereto may negatively affect the travel industry, our financial results and could also result in a disruption in our business;
- the impact of the anthrax attacks through the United States mail system on the marketing programs of our FISI Madison/BCI subsidiaries and on Trilegiant are not known at this time, but may have negative impacts on

the financial results of such businesses if consumers become reluctant to open and respond to such programs;

- the effect of economic conditions and interest rate changes on the economy on a national, regional or international basis and the impact thereof on our businesses;
- the effects of a decline in travel, due to political instability, adverse economic conditions or otherwise, on our travel related businesses;
- the effects of changes in current interest rates, particularly on our real estate franchise and mortgage businesses;
- the resolution or outcome of our unresolved pending litigation relating to the previously announced accounting irregularities and other related litigation;
- our ability to develop and implement operational, technological and financial systems to manage growing operations and to achieve enhanced earnings or effect cost savings;
- competition in our existing and potential future lines of business and the financial resources of, and products available to, competitors;
- failure to reduce quickly our substantial technology costs in response to a reduction in revenue, particularly in our computer reservations and global distribution systems businesses;
- our failure to provide fully integrated disaster recovery technology solutions in the event of a disaster;
- our ability to integrate and operate successfully acquired and merged businesses and risks associated with such businesses, including the acquisitions of Avis Group Holdings, Inc., Fairfield Resorts, Inc., Galileo International, Inc. and Cheap Tickets, Inc., the compatibility of the operating systems of the combining companies, and the degree to which our existing administrative and back-office functions and costs and those of the acquired companies are complementary or redundant;
- our ability to obtain financing on acceptable terms to finance our growth strategy and to operate within the limitations imposed by financing arrangements and rating agencies;
- competitive and pricing pressures in the vacation ownership and travel industries, including the car rental industry;
- changes in the vehicle manufacturer repurchase arrangements in our Avis car rental business in the event that used vehicle values decrease;
- and changes in laws and regulations, including changes in accounting standards and privacy policy regulation.

Other factors and assumptions not identified above were also involved in the derivation of these forward-looking statements, and the failure of such other assumptions to be realized as well as other factors may also cause actual results to differ materially from those projected. Most of these factors are difficult to predict accurately and are generally beyond our control.

You should consider the areas of risk described above in connection with any forward-looking statements that may be made by us and our businesses generally. Except for our ongoing obligations to disclose material information under the federal securities laws, we undertake no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events unless required by law. For any forward-looking statements contained in any document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As previously discussed in our 2000 Annual Report on Form 10-K/A, we assess our market risk based on changes in interest and foreign currency exchange rates utilizing a sensitivity analysis. The sensitivity analysis measures the potential loss in earnings, fair values, and cash flows based on a hypothetical 10% change (increase and decrease) in our market risk sensitive positions. We used September 30, 2001 market rates to perform a sensitivity analysis separately for each of our market risk exposures. The estimates assume instantaneous, parallel shifts in interest rate yield curves and exchange rates. We have determined, through such analyses, that the impact of a 10% change in interest and foreign currency exchange rates and prices on our earnings, fair values and cash flows would not be material.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

See Exhibit 99 attached hereto regarding available pro forma financial data giving effect to the acquisitions of Avis Group Holdings, Inc. on March 1, 2001 and Galileo International, Inc. on October 1, 2001 as of and for the nine months ended September 30, 2001 and for the year ended December 31, 2000.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

See Exhibit Index

(b) REPORTS ON FORM 8-K

On July 3, 2001, we filed a current report on Form 8-K to make available under Item 5 pro forma financial information giving effect to the acquisition of Avis Group Holdings, Inc. on March 1, 2001 and various first quarter 2001 finance-related activities.

On July 10, 2001, we filed a current report on Form 8-K to report under Item 5 the agreement to outsource and license our individual membership and loyalty businesses to Trilegiant Corporation.

On July 19, 2001, we filed a current report on Form 8-K to make available under Item 5 preliminary pro forma financial information with respect to our acquisition of Galileo International, Inc.

On July 19, 2001, we filed a current report on Form 8-K to report under Item 5 our second quarter 2001 financial results.

On July 23, 2001, we filed a current report on Form 8-K to report under Item 5 the public offering of $750 million of Upper DECS(SM) consisting of senior notes and forward purchase contracts.

On July 24, 2001, we filed a current report on Form 8-K/A to make available under Item 5 preliminary financial information with respect to our acquisition of Galileo International, Inc.

On July 31, 2001, we filed a current report on Form 8-K to report under Item 5 our Consolidated Condensed Statements of Cash Flows and our Consolidated Schedule of Free Cash Flow for the twelve months ended June 30, 2001 and 2000.

On August 1, 2001, we filed a current report on Form 8-K to make available under Item 5 certain exhibits relating to our offering of the Upper DECS(SM).

On August 2, 2001, we filed a current report on Form 8-K to report under Item 5 the expected consummation date of our acquisition of Galileo International, Inc.

On August 16, 2001, we filed a current report on Form 8-K to report under Item 5 our planned acquisition of Cheap Tickets, Inc.

On August 27, 2001, we filed a current report on Form 8-K to report under Item 5 the exchange ratio to be utilized in our acquisition of Galileo International, Inc.

On August 30, 2001, we filed a current report on Form 8-K to report under Item 5 the settlement decisions issued by the United States Court of Appeals for the Third Circuit relating to the class action lawsuit pending against us and the approval of the proposed merger by the stockholders of Galileo International, Inc.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENDANT CORPORATION

/s/ Kevin M. Sheehan

Kevin M. Sheehan
Senior Executive Vice President and
Chief Financial Officer

/s/ Tobia Ippolito

Tobia Ippolito
Executive Vice President and
Chief Accounting Officer

Date: November 14, 2001

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Form

10-Q/A for the quarterly period ended March 31, 2000, dated July 28, 2000).

3.2	Amended and Restated By-Laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Form 10-Q/A for the quarterly period ended March 31, 2000, dated July 28, 2000).
4.1	Fourth Supplemental Indenture, dated as of July 27, 2001, between Cendant Corporation and The Bank of Nova Scotia Trust Company of New York, as trustee (incorporated in reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 1, 2001).
10.1	Underwriting Agreement, dated July 20, 2001 between Cendant Corporation and Salomon Smith Barney Inc. (incorporated in reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on August 1, 2001).
10.2	Forward Purchase Contract Agreement, dated as of July 27, 2001, between Cendant Corporation and Bank One Trust Company, National Association, as Forward Purchase Contract Agent (incorporated in reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on August 1, 2001).
10.3	Pledge Agreement, dated as of July 27, 2001, among Cendant Corporation, The Chase Manhattan Bank, as Collateral Agent, and Bank One Trust Company, National Association, as Forward Purchase Contract Agent (incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed on August 1, 2001).
10.4	Remarketing Agreement, dated as of July 27, 2001, among Cendant Corporation, Bank One Trust Company, National Association as Forward Purchase Contract Agent, and Salomon Smith Barney Inc., as Remarketing Agent (incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K filed on August 1, 2001).
10.5	Form of 6 7/8% Notes due 2006 (incorporated by reference to Exhibit 4.2 the Company's Registration Statement on Form S-4 filed on November 2, 2001).
10.6	Registration Rights Agreement, dated August 13, 2001, between Cendant Corporation and J.P. Morgan Securities Inc., Banc of America Securities LLC, Barclays Capital Inc., Credit Lyonnais Securities (USA) Inc., The Royal Bank of Scotland plc, Scotia Capital (USA) Inc., The Williams Capital Group, L.P. and Tokyo-Mitsubishi International plc (incorporated by reference to Exhibit 4.3 the Company's Registration Statement on Form S-4 filed on November 2, 2001).
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges.
99	Pro Forma Financial Information (unaudited).

EXHIBIT 12

CENDANT CORPORATION AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(DOLLARS IN MILLIONS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
EARNINGS BEFORE FIXED CHARGES:		
Income before income taxes, minority interest and equity in Homestore.com	$ 1,246	$ 852
Plus: Fixed charges	711	400
Less: Equity income (loss) in unconsolidated affiliates	(5)	14
Minority interest	33	95
Earnings available to cover fixed charges	$ 1,929	$ 1,143
FIXED CHARGES (1):		
Interest, including amortization of deferred financing costs	$ 633(2)	$ 259(3)
Minority interest	33	95
Interest portion of rental payment	45	46
Total fixed charges	$ 711	$ 400
RATIO OF EARNINGS TO FIXED CHARGES	$ 2.71x(4)	$ 2.86x(5)

- ----------

(1) Consists of interest expense on all indebtedness (including amortization of deferred financing costs and capitalized interest) and the portion of operating lease rental expense that is representative of the interest factor.

(2) Consists of interest expense incurred by the Company's PHH subsidiary ($225 million), related to the Company's stockholder litigation settlement liability ($105 million) and all other ($303 million).

(3) Consists of interest expense incurred by the Company's PHH subsidiary ($117 million), related to the Company's stockholder litigation settlement liability ($20 million) and all other ($122 million).

(4) Income before income taxes, minority interest and equity in Homestore.com includes a net gain on the dispositions of businesses of $435 million, partially offset by other charges of $299 million. Excluding such amounts, the ratio of earnings to fixed charges is 2.52x.

(5) Income before income taxes, minority interest and equity in Homestore.com

includes other charges of $103 million and a net loss on the dispositions of businesses of $7 million. Excluding such amounts, the ratio of earnings to fixed charges is 3.13x.

PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following Unaudited Pro Forma Condensed Combined Balance Sheet gives effect to the October 1, 2001 acquisition of Galileo International, Inc. ("Galileo"). The following Unaudited Pro Forma Condensed Combined Statements of Operations gives effect to the acquisition of Galileo and the Company's March 1, 2001 acquisition of Avis Group Holdings, Inc. ("Avis"). Both transactions have been accounted for under the purchase method of accounting.

Since the acquisition of Avis occurred on March 1, 2001, the financial position of Avis is included in the Company's historical balance sheet as of September 30, 2001. The Unaudited Pro Forma Condensed Combined Balance Sheet assumes the acquisition of Galileo occurred on September 30, 2001. The Unaudited Pro Forma Condensed Combined Statements of Operations assume the acquisitions of Avis and Galileo both occurred on January 1, 2000. The unaudited pro forma financial information is based on the historical consolidated financial statements of the Company, Avis and Galileo under the assumptions and adjustments set forth in the accompanying explanatory notes.

The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2000 also gives effect to various significant finance-related activities that occurred during the first quarter of 2001, which comprise the issuance of debt securities (net of debt retirements) and equity securities, the conversion of PRIDES to CD common stock and the issuance of zero-coupon senior convertible notes. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2000 assumes these financing activities occurred on January 1, 2000.

For purposes of developing the Unaudited Pro Forma Condensed Combined Balance Sheet, Galileo's assets and liabilities were recorded at their estimated fair values and the excess purchase price was assigned to goodwill. These fair values are based on preliminary estimates. Accordingly, the pro forma adjustments may be subject to revision once appraisals, evaluations and other studies of the fair value of Galileo's assets and liabilities are finalized. Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 142, "GOODWILL AND OTHER INTANGIBLE ASSETS," the Company will not be amortizing goodwill and certain other intangible assets arising from the acquisition of Galileo.

Since Avis was consolidated with the Company as of March 1, 2001, Avis' results of operations between January 1, 2001 and February 28, 2001 were combined with the Company's results of operations for the full nine months, which were then added to Galileo's results of operations for the full nine months, subject to certain pro forma adjustments, to provide the combined pro forma results of operations. All intercompany transactions were eliminated on a pro forma basis. Historically, Avis paid the Company for services the Company provided related to call centers and information technology and for the use of the Company's trademarks, and Avis paid Galileo for services Galileo provided related to reservations for vehicle rentals.

The pro forma adjustments relating to the acquisition of Galileo reflect the disbursement of a combination of CD common stock and cash aggregating $20.91 for each share of Galileo common stock outstanding, the fair value of CD common stock options exchanged with certain fully-vested Galileo stock options of approximately $32 million and estimated transaction costs and expenses of approximately $36 million. Approximately $1,482 million of the merger consideration was funded through the issuance of CD common stock, with the remainder being financed by available cash. In addition, Cendant repaid, from available cash, $555 million of $586 million of Galileo's debt assumed.

In August 2000, Avis contributed its European vehicle management and leasing business ("PHH Europe") to a newly formed joint venture in exchange for cash, settlement of intercompany debt and a 20% interest in the venture (the "PHH Europe Transaction"). The accompanying Supplemental Unaudited Pro Forma Condensed Combined Statement of Operations of Avis for the year ended December 31, 2000 has been adjusted to reflect the PHH Europe Transaction.

The Company continues to review acquired operations, which may result in a plan to realign or reorganize certain of those operations. The costs of implementing such a plan, if it were to occur, have not been reflected in the accompanying pro forma financial information. The impact of a potential realignment or reorganization could increase or decrease the amount of goodwill and intangible assets and any related amortization in the accompanying pro forma financial information. Additionally, the Unaudited Pro Forma Condensed Combined Statement of Operations excludes any benefits that might result from the acquisitions due to synergies that may be derived or from the elimination of duplicate efforts.

The Company's management believes that the assumptions used provide a reasonable basis on which to present the unaudited pro forma financial information. The Company has completed other acquisitions and dispositions which are not significant and, accordingly, have not been included in the accompanying unaudited pro

forma financial information. The unaudited pro forma financial information may not be indicative of the financial position or results of operations that would have occurred if the acquisitions of Avis and Galileo had been in effect on the dates indicated or which might be obtained in the future.

The unaudited pro forma financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes thereto for the Company, Avis and Galileo. Certain reclassifications have been made to the historical amounts of Galileo to conform with the Company's classification.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2001
(in millions)

	HISTORICAL CENDANT	HISTORICAL GALILEO	PURCHASE AND OTHER ADJUSTMENTS	PRO FORMA COMBINED
ASSETS				
Current assets				
Cash and cash equivalents	$ 3,201	$ 25	$ (931)(a) (b)	2,295
Receivables, net	1,196	215	--	1,411
Stockholder litigation settlement trust	1,100	--	--	1,100
Deferred income taxes	827	22	--	849
Other current assets	1,087	33	--	1,120
Total current assets	7,411	295	(931)	6,775
Property and equipment, net	1,654	392	26 (b)	2,072
Deferred income taxes	347	--	--	347
Franchise agreements, net	1,653	--	--	1,653
Goodwill, net	5,496	288	1,591 (b)	7,375
Other intangibles, net	782	394	50 (b)	1,226
Other assets	1,992	128	(50)(b)	2,070
Total assets exclusive of assets under				

programs
19,335 1,497
686 21,518 -
-------- ---
----- ------
-- -------
Assets under
management
and mortgage
programs
Mortgage
loans held
for sale 826
-- -- 826
Relocation
receivables
339 -- --
339 Vehicle-
related, net
8,166 -- --
8,166
Timeshare
receivables
280 -- --
280 Mortgage
servicing
rights 1,949
-- -- 1,949
--------- --
------ -----
--- -------
11,560 -- --
11,560 -----
---- -------
- -------- -
------ TOTAL
ASSETS $
30,895 $
1,497 $ 686
$33,078
=========
========
========
=======
LIABILITIES
AND
STOCKHOLDERS'
EQUITY
Current
liabilities
Accounts
payable and
other
current
liabilities
$ 2,703 $
228 $ 150
(b) $ 3,081
Current
portion of
long-term
debt 221 133
(121)(a) 233
Stockholder
litigation
settlement
2,850 -- --
2,850
Deferred
income 984 -
- -- 984
Deferred
income taxes
-- -- (1)(b)
(1) --------
- -------- -
------- ----
--- Total
current
liabilities
6,758 361 28
7,147 Long-
term debt,
excluding
Upper DECS
5,521 453
(434)(a)
5,540 Upper
DECS 863 --
-- 863 Other

liabilities
702 142 119
(b) 963 ----
----- ------
-- --------

Total
liabilities
exclusive of
liabilities
under
programs
13,844 956
(287) 14,513
--------- --
------ -----
--- -------
Liabilities
under
management
and mortgage
programs
Debt 9,741 -
- -- 9,741
Deferred
income taxes
1,030 -- --
1,030 ------
--- --------
-------- ---
---- 10,771
-- -- 10,771
--------- --
------ -----
--- -------
Mandatorily
redeemable
preferred
interest in
a subsidiary
375 -- --
375 --------
- -------- -
------- ----

Stockholders'
equity 5,905
541 973(c)
7,419 ------
--- --------
-------- ---
---- TOTAL
LIABILITIES
AND
STOCKHOLDERS'
EQUITY $
30,895 $
1,497 $ 686
$33,078
=========
========
========
=======

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET.

NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2001
(DOLLARS IN MILLIONS)

(a) Represents the repayment of a portion of the Galileo long-term debt assumed ($555).

(b) Represents the excess of the purchase price over the preliminary estimate of the fair value of the identifiable net assets acquired, calculated as follows:

Calculation of acquisition of goodwill		
Cash consideration	$	358
Issuance of CD common stock		1,482
Fair value of CD common stock options issued in exchange for Galileo stock options		32
Transition costs and expenses (includes cash payments of $18)		36

Total purchase price	1,908
Preliminary estimate of fair value of identifiable net assets acquired	
Historical book value of assets acquired net of liabilities assumed	541
Elimination of Galileo goodwill	(288)
Preliminary estimate of fair value adjustments to identifiable intangible assets	50
Preliminary estimate of fair value adjustments to property and equipment	26
Preliminary estimate of fair value adjustments to other current liabilities	(132)
Preliminary estimate of fair value adjustments to other assets ($50) and other liabilities ($119)	(169)
Deferred tax liability on fair value adjustments and transaction costs and expenses	1
Preliminary estimate of fair value of identifiable net assets acquired	29
Acquisition goodwill	$ 1,879

Calculation of acquisition goodwill adjustment	
Acquisition goodwill	$ 1,879
Historical Galileo goodwill	(288)
Acquisition goodwill adjustment	$ 1,591

(c) Represents the issuance of CD common stock in exchange for all outstanding shares of Galileo common stock ($1,482) and the issuance of CD common stock options in exchange for all outstanding Galileo stock options ($32), partially offset by the elimination of Galileo equity balances ($541).

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

HISTORICAL AVIS AVIS GALILEO HISTORICAL JAN 1-FEB 28, PURCHASE ADJUSTED HISTORICAL PURCHASE COMBINED CENDANT 2001 ADJUSTMENTS CENDANT GALILEO ADJUSTMENTS PRO FORMA --- ------- ----- -------- ---- ------- ----- --- --------- -- ---------- - --------- REVENUES Membership and service fees, net $3,803 $ 27 $ (34)(a) $3,796 $ -- $ -- $3,796 Vehicle-related 2,520 594 -- 3,114 -- -- 3,114 Global distribution services -- -- -- -- 1,244 (9)(f) 1,235 Other 47 20 -- (b) 67 65 -- 132 ----------- ----- ------ ----------- ------ Net revenues 6,370 641 (34) 6,977 1,309 (9) 8,277

EXPENSES
Operating
2,101 174
(34)(a) 2,241
305 (9)(f)
2,537
Selling,
general and
administrative
1,351 115 --
1,466 592
(39)(g) 2,019
Vehicle
depreciation,
lease charges
and interest,
net 1,285 350
-- 1,635 -- -
- 1,635 Non-
vehicle
depreciation
and
amortization
347 23 2 (c)
372 179 (109)
(g) 442 Other
charges, net
299 -- -- 299
-- -- 299
Non-vehicle
interest, net
176 12 1 (d)
189 26 (28)
(h) 187
Other, net --
-- -- -- 5 --
5 ------ ----
- ----- -----
- ------ ----
- ------
Total
expenses
5,559 674
(31) 6,202
1,107 (185)
7,124 ------
----- ----- -
----- ------
----- ------
Net gain on
dispositions
of businesses
435 -- -- 435
-- -- 435 ---
--- ----- ---
-- ------ ---
--- ----- ---
--- INCOME
(LOSS) BEFORE
INCOME TAXES,
MINORITY
INTEREST AND
EQUITY IN
HOMESTORE.COM
1,246 (33)
(3) 1,210 202
176 1,588
Provision
(benefit) for
income taxes
438 (10) (2)
(e) 426 89
52(i) 567
Minority
interest, net
of tax 22 --
-- 22 -- --
22 Losses
related to
equity in
Homestore.com,
net of tax 56
-- -- 56 -- -
- 56 ------ -
---- ----- --
---- ------ -
---- ------
INCOME (LOSS)
BEFORE
CUMULATIVE

EFFECT OF
ACCOUNTING
CHANGE $ 730
$ (23) $ (1)
$ 706 $ 113 $
124 $ 943
====== =====
===== ======
====== =====
====== CD
COMMON STOCK
INCOME PER
SHARE INCOME
BEFORE
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE Basic
$ 0.85 $0.83
$ 0.98
Diluted 0.81
0.78 0.93
WEIGHTED
AVERAGE
SHARES
OUTSTANDING
Basic 832 832
117(j) 949
Diluted 883
883 117(j)
1,000
MOVE.COM
COMMON STOCK
INCOME PER
SHARE INCOME
BEFORE
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE Basic
$ 9.94 $9.94
$ 9.94
Diluted 9.81
9.81 9.81
WEIGHTED
AVERAGE
SHARES
OUTSTANDING
Basic 2 2 2
Diluted 2 2 2

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS.

NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
(DOLLARS IN MILLIONS)

THE FOLLOWING PRO FORMA ADJUSTMENTS RELATE TO THE ACQUISITION OF AVIS.

(a) Represents the elimination of amounts paid by Avis to the Company for services provided related to call centers and information technology and for the use of trademarks.

(b) Represents the elimination of the Company's earnings attributable to its investment in Avis for which the combined effect is zero.

(c) Represents the amortization of goodwill generated on the excess of the purchase price over the preliminary estimate of fair value of identifiable net assets acquired on a straight-line basis over 40 years, partially offset by the reversal of Avis' amortization of pre-acquisition goodwill and other identifiable intangibles resulting from the allocation of the purchase price on a straight-line basis over 20 years.

(d) Represents interest expense on debt issued to finance a portion of the purchase price ($7), partially offset by the amortization of the fair value adjustment on acquired debt ($4) and the reversal of Avis' amortization of debt-related costs ($2).

(e) Represents the income tax effect of the purchase adjustments at an estimated statutory rate of 38.5% (not including adjustments for non-deductible goodwill).

THE FOLLOWING PRO FORMA ADJUSTMENTS RELATE TO THE ACQUISITION OF GALILEO.

(f) Represents the elimination of amounts paid by Avis to Galileo for services provided related to reservations for vehicle rentals.

(g) Represents the (i) amortization of estimated identifiable intangibles on a straight-line basis ($10) and (ii) depreciation and amortization of the estimated value of property and equipment ($60), net of the reversal of Galileo's (i) amortization of pre-acquisition goodwill ($41), (ii) amortization of other intangible assets ($31), (iii) depreciation and amortization of property and equipment ($107) and (iv) amortization of other assets ($39).

(h) Represents interest expense relating to the Galileo long-term debt that was repaid at closing.

(i) Represents the income tax effect of the purchase adjustments at an estimated statutory rate of 38.5% (not including adjustments for non-deductible goodwill).

(j) Represents the issuance of 117 million shares of CD common stock used to fund a portion of the purchase price.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

AVIS OTHER
GALILEO
HISTORICAL
ADJUSTED
PURCHASE PRO
FORMA
ADJUSTED
HISTORICAL
PURCHASE
COMBINED
CENDANT
AVIS(*)
ADJUSTMENTS
ADJUSTMENTS
CENDANT
GALILEO
ADJUSTMENTS
PRO FORMA ---
------ ------
-- ----------
- -----------
-------- ----
------ ------
----- -------
-- REVENUES
Membership
and service
fees, net $
4,512 $ 155
$(173)(a) $ -
- $ 4,494 $ -
- $ -- $
4,494
Vehicle-
related --
3,783 -- --
3,783 -- --
3,783 Global
distribution
services -- -
- -- -- --
1,561 (13)(k)
1,548 Other
147 151 (39)
(b) -- 259 82
-- 341 ------
- ------ ----
- ----- -----
-- ------ ---
-- --------
Net revenues
4,659 4,089
(212) --
8,536 1,643
(13) 10,166
EXPENSES
Operating
1,426 966
(173)(a) --
2,219 368

(13)(k) 2,574
Vehicle
depreciation,
lease charges
and interest,
net -- 1,671
-- -- 1,671 -
- -- 1,671
Selling,
general and
administrative
1,508 637 --
-- 2,145 701
(40)(l) 2,806
Non-vehicle
depreciation
and
amortization
352 74 16(c)
-- 442 218
(123)(l) 537
Other
charges, net
111 -- -- --
111 28 -- 139
Non-vehicle
interest, net
148 482 6(d)
54(g,i) 690
45 (47)(m)
688 Other,
net -- -- --
-- -- 17 --
17 ------- --
---- ----- --
--- ------- -
----- ----- -
------- Total
expenses
3,545 3,830
(151) 54
7,278 1,377
(223) 8,432 -
------ ------
----- ----- -
------ ------
----- -------
- Net loss on
dispositions
of businesses
(8) -- (35)
(e) -- (43) -
- -- (43) ---
---- ------ -
---- ----- --
----- ------
----- -------
- Income
before income
taxes,
minority
interest and
equity in
Homestore.com
1,106 259
(96) (54)
1,215 266 210
1,691
Provision for
income taxes
362 117 (30)
(f) (20)(f)
429 117 61(n)
607 Minority
interest, net
of tax 84 7 -
- (66)(h) 25
-- -- 25 ----
--- ------ --
--- ----- ---
---- ------ -
---- --------
Income before
extraordinary
loss and
cumulative
effect of
accounting
change $ 660
$ 135 $ (66)

$ 32 $ 761 $
149 $ 149 $
1,059 =======
====== =====
===== =======
====== =====
======== CD
COMMON STOCK
INCOME PER
SHARE INCOME
BEFORE
EXTRAORDINARY
LOSS AND
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE Basic
$ 0.92 $ 0.92
$ 1.12
Diluted 0.89
0.90 1.09
WEIGHTED
AVERAGE
SHARES
OUTSTANDING
Basic 724
107(j) 831
117(o) 948
Diluted 762
107(j) 869
117(o) 986
MOVE.COM
COMMON STOCK
LOSS PER
SHARE LOSS
BEFORE
EXTRAORDINARY
LOSS AND
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE Basic
$ (1.76) $
(1.76) $
(1.76)
Diluted
(1.76) (1.76)
$ (1.76)
WEIGHTED
AVERAGE
SHARES
OUTSTANDING
Basic 3 3 3
Diluted 3 3 3

- ----------
(*) See Supplemental Unaudited Condensed Combined Statement of Operations and Notes included herein.

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS.

NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

THE FOLLOWING PRO FORMA ADJUSTMENTS RELATE TO THE ACQUISITION OF AVIS AND THE FINANCING ACTIVITIES.

(a) Represents the elimination of amounts paid by Avis to the Company for services provided related to call centers and information technology and for the use of trademarks.

(b) Represents the elimination of the Company's earnings attributable to its investment in Avis.

(c) Represents the amortization of goodwill generated on the excess of fair value over the net assets acquired on a straight-line basis over 40 years, net of the reversal of Avis' amortization of pre-acquisition goodwill and other identifiable intangibles resulting from the allocation of purchase price on a straight-line basis over 20 years.

(d) Represents interest expense on debt issued to finance the acquisition of Avis ($44), net of amortization of the fair value adjustment on acquired debt ($25) and the reversal of Avis' amortization of debt related costs ($13).

(e) Represents the reversal of a gain of $35 million recorded by the Company, which represents the recognition of a portion of its previously recorded deferred gain from the 1999 sale of its fleet business due to the disposition of PHH Europe by Avis in August 2000.

(f) Represents the income tax effect of the purchase adjustments and other pro forma adjustments at an estimated statutory rate of 37.5% (not including adjustments for non-deductible goodwill), except Note (e) above where the tax effect was approximately 2%, which represented the rate at which taxes were provided on the related gain.

(g) Represents interest expense relating to the issuance of the zero-coupon senior convertible notes, medium-term notes, borrowing under a $650 million term loan agreement and the repayment of an existing term loan, net of interest expense allocated to the acquisition of Avis (See Note (d) above).

(h) Represents the reduction in preferred stock dividends resulting from the conversion of the PRIDES to CD common stock.

(i) No adjustment has been made to reduce interest expense for interest income on the incremental cash of $1,587 raised through the Financing Activities. Assuming the incremental cash was invested at 5%, which represents the Company's current rate for cash investments, interest expense would have been reduced by $79. Additionally, income before extraordinary loss and cumulative effect of accounting change and income per share before extraordinary loss and cumulative effect of accounting change would have improved by $49 and $0.06, respectively.

(j) Represents the issuance of CD common stock of 61 million shares and 46 million shares relating to the conversion of PRIDES to CD common stock and the issuance of CD common stock, respectively.

THE FOLLOWING PRO FORMA ADJUSTMENTS RELATE TO THE ACQUISITION OF GALILEO.

(k) Represents the elimination of amounts paid by Avis to Galileo for services provided related to reservations for vehicle rentals.

(l) Represents the (i) amortization of estimated identifiable intangibles on a straight-line basis over 25 years ($13) and (ii) depreciation and amortization of the estimated value of property and equipment ($82), net of the reversal of Galileo's (i) amortization of pre-acquisition goodwill ($47), (ii) amortization of other intangibles assets ($39), (iii) depreciation and amortization of property and equipment ($132) and (iv) amortization of other assets ($40).

(m) Represents interest expense relating to the Galileo long-term debt that was repaid at closing.

(n) Represents the income tax effect of the purchase adjustments at an estimated statutory rate of 37.5% (not including adjustments for non-deductible goodwill).

(o) Represents the issuance of 117 million shares of CD common stock used to fund a portion of the purchase price.

SUPPLEMENTAL UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(IN MILLIONS)

The unaudited pro forma financial data presented below was prepared to reflect the historical consolidated financial statements of Avis, excluding the PHH Europe Transaction. Avis will receive an annual license fee in connection with the PHH Europe Transaction from the joint venture for the license of the PHH fleet management technology, PHH interactive. Avis utilized the proceeds of the PHH Europe Transaction to reduce Avis' indebtedness and to pay transaction costs.

HISTORICAL
SALE OF PRO
FORMA
ADJUSTED AVIS
PHH EUROPE
(a)
ADJUSTMENTS
AVIS --------
---- --------
------ ------
----- -------

REVENUES
Service fees,
net $ 241 $

(86) $ -- $
155 Vehicle
rental 2,467
-- -- 2,467
Vehicle
leasing and
other fees
1,389 (73) --
1,316 Other
146 -- 5(b)
151 ---------
--- ---------
----- -------
---- --------
---- Net
revenues
4,243 (159) 5
4,089
EXPENSES
Operating 966
-- -- 966
Vehicle
depreciation
and lease
charges 1,695
(24) -- 1,671
Selling,
general and
administrative
693 (56) --
637 Interest,
net 577 (37)
(58)(c) 482
Depreciation
and
amortization
89 (12) (3)
(d) 74 ------
------ ------
-------- ----
------- -----
------- Total
expenses
4,020 (129)
(61) 3,830
INCOME (LOSS)
BEFORE INCOME
TAXES AND
MINORITY
INTEREST 223
(30) 66 259
Provision
(benefit) for
income taxes
95 (3) 25(e)
117 Minority
interest 7 --
-- 7 --------
---- --------
--- ---------
- -----------
- INCOME
(LOSS) BEFORE
EXTRAORDINARY
LOSS AND
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE $ 121
$ (27) $ 41 $
135
============
===========
==========
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SEE ACCOMPANYING NOTES TO SUPPLEMENTAL UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS.

NOTES TO SUPPLEMENTAL UNAUDITED PRO FORMA
CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(DOLLARS IN MILLIONS)

(a) Represents adjustments to pro forma the results of operations of PHH

Europe, assuming that the PHH Europe Transaction occurred on January 1, 2000.

(b) Represents fleet management technology fee income and the equity in the earnings of the joint venture formed pursuant to the PHH Europe Transaction, net of the amortization of the excess of cost over the assets acquired.

(c) Represents a reduction in interest expense resulting from the retirement of acquisition debt and revolving credit facilities related to the application of proceeds of $1,053 from the PHH Europe Transaction.

(d) Represents a decrease in amortization expense relating to goodwill generated from the PHH Europe Transaction, net of the reversal of PHH Europe goodwill.

(e) Represents the income tax effect of the pro forma adjustments at an estimated statutory rate of 39% (not including adjustments for non-deductible goodwill).