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 June 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 858,062,904 as of July 31, 2001.

CENDANT CORPORATION AND SUBSIDIARIES

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Forward-looking statements in this Quarterly Report on Form 10-Q 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 acts. 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 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 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 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; our ability to integrate and operate successfully acquired and merged businesses and risks associated with such businesses, including the planned acquisitions of Galileo International, Inc. and Cheap Tickets, Inc. and the acquisitions of Avis Group Holdings, Inc. and Fairfield Resorts, 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 between vehicle manufacturers and Avis Group Holdings, Inc. 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. 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. 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.

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 SIX
MONTHS ENDED
JUNE 30, JUNE
30, ---------
----------- -

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

REVENUES
Membership
and service
fees, net $
1,355 $ 1,044
$ 2,431 $
2,040
Vehicle-
related 1,035
72 1,433 141
Other 13 21
25 84 -------
-- ---------
--------- ---
------ Net
revenues
2,403 1,137
3,889 2,265 -
-------- ----
----- -------
-- ---------
EXPENSES
Operating 788
361 1,239 728
Vehicle
depreciation,
lease charges
and interest,
net 545 --
725 --
Marketing and
reservation
291 228 541
444 General
and
administrative
192 144 354
277 Non-
vehicle
depreciation
and
amortization
121 86 222
171 Other
charges
(credits):
Restructuring
and other
unusual
charges -- --
185 106
Litigation
settlement
and related
costs 9 5 19
(33) Merger-
related costs
-- -- 8 --
Non-vehicle
interest, net
61 22 122 47
--------- ---
------ ------
--- ---------
Total
expenses
2,007 846
3,415 1,740 -
-------- ----
----- -------
-- ---------
Net gain
(loss) on
dispositions
of businesses
-- 4 435 (10)
--------- ---
------ ------
--- ---------
INCOME BEFORE

INCOME TAXES, MINORITY INTEREST AND EQUITY IN HOMESTORE.COM 396 295 909 515 Provision for income taxes 131 98 336 176 Minority interest, net of tax 5 22 18 38 Losses related to equity in Homestore.com, net of tax 18 -- 36 -- ---- ----- ------- -- --------- --------- INCOME BEFORE EXTRAORDINARY LOSS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE 242 175 519 301 Extraordinary loss, net of tax -- -- -- (2) --------- --------- --- ------ ------ --- INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE 242 175 519 299 Cumulative effect of accounting change, net of tax -- -- (38) (56) --- ------ ------ --- --------- - --------- NET INCOME $ 242 $ 175 $ 481 $ 243 ========= ========= ========= ========= CD COMMON STOCK INCOME PER SHARE BASIC Income before extraordinary loss and cumulative effect of accounting change $ 0.29 $ 0.25 $ 0.61 $ 0.42 Net income 0.29 0.25 0.57 0.34 DILUTED Income before extraordinary loss and cumulative effect of accounting change $ 0.27

$ 0.24 $ 0.58
$ 0.40 Net
income 0.27
0.24 0.54
0.33 MOVE.COM
COMMON STOCK
INCOME (LOSS)
PER SHARE
BASIC Income
(loss) before
extraordinary
loss and
cumulative
effect of
accounting
change $
(0.63) $
(0.67) $ 9.94
$ (0.67) Net
income (loss)
(0.63) (0.67)
9.87 (0.67)
DILUTED
Income (loss)
before
extraordinary
loss and
cumulative
effect of
accounting
change $
(0.63) $
(0.67) $ 9.81
$ (0.67) Net
income (loss)
(0.63) (0.67)
9.74 (0.67)

See Notes to Consolidated Condensed Financial Statements.

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

JUNE 30,
DECEMBER 31,
2001 2000 ---
----------- -

ASSETS
Current
assets Cash
and cash
equivalents $
1,913 $ 944
Receivables,
net 1,392 753
Other current
assets 1,058
1,031 -------
------- -----

Total current
assets 4,363
2,728
Property and
equipment,
net 1,617
1,345
Stockholder
litigation
settlement
trust 850 350
Deferred
income taxes
1,268 1,108

Franchise
agreements,
net 1,506
1,462
Goodwill, net
5,507 3,176
Other
intangibles,
net 805 647
Other assets
1,758 1,395 -

Total assets
exclusive of
assets under
programs
17,674 12,211

- -----------
-- Assets
under
management
and mortgage
programs
Mortgage
loans held
for sale 829
879
Relocation
receivables
332 329
Vehicle-
related, net
8,293 --
Timeshare
receivables
301 --
Mortgage
servicing
rights 1,858
1,653 -------
------- -----

11,613 2,861

-- ----------
- TOTAL
ASSETS $
29,287 $
15,072
==============
=============
LIABILITIES
AND
STOCKHOLDERS'
EQUITY
Current
liabilities
Accounts
payable and
other current
liabilities $
2,749 $ 1,446
Current
portion of
long-term
debt 504 --
Deferred
income 1,011
1,020 -------
------- -----

Total current
liabilities
4,264 2,466
Long-term
debt 4,365
1,948
Stockholder
litigation

settlement
2,850 2,850
Other
liabilities
681 460 -----
---------- --

Total
liabilities
exclusive of
liabilities
under
programs
12,160 7,724

-- ----------

Liabilities
under
management
and mortgage
programs Debt
9,993 2,040
Deferred
income taxes
1,030 476 ---
----------- -

11,023 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 6)
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
1,032,962,456
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 22,500,000 -- -- Additional paid-in capital 6,978 4,540 Retained earnings 2,508 2,027 Accumulated other comprehensive loss (233) (234) CD treasury stock, at cost, 175,887,540 and 178,949,432 shares (3,534) (3,568) ----- ---------- -- ----------- Total stockholders' equity 5,729 2,774 ------- ------- ----- -------- TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY $ 29,287 $ 15,072 ============== =============

See Notes to Consolidated Condensed Financial Statements.

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

SIX MONTHS ENDED JUNE 30, 2001 2000 ------- ------ ----- -------- OPERATING ACTIVITIES Net income $ 481 $ 243 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 519 301 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 222 171 Non-cash portion of other charges, net 31 27 Net (gain) loss on dispositions of businesses (435) 10 Deferred income taxes 230 13 Proceeds from sales of trading securities 110 -- Net change in assets and liabilities, excluding the impact of acquired businesses: Receivables (138) 134 Income taxes 21 200 Accounts payable and other current liabilities (95) (293) Deferred income (40) (36) Other, net 13 (142) ------------ - ---------- --- NET CASH PROVIDED BY

OPERATING ACTIVITIES EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS 438 385 ------------- ------ -------
MANAGEMENT AND MORTGAGE PROGRAMS:
Depreciation and amortization 689 67
Origination of mortgage loans (18,487) (11,184)
Proceeds on sale of and payments from mortgage loans held for sale 18,551 10,903 ------------- --- ----------
753 (214) -------------- ------------
- NET CASH PROVIDED BY OPERATING ACTIVITIES 1,191 171 -------------- ------------
- INVESTING ACTIVITIES
Property and equipment additions (151) (115)
Funding of stockholder litigation settlement trust (500) -
Proceeds from sales of marketable securities 23 361
Purchases of marketable securities (14) (374)
Net assets acquired (net of cash acquired of $220 million in 2001) and acquisition-related payments (1,727) (16)
Other, net (31) (62) -------------- ------------
- NET CASH USED IN INVESTING ACTIVITIES

EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS (2,400) (206) ------------- -------------
MANAGEMENT AND MORTGAGE PROGRAMS:
Investment in vehicles (4,681) --
Payments received on investment in vehicles 3,612 --
Origination of timeshare receivables (155) --
Principal collection of timeshare receivables 162 --
Equity advances on homes under management (3,027) (3,763)
Repayment on advances on homes under management 3,017 4,186
Additions to mortgage servicing rights (334) (384)
Proceeds from sales of mortgage servicing rights 26 65
------------- -------------- (1,380) 104 ------------- -------------
NET CASH USED IN INVESTING ACTIVITIES (3,780) (102) ------------- -------------
FINANCING ACTIVITIES
Proceeds from borrowings 2,697 --
Principal payments on borrowings (845) (776)
Issuances of common stock 750 536
Repurchases of common stock (28) (300)
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 (60) (3) --- ---------- - ------------ NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS 2,514 (77) - ------------ ------------ - MANAGEMENT AND MORTGAGE PROGRAMS: Proceeds from borrowings 8,138 2,009 Principal payments on borrowings (7,165) (2,719) Net change in short-term borrowings 62 765 ----- -------- --- ---------- 1,035 55 --- ---------- - ------------ NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES 3,549 (22) - ------------ ------------ - Effect of changes in exchange rates on cash and cash equivalents 9 23 ------- ------ ----- -------- Net increase in cash and cash equivalents 969 70 Cash

and cash equivalents, beginning of period 944 1,164 ------------- -------------
CASH AND CASH EQUIVALENTS, END OF PERIOD $ 1,913 $ 1,234
============= =============

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 were 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 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. Additionally, this statement further clarifies the criteria for recognition of intangible assets separately from goodwill for all business combinations completed after June 30, 2001, as well as requires additional disclosures for those business combinations.

SFAS No. 142 requires that goodwill and certain other intangible assets acquired after June 30, 2001 no longer be amortized. Beginning on January 1, 2002, amortization of existing goodwill and certain other intangible assets will no longer be permitted and the Company will be required to assess these assets for impairment annually, or more frequently if circumstances indicate a potential impairment. Furthermore, this statement provides specific guidance for testing goodwill and certain other intangible assets for impairment. Transition-related impairment losses, if any, which result from the initial assessment of goodwill and certain other intangible assets would be recognized by the Company as a cumulative effect of accounting change on January 1, 2002. The Company is currently evaluating the impact of adopting this standard on its financial position and results of operations.

During the six months ended June 30, 2001 and 2000, the Company recorded amortization expense of $76 million and $55 million, respectively, related to goodwill and certain other intangible assets that will no longer be amortized upon adoption of SFAS No. 142. In addition, during the six months ended June 30, 2001, the Company recorded amortization expense of $23 million related to the difference between the value of the Company's investment in Homestore.com, Inc. ("Homestore") and the underlying equity in Homestore that will no longer be amortized. Such amount is net of the amortization of the Company's deferred gain recorded on the sale of move.com to Homestore, which would also no longer be amortized.

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, has been calculated using the two-class method. Income 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 SIX
MONTHS ENDED
JUNE 30,
JUNE 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 $ 243
$ 177 $ 502
$ 303
Convertible
debt
interest,
net of tax 3
3 6 5
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
$ 246 $ 180
$ 505 $ 308
===========
==========
=========
=========
WEIGHTED
AVERAGE
SHARES
OUTSTANDING:
Basic 851
722 820 720
Stock
options,
warrants and
non-vested
shares 36 22
30 27
Convertible
debt 18 18
18 18 ------
---- -------
--- --------
- ---------
Diluted 905
762 868 765
==========
==========
=========
=========

THREE MONTHS
ENDED SIX
MONTHS ENDED
JUNE 30,
JUNE 30, ---

--------- --

2001 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 $ (1)
$ (2) $ 17 $
(2)
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
$ (1) $ (2)
$ 20 $ (2)
===========
==========
==========
=========
WEIGHTED
AVERAGE
SHARES
OUTSTANDING:
Basic 1 4 2
4 Stock
options -- -
- -- -- ----
------- ----
------ -----
----- ------
--- Diluted
1 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 losses per share of CD common stock from the cumulative effect of an accounting change were both $0.04 for the six months ended June 30, 2001, and $0.08 and $0.07, respectively, for the six months ended June 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:

JUNE 30, -

2001 2000

CD COMMON
STOCK
Options(a)
94 105
Warrants(b)
2 31
FELINE
PRIDES --
61
MOVE.COM
COMMON
STOCK
Options(c)
-- 6
Warrants(d)
-- 2

- ----------
(a) The weighted average exercise prices for antidilutive options at June 30, 2001 and 2000 were $22.81 and $22.71, respectively.
(b) The weighted average exercise prices for antidilutive warrants at June 30, 2001 and 2000 were $21.31 and $22.91, respectively.

(c) The weighted average exercise price for antidilutive options at June 30, 2000 was $18.22.

(d) The weighted average exercise price for antidilutive warrants at June 30, 2000 was $96.12.

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") for approximately $994 million. The acquisition was accounted for using the purchase method of accounting; accordingly, assets acquired and liabilities assumed were recorded on the Company's Consolidated Condensed Balance Sheet at March 1, 2001 based upon their estimated fair values at the date of acquisition. The results of operations of Avis have been included in the Consolidated Condensed Statement of Income since the date of acquisition.

The excess of the purchase price over the estimated fair value of the underlying net assets acquired was allocated to goodwill and is being amortized over 40 years on a straight-line basis until the adoption of SFAS No. 142. The allocation of the excess purchase price is based upon preliminary estimates and assumptions and is subject to revision when appraisals have been finalized. Accordingly, revisions to the allocation, which may be significant, will be recorded by the Company as further adjustments to the purchase price allocation. 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

1, for each period presented:

	SIX MONTHS ENDED JUNE 30, 2001	2000
Net revenues	$ 4,496	$ 4,116
Income before extraordinary loss and cumulative effect of accounting change	495	357
Net income	449	299
CD common stock income per share:		
Basic		
Income before extraordinary loss and cumulative effect of accounting change	$ 0.58	$ 0.50
Net income	0.53	0.42
Diluted		
Income before extraordinary loss and cumulative effect of accounting change	$ 0.55	$ 0.47
Net income	0.50	0.39

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 1, 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. 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.

The Company is in the process of integrating the operations of Avis and Fairfield 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.

GALILEO INTERNATIONAL, INC. On June 18, 2001, the Company announced that it had entered into a definitive agreement to acquire all of the outstanding common stock of Galileo International, Inc. ("Galileo"), a leading provider of electronic global distribution services for the travel industry, at an expected value of $33 per share, or approximately $3.1 billion, including estimated transaction costs and expenses and the conversion of Galileo employee stock options into CD common stock options. As part of the planned acquisition, the Company will also assume approximately $600 million of Galileo debt. The final acquisition price will be paid in a combination of CD common stock and cash. The number of shares of CD common stock to be paid to Galileo stockholders will fluctuate, between 116 million and 137 million shares, within a collar of $17 to $20 per share of CD common stock. The remainder of the purchase price will be paid in cash and may fluctuate if the average price per share of CD common stock during a stipulated period is above or below the collar. The transaction is subject to customary regulatory approvals and the approval of Galileo's stockholders. Although no assurances can be given, the Company expects the transaction to close in the third quarter of 2001. As a result of the issuance of SFAS No. 142, goodwill and certain other intangible assets arising from the transaction upon consummation will no longer be amortized.

CHEAP TICKETS, INC. On August 13, 2001, the Company announced that it had entered into a definitive agreement to acquire all of the outstanding common stock of Cheap Tickets, Inc. ("Cheap Tickets"), a leading provider of discount leisure travel products, at a price of $16.50 per share, or approximately $425 million in cash. The transaction is subject to customary regulatory approvals and the approval of Cheap Tickets' stockholders. Although no assurances can be given, the Company expects the transaction to close in the fall of 2001.

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 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. 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. During the six months ended June 30, 2001, such amount was reduced by $64 million due to the contribution of approximately 2 million shares of Homestore to Travel Portal, Inc. ("Travel Portal"), a 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.

4. OTHER CHARGES (CREDITS)

RESTRUCTURING AND OTHER UNUSUAL CHARGES

During first quarter 2001, the Company incurred unusual charges totaling $185 million. Such charges primarily consisted of (i) $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 and (ii) $85 million incurred in connection with the creation of Travel Portal.

MERGER-RELATED COSTS

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

LITIGATION SETTLEMENT AND RELATED COSTS

During the six months ended June 30, 2001, the Company recorded charges of $33 million for litigation settlement and related costs in connection with previously discovered accounting irregularities in the former business units of CUC International, Inc. and resulting investigations into such matters. Such charges were partially offset by a non-cash credit of $14 million to reflect an adjustment to the PRIDES class action litigation settlement charge recorded by the Company in 1998.

5. DEBT

EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS

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.

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 may be required to repurchase these notes on May 4, 2002. The Company is not required to pay interest on the 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. A portion of these notes, as well as the Company's 3% convertible subordinated notes, was classified as long-term debt at June 30, 2001 based on the Company's intent and ability to refinance such borrowings on a long-term basis.

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.

CREDIT FACILITIES. Coincident with the acquisition of Avis, the Company assumed and guaranteed a $450 million six-year revolving credit facility maturing in June 2005. Borrowings under this facility bear interest at LIBOR plus a margin of approximately 175 basis points. The Company is required to pay a per annum facility fee of 37.5 basis points on this facility. The Company maintains additional commited audit facilities totaling $2.5 billion under two syndicated revolving credit agreements.

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 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 June 30, 2001, approximately $190 million was issued under this registration statement.

SHORT-TERM BORROWINGS. During second quarter 2001, the Company borrowed $325 million, which the Company repaid on July 2, 2001.

SECURITIZATION AGREEMENT. Coincident with the acquisition of Fairfield on April 2, 2001, an unaffiliated bankruptcy remote special purpose antity, Fairfield Receivables Corporation, committed to purchase for cash, at the Company's option, up to $500 million of the Company's timeshare receivables. The Company will retain a subordinated residual interest and the related servicing rights and obligations in the transferred timeshare receivables. At June 30, 2001, the Company was servicing approximately $298 million of timeshare receivables transferred to Fairfield Receivables Corporation.

CREDIT FACILITIES. During first quarter 2001, PHH renewed its $750 million syndicated revolving credit facility, which 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 syndicated commited revolving credit facility and two other commited facilities totaling $275 million.

6. 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 a recent 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 reporting 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.

7. 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 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.

During second quarter 2001, 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).

COMPREHENSIVE INCOME

The components of comprehensive income are summarized as follows:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Net income	$ 242	$ 175	$ 481	$ 243
Other comprehensive income (loss):				
Currency translation adjustments	1	(67)	(73)	(88)
Unrealized gains (losses) on marketable securities, net of tax:				
Unrealized gains (losses) arising during period	4	(31)	36	(43)
Reclassification adjustment for losses realized in net income	--	--	45	--
Unrealized losses on cash flow hedges, net of tax	(4)	--	(7)	--
Total comprehensive income	$ 243	$ 77	$ 482	$ 112

The after-tax components of accumulated other comprehensive loss for the six months ended June 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	(73)	81	(7)	1

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- Balance, June 30, 2001 $ (238) $ 12 $ (7) $ (233)
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8. DERIVATIVES

Consistent with its risk management policies, the Company manages foreign currency, interest rate and gasoline price 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 the forward contracts do not qualify for hedge accounting treatment under SFAS No. 133. The fluctuations in the value of these foreign currency forwards 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 as and qualify as cash flow hedges. The impact of those foreign currency forwards is not material to the Company's results of operations or financial position at June 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 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 medium-term notes. During the three and six months ended June 30, 2001, the Company recorded losses of $19 million and $23 million, respectively, to reflect the ineffective portion of its fair value hedges. Such amounts are included in net revenues within the Consolidated Condensed Statement of Income. The component of the derivative instruments' gain that was excluded from the Company's assessment of hedge effectiveness was $20 million for the three and six months ended June 30, 2001.

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 six months ended June 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 six months ended June 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 $7 million are expected to be reclassified into earnings. Certain of the Company's forecasted cash flows are hedged up to three years into the future.

GASOLINE PRICE RISK

The Company uses gasoline puts to hedge its exposure to gasoline prices affecting businesses within its Vehicle Services segment. The impact of those put option contracts is not material to the Company's results of operations or financial position at June 30, 2001.

9. 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 JUNE 30,			
	2001		2000	
	REVENUES	ADJUSTED EBITDA	REVENUES	ADJUSTED EBITDA
Real Estate Services	$ 474	$ 231	$ 377	$ 193
Hospitality	473	159	257	103
Vehicle Services	1,112	142	135	67
Financial Services	332	70	321	83
Total Reportable Segments	2,391	602	1,090	446
Corporate and Other(a)	12	(15)	47	(42)
Total Company	$ 2,403	$ 587	$ 1,137	$ 404

	SIX MONTHS ENDED JUNE 30,			
	2001		2000	
	REVENUES	ADJUSTED EBITDA	REVENUES	ADJUSTED EBITDA

Real Estate Services	$ 813	$ 363	$ 666	$ 308
Hospitality	737	263	499	195
Vehicle Services	1,566	234	272	139
Financial Services	722	201	702	216
Total Reportable Segments	3,838	1,061	2,139	858
Corporate and Other(a)	51	(31)	126	(42)
Total Company	$ 3,889	$ 1,030	$ 2,265	$ 816

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(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 $13.7 billion and $2.7 billion as of June 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Adjusted EBITDA	$ 587	$ 404	$ 1,030	$ 816
Non-vehicle depreciation and amortization	(121)	(86)	(222)	(171)
Other (charges) credits:				
Restructuring and other unusual	--	--	(185)	(106)

Litigation settlement and related (9) (5) (19) 33 Merger-related -- - - (8) - Non-vehicle interest, net (61) (22) (122) (47) Net gain (loss) on dispositions of businesses - - 4 435 (10) ---------- - --------- -- -------- --- --------
Income before income taxes, minority interest and equity in Homestore.com $ 396 $ 295 $ 909 $ 515 ========== ========== ========== ===========

10. SUBSEQUENT EVENTS

ISSUANCE OF UPPER DECS. On July 27, 2001, the Company completed a public offering of 15 million Upper DECS, each consisting of both a senior note and a forward purchase contract, aggregating $750 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 distributions at an annual rate of 1.00% through August 2004, at which time the forward purchase contracts will be settled. The interest rate on the senior notes will be reset based upon a remarketing in either May or August 2004. On August 8, 2001, the underwriters exercised an option to purchase an additional 2.25 million Upper DECS, aggregating $112.5 million principal amount, to cover over-allotments.

REGISTRATION OF DEBT AND EQUITY SECURITIES. On July 25, 2001, the Company filed a registration statement, which provides for an aggregate public offering of up to $3.0 billion of debt or equity securities.

SECURITIZATION AGREEMENT. On August 6, 2001, the Company sold $213 million of vacation ownership interval loans to a bankruptcy remote special purpose entity. The Company retains a subordinated residual interest and the related servicing obligations in the loans.

OFFERING OF NOTES. On August 13, 2001, the Company sold $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.

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.

RESULTS OF CONSOLIDATED OPERATIONS - 2001 VS. 2000

On March 1, 2001, we acquired all of the outstanding shares of Avis Group Holdings, Inc. 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. Avis is one of the world's leading service and information providers for comprehensive automotive transportation and vehicle management solutions.

On April 2, 2001, we acquired all of the outstanding shares of Fairfield Resorts, Inc., (formerly Fairfield Communities, Inc.) 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. Fairfield is one of the largest vacation ownership companies in the United States.

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 111%, and $1.6 billion, or 72%, for the three and six months ended June 30, 2001, respectively. Our expenses increased $1.2 billion, or 137%, and $1.7 billion, or 96%, for the three and six months ended June 30, 2001, respectively, primarily as a result of the acquisitions of Avis and Fairfield. 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, Inc. in exchange for approximately 21 million shares of Homestore 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 at the time of closing.

Our overall effective tax rate was 33% for the three months ended June 30, 2001 and 2000 and 37% and 34% for the six months ended June 30, 2001 and 2000, respectively. The higher tax rate for the six months ended June 30, 2001 was primarily due to higher state income taxes provided on the gain on the disposition of businesses discussed above.

As a result of the above-mentioned items, income before extraordinary loss and cumulative effect of accounting change increased $67 million, or 38%, and $218 million, or 72%, in the three and six months ended June 30, 2001, respectively.

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

REVENUES
ADJUSTED
EBITDA ---

-------- -

------ % %
2001 2000
CHANGE
2001 2000
CHANGE ---
-------- -

Real Estate Services	$ 474	$ 377	26%	$ 231	$ 193	20%
Hospitality	473	257	84	159	103	54
Vehicle Services	1,112	135	*	142	67	*
Financial Services	332	321	3	70	83	(16)
Total Reportable Segments	2,391	1,090		602	446	
Corporate and Other(a)	12	47	*	(15)(b)	(42)(b)	*
Total Company	$ 2,403	$ 1,137		$ 587	$ 404	

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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 $9 million and $5 million for litigation settlement and related costs for the three months ended June 30, 2001 and 2000, respectively. The 2000 charge was partially offset by $4 million of gains related to the dispositions of businesses.

REAL ESTATE SERVICES
Revenues and EBITDA increased $97 million (26%) and $38 million (20%), respectively. The increase in operating results was primarily driven by substantial growth in mortgage loan production, due to increased refinancing activity and purchase volume during second quarter 2001. Increases in relocation services and higher royalties from our Century 21(R), Coldwell Banker(R), and ERA(R) franchise brands also contributed to the favorable operating results.

Collectively, mortgage loans sold increased $5.2 billion (109%) to $9.9 billion, generating incremental revenues of $103 million, or an increase of 139%. Closed mortgage loans increased $5.9 billion (100%) to $11.8 billion. This growth consisted of a $4.3 billion increase (approximately eleven fold) in refinancings and a $1.6 billion increase (29%) in purchase mortgage closings. Beginning in January 2001, Merrill Lynch outsourced its mortgage originations and servicing operations to us, whereby new Merrill Lynch business accounted for 14% of our mortgage closings in second 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 a $22 million decline in loan net servicing revenue. The average servicing portfolio grew $28 billion (49%) as a result of the high volume of mortgage loan originations and Merrill Lynch's outsourcing of its mortgage origination operations. However, accelerated servicing amortization expenses during second quarter 2001, 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.

Service based fees from relocation activities also contributed to the increase in revenues and EBITDA. Relocation referral fees increased $6 million due to increased market penetration.

Also contributing to revenue and EBITDA growth in second quarter 2001 were franchisee fees (royalties and initial fees) from our Century 21(R), Coldwell Banker(R) and ERA(R) franchise brands. Franchise fees increased $12 million (8%), despite only moderate industry-wide growth, and a year-over-year industry decline in California. Contributing to the increase in royalties was a 2% increase in home sales volume, which was supported by increased unit growth from franchise sales and acquisitions by NRT Incorporated, our largest franchisee. Partially offsetting the revenue and 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 EBITDA increased $216 million (84%) and $56 million (54%), respectively. While 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 EBITDA of $197 million and $50 million, respectively, which is substantially greater than their operating results in second 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. Excluding the acquisitions of Fairfield and Holiday Cottages, revenues and EBITDA increased $12 million (5%) and $4 million (4%), respectively. Such growth was substantially a result of an $11 million (13%)

increase in timeshare subscription and transaction revenues primarily due to increases in members and exchange transactions. Timeshare staffing costs increased to support volume growth and meet anticipated service levels.

VEHICLE SERVICES

Revenues and EBITDA increased $977 million and $75 million, respectively, substantially due to the acquisition of Avis. The operations of Avis are comprised of the car rental business and the fleet management business, which provides integrated fleet management services to corporate customers including vehicle leasing, advisory services, fuel and maintenance cards, other expense management programs and productivity enhancement. The acquisition contributed incremental revenue and EBITDA of $967 million and $65 million, respectively. Additionally, our National Car Parks subsidiary contributed incremental revenue of $10 million in second quarter 2001. Prior to the acquisition, revenues and EBITDA consisted principally of earnings from our equity investment in Avis, royalties received from Avis and the operations of our National Car Parks subsidiary.

FINANCIAL SERVICES

Revenues increased $11 million (3%), while EBITDA decreased $13 million (16%). Jackson Hewitt, our tax preparation franchise business, contributed incremental revenues of $4 million, principally comprised of higher royalties due to an increase in tax return volume. Such increase was recognized with no corresponding increase in expenses due to significant operating leverage within Jackson Hewitt. The decline in EBITDA was entirely due to a reduced contribution from our individual membership business, which had been incurring increased marketing expenses to attract new members. Direct marketing expenses increased $9 million. Also, a decrease in membership expirations during second quarter 2001 (revenue is generally recognized upon expiration of the membership) was partially mitigated by a favorable mix of products and programs and a reduction in operating expenses, principally commissions, which directly related to servicing fewer members. During fourth quarter 2000, we re-acquired and integrated Netmarket Group, an online membership business, which contributed $15 million to revenues and $4 million to EBITDA in second quarter 2001. Also during second quarter 2000, $8 million of fees were recognized from the sale of certain referral agreements with car dealers, which contributed to a reduction in revenues and EBITDA.

On July 2, 2001, we announced that we had entered into a number of agreements, including a forty-year outsourcing agreement, with Trilegiant Corporation, a newly formed company owned by the former management of our Cendant Membership Services and Cendant Incentives subsidiaries. Under the agreements, we will continue to recognize revenue and collect membership fees and are obligated to provide membership benefits to existing members, including all renewals, of our individual membership business. Trilegiant will provide fulfillment services to these members in exchange for a servicing fee. Trilegiant will license and/or lease from us the assets of our individual membership business to service existing members and obtain new members for which Trilegiant will retain the economic benefits and service obligations. Beginning in the third quarter of 2002, we will receive from Trilegiant a royalty from membership fees generated by their new membership joins. The royalty received will range from a rate of 5% to 16% of Trilegiant membership revenue.

CORPORATE AND OTHER
Revenues decreased $35 million, while Adjusted EBITDA increased $27 million. In February 2001, we sold our real estate Internet portal, move.com, along with certain other ancillary businesses. Such businesses collectively accounted for a $25 million decline in revenues and a $28 million improvement in Adjusted EBITDA which reflected our investment in the development and marketing of the portal during second quarter 2000. In addition, as a result of the Avis acquisition, revenues from providing electronic reservation processing services to Avis decreased $14 million with no impact to Adjusted EBITDA.

SIX MONTHS ENDED JUNE 30, 2001 VS. SIX MONTHS ENDED JUNE 30, 2000

REVENUES
ADJUSTED
EBITDA ---

-------- -

------ % %
2001 2000
CHANGE
2001
2000(e)
CHANGE ---
-------- -

- --------
-- -------
--- ------
---- Real
Estate
Services $
813 $ 666
22% $
363(b) $
308 18%
Hospitality
737 499 48
263 195(f)
35 Vehicle
Services
1,566 272
* 234(c)
139 *
Financial
Services
722 702 3
201 216
(7) ------
----- ----
------- --
-------- -

Total
Reportable
Segments
3,838

2,139
1,061 858
Corporate
and
Other(a)
51 126 *
(31)(d)
(42)(g) *

- --------
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Total
Company $
3,889 $
2,265 $
1,030 $
816
===========
===========
==========
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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 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.
(c) Excludes a charge of $4 million related to the acquisition and integration of Avis.
(d) 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 incurred in connection with the creation of Travel Portal, Inc., a company that was created to pursue the development of an online travel business for the benefit of certain current and future franchisees, (ii) $33 million for litigation settlement and related costs, (iii) $7 million related to a non-cash contribution to the Cendant Charitable Foundation and (iv) $4 million related to the acquisition and integration of Avis.
(e) Excludes a charge of $106 million in connection with restructuring and other initiatives ($2 million, $63 million, $31 million and $10 million within Real Estate Services, Hospitality, Financial Services and Corporate and Other, respectively).
(f) Excludes $4 million of losses related to the dispositions of businesses.
(g) Excludes 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. Such credit was partially offset by (i) $6 million of losses related to the dispositions of businesses and (ii) $8 million of litigation settlement and related costs.

REAL ESTATE SERVICES

Revenues and Adjusted EBITDA increased $147 million (22%) and $55 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 during the first half of 2001. Increases in relocation services and higher royalties from our Century 21(R), Coldwell Banker(R), and ERA(R) franchise brands also contributed to the favorable operating results.

Collectively, mortgage loans sold increased $7.4 billion (87%) to $15.8 billion, generating incremental revenues of $136 million, or an increase of 107%. Closed mortgage loans increased $9.7 billion (99%) to $19.4 billion. This growth consisted of a $6.8 billion increase (approximately ten-fold) in refinancings and a $2.9 billion increase (32%) 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 first half 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 a $14 million decline in loan net servicing revenue. The average servicing portfolio grew $29 billion (52%) 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 during the first half of 2001, 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.

Service based fees from relocation activities also contributed to the increase in revenues and Adjusted EBITDA. Relocation referral fees increased $11 million and net interest income from relocation operations was $8 million favorable due to the maintenance of lower debt levels.

Also contributing to revenue and Adjusted EBITDA growth in the first half of 2001 were royalties from our real estate franchise brands. Royalties increased $7 million (3%), principally due to an increase in the average price of homes

sold. Controllable expenses increased principally to support the higher volume of mortgage originations and related service activities. Partially offsetting the 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 $238 million (48%) and $68 million (35%), respectively. While 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 $197 million and $50 million, respectively. The additional growth was due to the acquisition of Holiday Cottages and a $21 million (12%) increase in timeshare subscription and transaction revenues primarily due to increases in members and exchange transactions. Timeshare staffing costs marginally increased to support volume growth and meet anticipated service levels.

VEHICLE SERVICES

Revenues and Adjusted EBITDA increased $1.3 billion and $95 million, respectively, substantially due to the acquisition of Avis. Assuming the acquisition of Avis had occurred on January 1, for each of the periods presented, revenues and Adjusted EBITDA would have been $2.2 billion and $227 million, respectively, for the six months ended June 30, 2001, and $2.1 billion and $318 million, respectively, for the six months ended June 30, 2000. Revenues would have increased by $50 million (2%) and Adjusted EBITDA would have decreased by $91 million (29%) due to the substantial increase in operating costs.

FINANCIAL SERVICES

Revenues increased $20 million (3%), while EBITDA decreased $15 million (7%). Jackson Hewitt contributed incremental revenues of $15 million, principally comprised of higher royalties due to a 32% increase in tax return volume. Such increase was recognized with relatively no corresponding increase in expenses due to significant operating leverage within Jackson Hewitt. The decline in EBITDA was substantially due to a reduced contribution from our individual membership business, which had been incurring increased marketing expenses to attract new members. Direct marketing expenses increased $10 million. Also, a decrease in membership expirations (revenue is generally recognized upon expiration of the membership) 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. During fourth quarter 2000, we re-acquired and integrated Netmarket Group, which contributed $31 million to revenues and $7 million to EBITDA in the first half of 2001. Revenues and EBITDA in 2000 included $8 million of fees recognized from the sale of certain referral agreements with car dealers. EBITDA in 2000 also included $5 million of costs that were incurred to consolidate certain of our domestic insurance, wholesale businesses.

CORPORATE AND OTHER Revenues decreased $75 million while Adjusted EBITDA increased $11 million. In February 2001, we sold our real estate Internet portal, move.com, along with certain other ancillary businesses. Such businesses collectively accounted for a decline in revenues of $32 million and an improvement in Adjusted EBITDA of $45 million, which reflected our investment in the development and marketing of the portal during the first half of 2000. Revenues and Adjusted EBITDA were negatively impacted by $30 million less income from financial investments. In addition, as a result of the Avis acquisition, revenues from providing electronic reservation processing services to Avis decreased $9 million with no Adjusted EBITDA impact. Adjusted EBITDA in the first half of 2001 benefited from the absence of $11 million of costs incurred to pursue Internet initiatives during the first half of 2000.

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. The fees generated from these clients are used, in part, to repay the interest and principal associated with the financing of these assets. Accordingly, the cash inflows or outflows relating to the principal repayment or funding of such assets are classified as activities of our 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. Funding for our assets under management and mortgage programs is provided by both unsecured corporate borrowings and securitized financing arrangements, which are classified as liabilities under management and mortgage programs.

FINANCIAL CONDITION

	JUNE 30, 2001	DECEMBER 31, 2000	CHANGE
Total assets exclusive of assets under programs	$ 17,674	$ 12,211	$ 5,463
Assets under programs	11,613	2,861	8,752
Total liabilities exclusive of liabilities under programs	$ 12,160	$ 7,724	$ 4,436
Liabilities under programs	11,023	2,516	8,507
Mandatorily redeemable securities	375	2,058	(1,683)
Stockholders' equity	5,729	2,774	2,955

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 and cash proceeds provided by financing activities. 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 $2.7 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 $1.9 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 $481 million during 2001.

LIQUIDITY AND CAPITAL RESOURCES

Based upon cash flows provided by our operations and access to liquidity through various other sources, including public debt and equity markets and financial institutions, we have sufficient liquidity to fund our current business plans and obligations.

CASH FLOWS

	SIX MONTHS ENDED JUNE 30,		
	2001	2000	CHANGE
Cash provided by (used in):			
Operating activities	$ 1,191	$ 171	$ 1,020
Investing activities	(3,780)	(102)	(3,678)
Financing activities	3,549	(22)	3,571
Effects of exchange rate changes on cash and cash equivalents	9	23	(14)
Net change in cash and cash equivalents	$ 969	$ 70	$ 899

Cash flows from operating activities increased primarily due to the impact of the Avis acquisition.

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 $1.1 billion to acquire vehicles used in our Avis business and (iii) the funding of $500 million to the stockholder litigation settlement trust during 2001.

Cash flows from financing activities resulted in an inflow of $3.5 billion in 2001 compared to an outflow of $22 million in 2000 primarily due to proceeds of $3.4 billion received from the issuances of debt and CD common stock during 2001.

CAPITAL EXPENDITURES

Capital expenditures during 2001 amounted to $151 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 ranging from $300 million to $350 million. Such amount represents an increase from 2000 primarily due to the acquisitions of Avis and Fairfield.

DEBT FINANCING

EXCLUSIVE OF MANAGEMENT AND MORTGAGE PROGRAMS

Our total long-term debt increased $2.9 billion to $4.9 billion at June 30, 2001. Such increase was primarily attributable to the assumption of Avis debt of approximately $900 million and additional debt issuances of $2.7 billion.

During first quarter 2001, we issued $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 purchase 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. This 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. A portion of this term loan was used to finance the acquisition of Avis.

During second quarter 2001, we issued zero-coupon zero-yield senior convertible notes for gross proceeds of $1.0 billion. We expect to utilize 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.

On July 27, 2001, we completed a public offering of 15 million Upper DECS, each consisting of both a senior note and a forward purchase contract, aggregating $750 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 distributions at an annual rate of 1.00% through August 2004, at which time the forward purchase contracts will be settled. The interest rate on the senior notes will be reset based upon a remarketing in either May or August 2004. On August 8, 2001, the underwriters exercised an option to purchase an additional 2.25 million Upper DECS,

aggregating $112.5 million principal amount, to cover over-allotments. We expect to utilize the proceeds for general corporate purposes.

Coincident with the acquisition of Avis, we also assumed and guaranteed a $450 million six-year revolving credit facility maturing in June 2005. Borrowings under this facility bear interest at LIBOR plus a margin of approximately 175 basis points. We are required to pay a per annum facility fee of 37.5 basis points on this facility. Letters of credit of $82 million were issued under this facility as of June 30, 2001. At June 30, 2001, we had approximately $312 million of availability under this facility and, in addition, we had approximately $1.3 billion available under existing credit facilities.

On July 25, 2001, we filed a registration statement, which provides for an aggregate public offering of up to $3.0 billion of debt or equity securities.

On August 13, 2001, we sold $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.

RELATED TO MANAGEMENT AND MORTGAGE PROGRAMS

Debt related to our management and mortgage programs increased $8.0 billion to $10.0 billion at June 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 $1.9 billion during 2001. During first quarter 2001, unsecured medium-term notes of $650 million were issued under an existing shelf registration statement filed by our PHH subsidiary. We currently have approximately $2.4 billion available for issuing medium-term notes under PHH's shelf registration statement. The remaining $1.25 billion of debt issuances during 2001 consisted of $750 million of securitized rental car asset-backed notes, $325 million of short-term borrowings and $190 million of auction rate securitized rental car asset-backed notes.

Coincident with the acquisition of Fairfield on April 2, 2001, an unaffiliated bankruptcy remote special purpose entity, Fairfield Receivables Corporation, committed to purchase for cash, at our option, up to $500 million of our timeshare receivables. We will retain a subordinated residual interest and the related servicing rights and obligations in the transferred timeshare receivables. At June 30, 2001, we were servicing approximately $298 million of timeshare receivables transferred to Fairfield Receivables Corporation.

On August 6, 2001, we sold $213 million of vacation ownership interval loans to a bankruptcy remote special purpose entity. We retain a subordinated residual interest and the related servicing obligations in the loans.

STRATEGIC BUSINESS INITIATIVES

On August 13, 2001, we announced that we had entered into a definitive agreement to acquire all of the outstanding common stock of Cheap Tickets, Inc., a leading provider of discount leisure travel products, at a price of $16.50 per share, or approximately $425 million in cash. The transaction is subject to customary regulatory approvals and the approval of Cheap Tickets' stockholders. Although no assurances can be given, we expect the transaction to close in the fall of 2001.

On June 18, 2001, we announced that we had entered into a definitive agreement to acquire all of the outstanding common stock of Galileo International, Inc., a leading provider of electronic global distribution services for the travel industry, at an expected value of $33 per share, or approximately $3.1 billion, including estimated transaction costs and expenses and the conversion of Galileo employee stock options into CD common stock options. As part of the planned acquisition, we will also assume approximately $600 million of Galileo debt. The final acquisition price will be paid in a combination of CD common stock and cash. The number of shares of CD common stock to be paid to Galileo stockholders will fluctuate, between 116 million and 137 million shares, within a collar of $17 to $20 per share of CD common stock. The remainder of the purchase price will be paid in cash and may fluctuate if the average price per share of CD common stock during a stipulated period is above or below the collar. We anticipate funding the cash portion of the final acquisition price from available cash, lines of credit or additional debt issuances. The transaction is subject to customary regulatory approvals and the approval of Galileo's stockholders. Although no assurances can be given, we expect the transaction to close in the third quarter of 2001.

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 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.

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. Additionally, this statement further clarifies the criteria for recognition of intangible assets separately from goodwill for all business combinations completed after June 30, 2001, as well as requires additional disclosures for those business combinations.

SFAS No. 142 requires that goodwill and certain other intangible assets acquired after June 30, 2001 no longer be amortized. Beginning on January 1, 2002, amortization of existing goodwill and certain other intangible assets will no longer be permitted and we will be required to assess these assets for impairment annually, or more frequently if circumstances indicate a potential impairment. Furthermore, this statement provides specific guidance for testing goodwill and certain other intangible assets for impairment. Transition-related impairment losses, if any, which result from the initial assessment of goodwill and certain other intangible assets would be recognized as a cumulative effect of accounting change on January 1, 2002. We are currently evaluating the impact of adopting this standard on our financial position and results of operations.

During the six months ended June 30, 2001 and 2000, we recorded amortization expense of $76 million and $55 million, respectively, related to goodwill and certain other intangible assets that will no longer be amortized upon adoption of SFAS No. 142. In addition, during the six months ended June 30, 2001, we recorded amortization expense of $23 million related to the difference between the value of our investment in Homestore and the underlying equity in Homestore that will no longer be amortized. Such amount is net of the amortization of our deferred gain recorded on the sale of move.com to Homestore, which would also no longer be amortized.

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 $164 million, based upon existing goodwill and other intangible assets as of June 30, 2001. In addition, the estimated impact for 2002 with respect to the difference between the value of our investment in Homestore and the underlying equity in the net assets of Homestore that will no longer be subject to amortization is expected to reduce amortization expense by $53 million. Such amount is net of the amortization of our deferred gain recorded on the sale of move.com to Homestore that will no longer be amortized.

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 June 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held an Annual Meeting of Stockholders on May 22, 2001, pursuant to a Notice of Annual Meeting of Stockholders and Proxy Statement dated March 30, 2001, a copy of which has been filed previously with the Securities and Exchange

Commission, at which our stockholders approved the election of four directors for a term of three years, the ratification for the appointment of Deloitte & Touche LLP as the auditors of the financial statements for fiscal year 2001, and the approval of an amendment to the Amended and Restated 1997 Stock Option Plan.

Proposal 1: To elect Four directors for a three year term.

RESULTS:

	In Favor	Withheld
Myra J. Biblowit	750,308,812	12,534,023
The Rt. Hon. Brian Mulroney P.C.,	750,423,029	12,419,806
Robert W. Pittman	747,088,445	15,754,390
Sheli Z. Rosenberg	750,576,244	12,266,591

Proposal 2: To ratify and approve the appointment of Deloitte & Touche LLP as our Independent Auditors for the year ending December 31, 2001.

RESULTS:

For	Against	Abstain
731,996,442	27,976,192	2,870,201

Proposal 3: To approve an amendment to the Amended and Restated 1997 Stock Option Plan.

RESULTS:

For	Against	Abstain
546,206,750	211,431,521	5,204,564

ITEM 5. OTHER INFORMATION

See Exhibit 99.1 attached hereto regarding available pro forma financial data giving effect to the acquisition of Avis Groups Holdings, Inc. on March 1, 2001 for the six months ended June 30, 2001.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

See Exhibit Index

(b) REPORTS ON FORM 8-K

On April 3, 2001, we filed a current report on Form 8-K to report under Item 5 the completion of the acquisition of Fairfield Communities, Inc. on April 2, 2001.

On April 19, 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.

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

On May 2, 2001, we filed a current report on Form 8-K to report under Item 5 the sale of zero-coupon, zero-yield senior convertible notes and an increase in our 2001 projected adjusted earnings per share from continuing operations.

On May 4, 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 three and twelve month period ending March 31, 2001 and 2000.

On May 11, 2001, we filed a current report on Form 8-K to report under Item 5 the issuance of debt securities.

On May 25, 2001, we filed a current report on Form 8-K to report under Items 5 and 7 pro forma financial information giving effect to the acquisition of Avis Group Holdings, Inc. on March 1, 2001.

On June 15, 2001, we filed a current report on Form 8-K to report under Item 5 the entry into the First Supplemental Indenture relating to our zero-coupon senior convertible notes.

On June 18, 2001, we filed a current report on Form 8-K to report under Item 5 the proposed acquisition 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: August 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 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 10-Q/A for the quarterly period ended March 31, 2000, dated July 28, 2000)
4.1	Indenture, dated as of May 4, 2001, between Cendant Corporation and The Bank of New York as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 11, 2001).
4.2	First Supplemental Indenture, dated as of June 13, 2001, between Cendant Corporation and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed June 15, 2001).
10.1	Agreement and Plan of Merger, dated as of June 15, 2001, by and between the Company, Galaxy Acquisition Corp. and Galileo International, Inc. (Incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 filed on July 6, 2001).
12	Statement Re: Computation of Ratio of Earnings to Fixed Charges.
99.1	Pro Forma Financial Information (unaudited)

EXHIBIT 12

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

	SIX MONTHS ENDED JUNE 30,	
	2001	2000
EARNINGS BEFORE FIXED CHARGES:		
Income before income taxes, minority interest and equity in Homestore.com	$ 909	$ 515
Plus: Fixed charges	457	226
Less: Equity income (loss) in unconsolidated affiliates	(4)	6
Minority interest	28	60
Earnings available to cover fixed charges	$ 1,342	$ 675
FIXED CHARGES(1):		
Interest, including amortization of deferred financing costs	$ 400	$ 136
Minority interest	28	60
Interest portion of rental payment	29	30
Total fixed charges	$ 457	$ 226
RATIO OF EARNINGS TO FIXED CHARGES	$ 2.94x(2)	$ 2.99x(3)

- ----------
(1) Fixed charges consist 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) 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 $212 million. Excluding such amounts, the ratio of earnings to fixed charges is 2.45x.
(3) Income before income taxes, minority interest and equity in Homestore.com

includes net restructuring charges of $106 million and a net loss on the dispositions of businesses of $10 million, partially offset by litigation-related credits of $33 million. Excluding such amounts, the ratio of earnings to fixed charges is 3.35x.

EXHIBIT 99.1

PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following Unaudited Pro Forma Condensed Combined Statement of Operations for the six months ended June 30, 2001 gives effect to the Company's March 1, 2001 acquisition (the "Acquisition") of Avis Group Holdings, Inc. ("Avis"), which has been accounted for under the purchase method of accounting.

The Unaudited Pro Forma Condensed Combined Statement of Operations assumes the Acquisition occurred on January 1, 2001. The unaudited pro forma financial information is based on the historical consolidated financial statements of the Company and Avis under the assumptions and adjustments set forth in the accompanying explanatory notes.

Since Avis was consolidated with the Company as of March 1, 2001, the results of operations of Avis between January 1, 2001 and February 28, 2001 were combined with the Company's results of operations to report the combined pro forma results of operations for the six month period ended June 30, 2001. 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.

As a result of the Acquisition, the Company made payments totaling approximately $994 million, including payments of $937 million to Avis stockholders, direct expenses of $40 million related to the transaction and the net cash obligation of $17 million related to Avis stock options settled prior to consummation. The purchase price also included the fair value of CD common stock options exchanged with certain fully-vested Avis stock options. The Unaudited Pro Forma Condensed Combined Statement of Operations reflects interest expense resulting from a portion of the purchase price being funded by the issuance of $600 million in debt, with the remaining amount provided by cash.

The unaudited pro forma financial information excludes any benefits that might result from the Acquisition 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 results of operations that would have occurred if the Acquisition 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 for the Company and Avis.

CENDANT CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2001
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

HISTORICAL
HISTORICAL AVIS
PURCHASE
COMBINED CENDANT
JAN 1- FEB 28,
2001 ADJUSTMENTS
PRO FORMA ------
---- -----------
-------- -------
---- ---------
REVENUES
Membership and
service fees,
net $ 2,431 $ 27
$ (34)(a) $
2,424 Vehicle-
related 1,433
594 -- 2,027
Other 25 20 --
(b) 45 ---------
- -------------
----- ----------
- --------- Net
revenues 3,889

641 (34) 4,496
EXPENSES
Operating 1,239
174 (34)(a)
1,379 Vehicle
depreciation,
lease charges
and interest,
net 725 350 --
1,075 Selling,
general and
administrative
895 115 -- 1,010
Non-vehicle
depreciation and
amortization 222
23 2 (d) 247
Other charges,
net 212 - -- 212
Non-vehicle
interest, net
122 12 1 (c) 135
---------- -----
-------------- -
---------- -----
---- Total
expenses 3,415
674 (31) 4,058
Net gain on
dispositions of
businesses 435 -
- -- 435 -------
--- -----------
------- --------
--- ---------
INCOME (LOSS)
BEFORE INCOME
TAXES, MINORITY
INTEREST AND
EQUITY IN
HOMESTORE.COM
909 (33) (3) 873
Provision
(benefit) for
income taxes 336
(10) (2)(e) 324
Minority
interest, net of
tax 18 -- -- 18
Losses related
to equity in
Homestore.com,
net of tax 36 --
-- 36 ----------

--- -----------
--------- INCOME
(LOSS) BEFORE
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE $ 519 $
(23) $ (1) $ 495
==========
=================
===========
========= CD
COMMON STOCK
INCOME PER SHARE
INCOME BEFORE
CUMULATIVE
EFFECT OF
ACCOUNTING
CHANGE Basic $
0.61 $ 0.58
Diluted 0.58
0.55 WEIGHTED
AVERAGE SHARES
OUTSTANDING
Basic 820 820
Diluted 868 868

MOVE.COM COMMON STOCK INCOME PER SHARE INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE Basic $ 9.94 $ 9.94 Diluted 9.81 9.81 WEIGHTED AVERAGE SHARES OUTSTANDING Basic 2 2 Diluted 2 2

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

CENDANT CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA
CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2001
(DOLLARS IN MILLIONS)

(a) Represents the elimination of amounts paid by Avis to the Company for services provided by the Company 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 interest expense on debt issued to finance the acquisition of Avis ($7), net of amortization of the fair value adjustment on acquired debt ($4) and the reversal of Avis' amortization of debt-related costs ($2).

(d) 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.

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

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