

Avis Budget Finance plc

**Annual Report and Audited
Financial Statements as of and for
the years ended December 31, 2016 and December 31, 2015**

Company Registration Number: 112451 (Jersey)

INDEX TO FINANCIAL STATEMENTS

	<u>Page</u>
DIRECTORS' REPORT	<u>1</u>
STATEMENT OF DIRECTORS' RESPONSIBILITIES	<u>3</u>
INDEPENDENT AUDITORS' REPORT	<u>4</u>
FINANCIAL STATEMENTS:	
Statement of Comprehensive Income for the years ended December 31, 2016 and December 31, 2015	<u>5</u>
Balance Sheet as of December 31, 2016 and December 31, 2015	<u>6</u>
Statement of Cash Flows for the years ended December 31, 2016 and December 31, 2015	<u>7</u>
Notes to Financial Statements	<u>8</u>

Avis Budget Finance plc
DIRECTORS' REPORT
Years ended December 31, 2016 and December 31, 2015

The directors present their annual report and audited financial statements for Avis Budget Finance plc (the "Company") for the years ended December 31, 2016 and December 31, 2015.

Incorporation

The Company was incorporated in Jersey, Channel Islands as a public limited company on February 20, 2013.

Principal activities

The Company's principal activity is to carry on business to: i) acquire, deal with and/or provide financing; ii) obtain funding through the issuance of notes, bonds, debentures, securities and other instruments or by other means for the acquisition, dealing and/or provision of finance; and iii) enter into agreements and transactions in connection with, or ancillary to, the aforementioned activities.

In March 2013, the Company issued €250,000,000 in aggregate principal amount of 6% euro-denominated Senior Notes due March 2021 and in March 2014, issued an additional €200,000,000 in aggregate principal amount of 6% euro-denominated Senior Notes due March 2021 (the "Notes"). These Notes are listed on the Irish Stock Exchange. In September 2016, the Company issued €300,000,000 in aggregate principal amount of 4.125% euro-denominated Senior Notes due November 2024 (the "Notes"). These Notes are listed on the International Stock Exchange. In October 2016, the Company redeemed in part €275,000,000 of the 6% euro-denominated Senior Notes due March 2021.

Results and dividends

The Statement of Comprehensive Income for the years ended December 31, 2016 and December 31, 2015 is set out on page 5. The Directors have not proposed a dividend for the year.

Going Concern

The Company raised its funding through the issuance of the Notes. These Notes are guaranteed by its indirect parents Avis Budget Group, Inc. and Avis Budget Holdings, LLC, and its direct parent Avis Budget Car Rental, LLC ("ABCR"). The Company continuing as a going concern is dependent on the performance of ABCR, to which the proceeds of these Notes were loaned. Through the structuring of the loan agreement with ABCR, which includes the reimbursement of all operating expenses, the Company is always able to meet its obligations as they come due. The Directors therefore believe that the Company is well placed to manage its business risk successfully and accordingly, continue to adopt the going concern basis in preparing these financial statements.

Directors

The directors who held office throughout the year and to the date of approving these financial statements were:

Larry De Shon

Martyn Smith

The Directors had no interest in the ordinary shares or debt of the company throughout the year and to the date of approving these financial statements.

Secretary

The Secretary of the Company throughout the year and to the date of approving these financial statements was Intertrust SPV Services Limited.

Independent auditors

Deloitte LLP of Gaspe House, 66-72 Esplanade, St Helier, Jersey has indicated their willingness to continue in office and were reappointed as the Company's independent auditors to the Company in 2016.

Avis Budget Finance plc

DIRECTORS' REPORT

Years ended December 31, 2016 and December 31, 2015

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



For Intertrust SPV Services Limited

Dated: 19/07/2017

The Esplanade
St Helier
Jersey
JE4 9WG
Channel Islands

Avis Budget Finance plc
STATEMENT OF DIRECTORS' RESPONSIBILITIES
Years ended December 31, 2016 and December 31, 2015

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Jersey Company law requires the Directors to prepare financial statements for each financial period in accordance with specified generally accepted accounting principles. The Directors have elected to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the years ended December 31, 2016 and December 31, 2015 and of the profit or loss of the Company for the years then ended. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVIS BUDGET FINANCE PLC

We have audited the financial statements of Avis Budget Finance Plc for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, and the related notes 1 to 5. The financial reporting framework that has been applied in their preparation is accounting principles generally accepted in the United States of America (US GAAP).

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

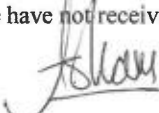
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with US GAAP; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.


Andrew Isham BA, FCA
for and on behalf of Deloitte LLP
Jersey

12 July 2017

Avis Budget Finance plc
STATEMENT OF COMPREHENSIVE INCOME
(USD In thousands)


	<u>Year Ended December 31, 2016</u>	<u>Year Ended December 31, 2015</u>
Revenues		
Interest income related to intercompany debt, net		
Interest income	\$ 28,744	\$ 29,111
Early extinguishment of debt	16,548	—
Total revenues	<u>45,292</u>	<u>29,111</u>
Expenses		
Interest expense related to external debt, net		
Interest expense	28,744	29,111
Early extinguishment of debt	16,548	—
Foreign currency exchange loss	23,920	55,811
General and administrative expenses	76	67
Total expenses	<u>69,288</u>	<u>84,989</u>
Other income		
Foreign currency exchange gain	23,920	55,811
General and administrative	76	67
Total other income	<u>23,996</u>	<u>55,878</u>
Income before income taxes	—	—
Provision for income taxes	—	—
Net income	<u>—</u>	<u>—</u>
Total comprehensive income	<u>\$ —</u>	<u>\$ —</u>

The Notes on pages 8-11 form part of these financial statements.

Avis Budget Finance plc
BALANCE SHEET
(USD In thousands, except share data)

	Notes	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
Assets			
Current assets:			
Prepaid expenses		5	4
Current portion of due from Avis Budget Car Rental, LLC, net	4	<u>—</u>	<u>1,035</u>
Total current assets		5	1,039
Due from Avis Budget Car Rental, LLC, net	4	<u>509,445</u>	<u>502,432</u>
Total assets		<u>\$ 509,450</u>	<u>\$ 503,471</u>
Liabilities and stockholder's equity			
Current liabilities:			
Accrued interest		7,117	9,773
Accrued expenses		244	50
Current portion of due to Avis Budget Car Rental, LLC, net		<u>965</u>	<u>—</u>
Total current liabilities		8,326	9,823
Long-term debt	2	<u>501,124</u>	<u>493,648</u>
Total Liabilities		<u>509,450</u>	<u>503,471</u>
Commitments and contingencies	3	—	—
Stockholder's equity:			
Common stock, \$0.01 par value—authorized, issued and outstanding 1,000 shares		—	—
Accumulated earnings		—	—
Accumulated other comprehensive income		—	—
Total stockholder's equity		<u>—</u>	<u>—</u>
Total liabilities and stockholder's equity		<u>\$ 509,450</u>	<u>\$ 503,471</u>

The financial statements on pages 5 to 11 were approved and authorized for issue by the Board of Directors on 12 July 2017 and signed on its behalf by:



Martyn Smith Director

The Notes on pages 8-11 form part of these financial statements.

Avis Budget Finance plc
STATEMENT OF CASH FLOWS
(USD In thousands)

	Notes	Year Ended December 31, 2016	Year Ended December 31, 2015
Operating activities			
Net income	\$	—	\$ —
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of debt financing costs		1,685	1,716
Amortization of debt premium		(2,612)	(2,677)
Early extinguishment of debt premium		(1,459)	—
Early extinguishment of debt costs		4,429	—
Net change in assets and liabilities:			
Due from Avis Budget Car Rental, LLC, net		6,072	2,085
Prepaid expenses		(1)	(2)
Accrued interest		(2,656)	(1,116)
Accrued expenses		14	(6)
Net cash provided by operating activities		<u>5,472</u>	<u>—</u>
Investing activities			
Proceeds from loans from Avis Budget Car Rental, LLC	4	301,730	—
Payments on loans to Avis Budget Car Rental, LLC	4	(336,735)	—
Net cash used in investing activities		<u>(35,005)</u>	<u>—</u>
Financing activities			
Proceeds from long-term debt	2	336,735	—
Payments on long-term debt	2	(301,730)	—
Debt financing costs		(5,472)	—
Net cash provided by financing activities		<u>29,533</u>	<u>—</u>
Effect of changes in exchange rates on cash and cash equivalents		—	—
Net increase (decrease) in cash and cash equivalents		—	—
Cash and cash equivalents, beginning of period		—	—
Cash and cash equivalents, end of period	\$	<u>—</u>	\$ <u>—</u>
Supplemental disclosure			
Interest payments	\$	32,309	\$ 30,250

The Notes on pages 8-11 form part of these financial statements.

Avis Budget Finance plc
NOTES TO FINANCIAL STATEMENTS
(Unless otherwise noted, all U.S. dollar and euro amounts are in thousands)

1. General Information and Basis of Presentation

Avis Budget Finance plc (the "Company") is registered under the laws of Jersey, Channel Islands and is 100% wholly owned by Avis Budget Car Rental, LLC ("ABCR"); which is an indirect subsidiary of Avis Budget Group, Inc., a Delaware corporation ("ABGI"). The Company was incorporated on February 20, 2013 as a public limited company with its principal executive office located at 6 Sylvan Way, Parsippany, New Jersey 07054.

The Company acquires and provides financing for ABCR by issuing notes on the Irish Stock Exchange that are traded on the Global Exchange Market and on the International Stock Exchange admitting the notes for trading on the exchange market thereof.

Under the terms of the loan agreement between the Company and ABCR, all expenses incurred by the Company are reimbursed by ABCR.

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and Companies (Jersey) Law 1991.

Use of Estimates and Assumptions

The use of estimates and assumptions as determined by management is required in the preparation of the financial statements in conformity with GAAP. These estimates are based on management's evaluation of historical trends and other information available when the financial statements are prepared and may affect the amounts reported and related disclosures. Actual results could differ from those estimates.

Revenue, expense and other income

Revenue, expense and other income are accounted for on an accrual basis. Interest income and expense is accounted for on the effective interest rate basis.

Long-term debt and Due from Avis Budget Car Rental, LLC, net

Long-term debt and Due from Avis Budget Car Rental, LLC, net are accounted for on an amortized cost basis as the Company has not elected the fair value option under Accounting Standards Codification ("ASC") 825, "Financial Instruments".

Fair Value Measurements

The Company measures the fair value of assets and liabilities and discloses the source for such fair value measurements. Financial assets and liabilities are classified as follows: Level 1, which refers to assets and liabilities valued using quoted prices from active markets for identical assets or liabilities; Level 2, which refers to assets and liabilities for which significant other observable market inputs are readily available; and Level 3, which are valued based on significant unobservable inputs.

Currency Transactions

The Company's functional currency is United States Dollars (the "U.S. Dollar", or "\$"). Accordingly, the Company revalued its long-term euro-denominated debt and the euro-denominated amount due from ABCR at the rate of exchange in effect on the balance sheet date and the related revaluation adjustments are reflected in the Statement of Comprehensive Income. Interest expense associated with this debt is revalued

Avis Budget Finance plc
NOTES TO FINANCIAL STATEMENTS (continued)
(Unless otherwise noted, all U.S. dollar and euro amounts are in thousands)

at the prevailing monthly average rate of exchange and is included in interest expense. In 2016 and 2015, the Company recorded a foreign currency gain of \$23,920 and \$55,811 on the euro-denominated Senior Notes, respectively, and a foreign currency loss of \$23,920 and \$55,811 on the loan to ABCR, respectively.

Income Taxes

The Company is subject to 0% income tax rate in Jersey, Channel Islands. The Company has no unrecognized tax benefits as of December 31, 2016 and 2015 and there is no related interest or penalties recorded. The Company is subject to examination by the Jersey, Channel Islands' Tax Comptroller for the period from February 20, 2013 (Date of Inception) to December 31, 2016.

Adoption of New Accounting Pronouncements

On January 1, 2016, the Company adopted Accounting Standards Update ("ASU") 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern", which requires management to perform annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related footnote disclosures in certain circumstances. The adoption of this accounting pronouncement did not have an impact on the Company's Financial Statements.

2. Long-term debt

In 2013 and 2014, the Company issued, respectively, €250,000 and €200,000 of 6% euro-denominated Senior Notes due March 2021 ("Euro Notes"), with interest payable semi-annually. In 2016, the Company redeemed in part €275,000 of these notes.

In 2016, the Company issued €300,000 of 4.125 % euro-denominated Senior Notes due November 2024 ("Euro Notes"), with interest payable semi-annually.

Upon issuances of Euro Notes, the Company loaned the same amounts to ABCR. The notes are unsecured obligations of the Company, and are guaranteed on a senior basis by the Company's indirect parent companies, ABGI, and Avis Budget Holdings, LLC, its direct parent company, ABCR, and also by ABCR's existing direct and indirect domestic subsidiaries that also guarantee ABCR's senior credit facility. The Company has the right to redeem these notes in whole or in part on or after March 1, 2016 (6% Euro Notes) and November 15, 2019 (4.125% Euro Notes) at specified redemption prices, plus any accrued and unpaid interest.

The total net carrying amount of the Euro Notes is \$501,124 (inclusive of principal of \$499,684, unamortized premium of \$9,761, and deferred financing costs of (\$8,321)) and \$493,648 (inclusive of principal of \$488,599, unamortized premium of \$13,833, and deferred financing costs of (\$8,784)) as of December 31, 2016 and 2015, respectively. The cash proceeds received in 2016 from the issuance of Euro Notes related to a loan principal of \$336,735. The cash payments made in 2016 for the redemption of Euro Notes related to a loan principal of \$301,730. There were no cash proceeds / payments related to the Euro Notes in 2015.

The total fair value of the Euro Notes as of December 31, 2016 and 2015 were \$506,062 and \$503,257, respectively, based on significant observable inputs (Level 2) derived by considering the yield of the benchmark security that was used to initially price the instrument and adjusting this rate by the credit

Avis Budget Finance plc
NOTES TO FINANCIAL STATEMENTS (continued)
(Unless otherwise noted, all U.S. dollar and euro amounts are in thousands)

spread that market participants would demand for the instrument as of the measurement date.

The agreements governing the Company's indebtedness contain financial and other restrictive covenants including restrictions on dividends paid by the Company, ABCR or certain of ABCR's subsidiaries and restrictions on the incurrence of additional indebtedness by the Company, acquisitions, mergers, liquidations and sales and leaseback transactions. As of December 31, 2016, the Company is not aware of any instances of non-compliance with any of the financial or restrictive covenants contained in the debt agreements.

3. Commitments and contingencies

While litigation is inherently unpredictable, the Company is not currently involved in any matters that will have a material adverse effect on its financial position or cash flows. However, it could incur judgments, enter into settlements or revise its expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on the Company's financial position or cash flows.

4. Related Party Transactions

In 2016, the Company made loan payments of \$336,735 to ABCR related to Euro Notes due to the Company in 2021, and the Company received loan proceeds from ABCR of \$301,730. In 2015, there were no loan payments or proceeds related to the Euro Notes between the Company and ABCR. In 2016 and 2015, the interest rate on euro-denominated loan proceeds is 4.125% and 6%, respectively, and the Company recorded related interest income of \$45,292 and \$29,111, respectively, in its Statement of Comprehensive Income. In 2016, the interest income includes \$16,548 related to the redemption of the 6% euro-denominated Senior Notes resulting in early extinguishment of debt. ABCR has the right to redeem this loan in whole or in part on or after April 1, 2016 at specified redemption prices, plus any accrued and unpaid interest. The total loan and foreign currency exchange gain/(loss) balance of \$509,445 and \$502,432 as of December 31, 2016 and 2015, respectively, are intended to be paid to the Company upon the due date.

The fair value of the amounts Due from Avis Budget Car Rental, LLC, net at December 31, 2016 and 2015 were \$506,062 and \$503,257, respectively, based on significant observable inputs (Level 2) derived by considering the yield of the benchmark security that was used to initially price the instrument and adjusting this rate by the credit spread that market participants would demand for the instrument as of the measurement date.

Under the terms of the loan agreement between the Company and ABCR, all expenses incurred by the Company are reimbursed by ABCR. As of December 31, 2016 and 2015, the current amounts Due (to) / from Avis Budget Car Rental, LLC, net were (\$965) and \$1,035, respectively. These amounts represent receivables from ABCR of \$7,361 and \$9,823 primarily related to accrued interest, offset by liabilities due to ABCR of \$8,326 and \$8,788 principally related to deferred financing costs, respectively.

Avis Budget Finance plc
NOTES TO FINANCIAL STATEMENTS (continued)
(Unless otherwise noted, all U.S. dollar and euro amounts are in thousands)

5. Subsequent Events

In March 2017, the Company issued \$264,350 (€250,000) of 4.5% euro-denominated Senior Notes due May 2025 ("Euro Notes"), with interest payable semi-annually. The Notes are listed on the International Stock Exchange. At the same time, the Company extended a new intercompany loan of \$264,350 (€250,000) to ABCR due May 2025 with interest paid semi-annually.

In April 2017, the Company repaid the outstanding \$187,128 (€175,000) of 6% euro-denominated Senior Notes due March 2021 and the related accrued interest of \$936 (€875). Consequently, the repayment closed off all remaining positions that are listed on the Irish Stock Exchange.

In April 2017, the Company received \$187,128 (€175,000) from ABCR related to a loan repayment under revolving loan facility due March 2021 as well as the related accrued interest of \$936 (€875).

The Company has evaluated events through July 12, 2017 for consideration as a subsequent event to be included in the accompanying financial statements issued July 12, 2017.