Avis Budget Finance plc

Annual Report and Audited Financial Statements as of and for the years ended December 31, 2020 and December 31, 2019

Company Registration Number: 112451 (Jersey)

INDEX TO FINANCIAL STATEMENTS

Avis Budget Finance plc
DIRECTORS' REPORT
Years ended December 31, 2020 and December 31, 2019

The Directors present their annual report and audited financial statements for Avis Budget Finance plc (the "Company") for the years ended December 31, 2020 and December 31, 2019.

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 September 2016, the Company issued €300,000,000 in aggregate principal amount of 4.125% euro-denominated Senior Notes due November 2024, in March 2017, the Company issued €250,000,000 of 4.5% euro-denominated Senior Notes due May 2025, and in October 2018, the Company issued €350,000,000 of 4.75% euro-denominated Senior Notes due January 2026 (the "Notes"). The Notes are listed on the International Stock Exchange.

Results and dividends

The Statement of Comprehensive Income for the years ended December 31, 2020 and December 31, 2019 is set out on page 11. The Directors have not proposed a dividend for the years ended December 31, 2020 or December 31, 2019.

Going Concern

The Company's Notes are guaranteed by its indirect parents Avis Budget Group, Inc ("ABGI") 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 ABGI and ABCR to which the proceeds of these Notes were loaned. The company does not have material corporate debt due until 2024. The Company had net current liabilities of $2,048 thousand at 31 December 2020. Through the ABCR guarantees, the structuring of the loan agreement with ABCR, which includes the reimbursement of all operating expenses and access to additional ABCR funding if required, the Company is able to meet its obligations as they come due for the foreseeable future being at least 12 months from the date of signing of these accounts. The Directors have considered the ability of ABGI and ABCR to satisfy the guarantee. ABGI and ABCR have also no material corporate debt due until 2023 and the liquidity and management plans have been considered below. The Directors therefore believe that the Company will continue to transact business as a financing company in the coming year and accordingly, continue to adopt the going concern basis in preparing these financial statements

Liquidity and Management's Plans

The continuing cases of COVID-19 and the developments surrounding the pandemic are having a material impact on certain aspects of ABGI's business. Significant events affecting travel and the overall economy have historically had an impact on vehicle rental volumes, with the full extent of the impact generally determined by the length of time the event influences travel decisions as well as general economic conditions. ABGI believes the ongoing effects of COVID-19 and resulting economic conditions have had, and will continue to have, an adverse impact on its operations and vehicle rental volumes, and on its financial results and liquidity. ABGI cannot assure its assumptions used to estimate its liquidity requirements will be correct because it has never previously experienced such a change in demand, and as a consequence, its ability to be predictive is uncertain. In addition, the duration of the pandemic is uncertain. Therefore, ABGI has taken actions to manage its liquidity, including reducing capital expenditures, operating expenses and the number of vehicles in its fleet. ABGI has no meaningful corporate debt maturities until 2023. ABGI plans to finance the routine Asset Backed Securities ("ABS") maturities with program cash on hand, available revolving debt capacity, new term note issuances and fleet sales. As a result, based on current operational assumptions, ABGI believes it has adequate liquidity beyond the next twelve months.

Directors

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

- John North, resigned in 2020
- David Calabria, appointed in 2019
- Brian Choi, appointed in 2020

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.

Avis Budget Finance plc
DIRECTORS' REPORT
Years ended December 31, 2020 and December 31, 2019

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 Abbots House, Abbey Street, Reading, United Kingdom, RG1 3BD has indicated their willingness to continue in office and were appointed as the Company's independent auditors for the 2020 audit.

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

Dated: 29 July 2021

For Intertrust SPV Services Limited

The Esplanade
St Helier
Jersey
JE4 9WG
Channel Islands

Avis Budget Finance plc
STATEMENT OF DIRECTORS' RESPONSIBILITES
Years ended December 31, 2020 and December 31, 2019

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

Companies (Jersey) Law 1991 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, 2020 and December 31, 2019 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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Avis Budget Finance plc (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its results for the year then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States of America; and
- have been properly prepared in accordance with Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of cash flows; and
- the related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States of America.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Recoverability of receivables from the parent company Within this report, key audit matters are identified as follows:

	Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was USD 19,000,000 which was determined on the basis of 1.75% of long-term debt.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, with involvement of Deloitte US team members.
Significant changes in our approach	There are no significant changes to our approach in the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included assessment of:

- We evaluated controls performed by management in assessing going concern;
- We evaluated performance of the ultimate parent company by assessing operating revenue, profitability and cost reduction measures;
- We assessed the cash position and access to liquidity, the debt position, maturity and repayment profile of the debt and the direct parent, Avis Budget Car Rental, LLC ("ABCR")'s covenants compliance in the current year and forecast covenant compliance for the next 12 months; and
- We assessed the appropriateness of going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Recoverability of receivables from the parent company

Key audit matter description	Receivables from the parent Company, Avis Budget Car Rental, LLC ("ABCR") are stated in the balance sheet at USD 1,092,220,000 (2019: USD 999,816,000). There is judgement involved in determining the recoverability of these receivables from ABCR based on the financial position and future prospects of ABCR and ABGI. The risk associated with the recoverability is heightened due to the impact of COVID-19 on the travel industry, and therefore on ABCR and ABGI results. Further details are included in Note 1 for relevant accounting policies and Note 2 for the receivable disclosure.
How the scope of our audit responded to the key audit matter	We have challenged the directors' judgements regarding the appropriateness of the carrying value through obtaining a copy of the latest quarterly financial information for ABCR. We also assessed the historical accuracy of management's forecasts by comparing them to the actual results. We also assessed management's forecasted liquidity analysis for 12 months from date of approval of the financial statements for the ABGI group (which includes ABCR).
Key observations	Based on the work performed we concluded that receivables from the parent company are appropriately stated.

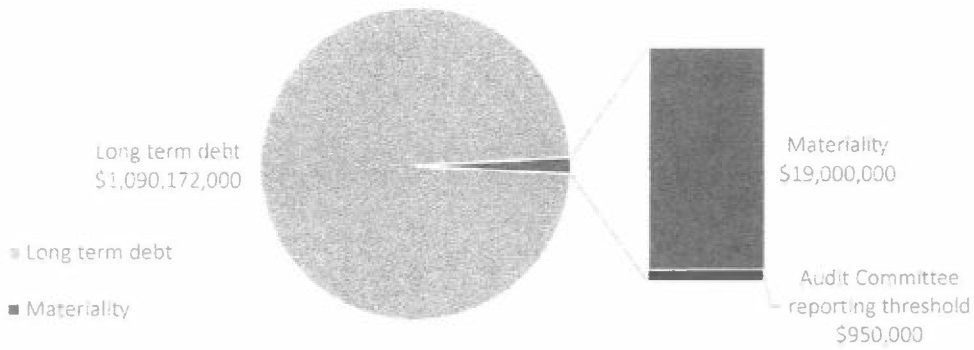
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	USD 19,000,000 (2019: USD 17,400,000)
Basis for determining materiality	We have used 1.75% (2019: 1.75%) long term debt of the Company as our basis for materiality.
Rationale for the benchmark applied	We believe long term debt is the most appropriate benchmark as it is considered to be one of the principal considerations for members of the Company in assessing financial performance.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

a. our risk assessment, including the quality of the control environment; and
b. our past experience of the audit, which has indicated no corrected and uncorrected misstatement identified in prior periods.

6.3. Error reporting threshold

We agreed with the directors that we would report to the directors all audit differences in excess of USD 950,000 (2019: USD 870,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Company and its environment, including Company-wide controls, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed by the Company audit engagement team.

Avis Budget Finance plc uses the ultimate parent Company's personnel and IT infrastructure to manage bookkeeping and support in the preparation of the financial statements. As such, we have obtained an understanding of the controls over the financial reporting process established by the parent Company.

7.2. Working with other auditors

As the accounting records of the Company are held in the US, members from Deloitte US office are a separate component auditor. Therefore, we have issued referral instructions to the component auditors. We held frequent meetings to direct and supervise the component auditors.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10.Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the directors about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key law and regulation we considered in this context was the Companies (Jersey) Law, 1991.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the directors and in-house legal counsel concerning actual and potential litigation and claims;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of the directors and reviewing correspondence with Revenue Jersey and other relevant regulatory authorities
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Matters on which we are required to report by exception

12.1. Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13. Use of our report

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.

Mark Tolley

Mark Tolley FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Reading, United Kingdom
29 July 2021

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenues		
Interest income	$ 48,772	$ 46,888
Early extinguishment of debt	—	—
Total revenues	48,772	46,888
Expenses		
Interest expense	48,772	46,888
Early extinguishment of debt	—	—
Foreign currency exchange loss	90,356	22,792
General and administrative expenses	84	78
Total expenses	139,212	69,758
Other income		
Foreign currency exchange gain	90,356	22,792
Reimbursements of general and administrative expenses	84	78
Total other income	90,440	22,870
Result before income taxes	—	—
Provision for income taxes	—	—
Net result	—	—
Total comprehensive income	$ —	$ —

No other gains or losses.

The Notes on pages 14-18 form part of these financial statements.

Avis Budget Finance plc

BALANCE SHEET

(USD In thousands, except share data)

	Notes	December 31, 2020	December 31, 2019
Assets			
Current assets:			
Prepaid expenses		$ 6	$ 13
Current portion of due from Avis Budget Car Rental, LLC, net	4	10,229	9,207
Total current assets		10,235	9,220
Due from Avis Budget Car Rental, LLC, net	4	1,092,220	999,816
Total assets		$1,102,455	$ 1,009,036
Liabilities and stockholder's equity			
Current liabilities:			
Accrued interest		12,206	11,203
Accrued expenses		77	65
Current portion of due to Avis Budget Car Rental, LLC, net		—	—
Total current liabilities		12,283	11,268
Long-term debt	2	1,090,172	997,768
Total liabilities		1,102,455	1,009,036
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		—	—
Total liabilities and stockholder's equity		$1,102,455	$ 1,009,036

The financial statements on pages 11 to 13 were approved and authorized for issue by the Board of Directors on July 29, 2021 and signed on its behalf by:

X

David Calabria
Director

The Notes on pages 14-18 form part of these financial statements.

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

	Notes	Year Ended December 31, 2020	Year Ended December 31. 2019
Operating activities			
Net income		$ —	$ —
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of debt financing costs		2,047	2,047
Amortization of debt premium		—	—
Early extinguishment of debt premium		—	—
Early extinguishment of debt costs		—	—
Net change in assets and liabilities:			
Due to Avis Budget Car Rental, LLC, net		(3,070)	(5,172)
Prepaid expenses		7	—
Accrued interest		1,003	3,136
Accrued expenses		13	—
Net cash provided by operating activities		—	11
Investing activities			
Proceeds from loans from Avis Budget Car Rental, LLC		—	—
Payments on loans to Avis Budget Car Rental, LLC	4	—	—
Net cash used in investing activities		—	—
Financing activities			
Proceeds from long-term debt	2	—	—
Payments on long-term debt		—	—
Payments of debt premium		—	—
Debt financing costs		—	(11)
Net cash provided by financing activities		—	(11)
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		$ —	$ —
Supplemental disclosure			
Interest payments		$ 45,682	$ 41,667

The Notes on pages 14-18 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 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.

Revenues, 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", "USD", 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 at the prevailing monthly average rate of exchange and is included in interest expense.

Currency Transactions (Continued)

In 2020 and 2019, the Company recorded a foreign currency loss of $90,356 and a gain of $22,792 on the euro-denominated Senior Notes, respectively, and a foreign currency gain of $90,356 and a loss of $22,792 on the loan to ABCR.

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, 2020 and 2019 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, 2020.

Adoption of New Accounting Pronouncements

Fair Value Measurement

On January 1, 2020, as the result of a new accounting pronouncement, the Company adopted ASU 2018-13, "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement," which adds, removes, and modifies disclosure requirements related to fair value measurements. The adoption of this accounting pronouncement did not have a material impact on the Company's Consolidated Financial Statements.

Measurement of Credit Losses on Financial Instruments

On January 1, 2020, as the result of a new accounting pronouncement, the Company adopted ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," and related updates which sets forth a current expected credit loss impairment model for financial assets that replaces the current incurred loss model. This model requires a financial asset (or group of financial assets), including trade receivables, measured at amortized cost to be presented at the net amount expected to be collected with an allowance for credit losses deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The adoption of this accounting pronouncement did not have a material impact on the Company's Financial Statements.

Recently Issued Accounting Pronouncements

Simplifying the Accounting for Income Taxes

On January 1, 2021, as the result of a new accounting pronouncement, the Company adopted ASU 2019-12, "Simplifying the Accounting for Income Taxes," which simplifies the accounting for income taxes by removing certain exceptions and improving the application of existing guidance. The adoption of this accounting pronouncement did not have a material impact on the Company's Financial Statements.

Compensation—Retirement Benefits—Defined Benefit Plans

On January 1, 2021, as the result of a new accounting pronouncement, the Company adopted ASU 2018-14, "Disclosure Framework— Changes to the Disclosure Requirements for Defined Benefit Plans," which adds, removes, and clarifies disclosure requirements related to defined benefit pension and other postretirement plans. These changes are part of the FASB's disclosure framework project, which the Board launched in 2014 to improve the effectiveness of disclosures in notes to financial statements. The adoption of this accounting pronouncement did not have a material impact on the Company's Financial Statements.

2. Long-term Debt

In 2016, the Company issued €300,000 of 4.125 % euro-denominated Senior Notes due November 2024 ("4.125% Euro Notes"), with interest payable semi-annually. In 2017, the Company issued €250,000 of 4.500 % euro-denominated Senior Notes due May 2025 ("4.500% Euro Notes"), with interest payable semi-annually. In 2018, the Company issued €350,000 of 4.750 % euro-denominated Senior Notes due January 2026 ("4.750% Euro Notes"), with interest payable semi-annually. In 2019 and 2020, the Company did not issue any external debt.

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 November 15, 2019 (4.125% Euro Notes), May 15, 2020 (4.500% Euro Notes), and September 30, 2021 (4.750% Euro Notes) at specified redemption prices, plus any accrued and unpaid interest.

The total net carrying amount of the long-term debt is $1,090,172 (inclusive of principal of $1,099,438 less debt financing costs $9,266) and $997,768 (inclusive of principal of $1,009,082 less debt financing costs of $11,314) as of December 31, 2020 and 2019, respectively.

The total fair values of the long-term debt as of December 31, 2020 and 2019 were $1,081,653 and $1,063,375, 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.

The agreements governing the Company's indebtedness contain restrictive covenants including restrictions on dividends paid by the Company, ABCR (direct parent) 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, 2020, the Company and its direct parent were in compliance with their respective covenants governing its indebtedness.

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

The Company did not issue any external debt or extend any intercompany loans to ABCR in 2020 or 2019. The interest rate on the euro-denominated intercompany loans issued in 2018, 2017, and 2016 is 4.750%, 4.500%, and 4.125%, respectively. The Company recorded related party interest income of $48,772 and $46,888 in 2020 and 2019, respectively, in its Statement of Comprehensive income. The total loan and foreign currency exchange gain/ (loss) balance of $1,092,220 (Principal of $1,099,438 less debt financing costs of $7,218) and $999,816 (Principal of $1,009,082 less debt financing costs of $11,314 and current portion of ($2,048)) as of December 31, 2020 and 2019, 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, 2020 and 2019 were $1,081,653 and $1,063,375, 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, 2020 and 2019, the current amounts Due from Avis Budget Car Rental, LLC, net were $10,229 and $9,207, respectively. These amounts represent receivables from ABCR of $12,283 and $11,268, respectively, primarily related to accrued interest, offset by liabilities due to ABCR of $2,053 and $2,061 as of December 31, 2020 and 2019, respectively, principally related to debt financing costs.

5. Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic, resulting in economic uncertainty impacting the Company. The global pandemic has disrupted economic activities and supply chains. The Company's ability to continue to meet obligations as they come due is dependent on the Avis Budget Group Inc and its subsidiaries' (the Group) continued ability to generate earnings and cash flows. The Group was substantially impacted by the pandemic in 2020, resulting in a significant reduction in revenue. The Group evaluated its 31 December 2020 Financial Statements for subsequent events through the date the Financial Statements were issued. COVID-19 coronavirus has disrupted the global travel industry subsequent to 31 December 2020.

The Group cannot assure its assumptions used to estimate its liquidity requirements will be correct because it has never previously experienced such a change in demand, and as a consequence, its ability to be predictive is uncertain. In addition, the duration of the pandemic is uncertain. Therefore, the Group has taken, and plans to take further actions to manage its liquidity, including reducing capital expenditures, operating expenses and the number of vehicles in its fleet. The Group has no meaningful corporate debt maturities until 2023. As a result, based on current operational assumptions, the Group believes it has adequate liquidity beyond the next twelve months.

6. Subsequent Events

The Company has evaluated events through July 29, 2021 for consideration as a subsequent event to be included in the accompanying financial statements issued on July 29, 2021. No such events or transactions took place that would require disclosures herein.